

# City of Odessa, Texas



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended  
September 30, 2013

CITY OF ODESSA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Prepared by:

The Finance Department

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Director of Finance

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Financial Reporting Accountant

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## INTRODUCTORY SECTION



March 19, 2014

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, 2013. 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, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Odessa's financial statements for the fiscal year ended September 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Odessa was also part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state 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 and state 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**

Incorporated in April 1927, the City of Odessa is located in a thriving community along the western edge of the Permian Basin region. The community is well known geologically for both its flat terrain and its astonishing supply of oil and natural gas reserves. In fact, Odessa is often referred to as one of the largest oil producing

regions of Texas and the United States. With a population of approximately 111,270 residents, Odessa consists of 45.94 square miles of area land and it is uniquely positioned within Ector County, in an area between Dallas-Fort Worth and El Paso, along Interstate 20. The City of Odessa is empowered by State statute to extend its corporate limits by annexation, and such events occur when deemed appropriate by the governing City Council. The City of Odessa is also 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.

Presently, the City of Odessa operates under a home rule charter as a Council-Manager form of government. Policy-making and legislative authority are vested in the governing council that consists of a 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.** Odessa's local economy continues to thrive. High productivity and large employment gains are clearly evident in the energy, manufacturing, and construction sectors of the local and regional community. Accordingly, the economic impact of such gains resulted with a continuance of favorable performance trends within the community. Major expansions in oil and gas sector activities in Odessa have continued to facilitate a strong base of economic support for the regional community and such is evident by the prosperity noted in various markets. While other communities across our nation may have seen slow to moderate economic gains as they try to move toward recovery, the economic gains in the Odessa economy have been remarkably favorable and fairly incessant. This extraordinary position in economic performance is best noted by the City's sales tax revenue collections which continue to represent the City's largest source of revenue and reflect an increase of \$8.7 million dollars, or 27.5%, over the past 3 fiscal years.

Overall, the high level of energy service and production activities for the Odessa community have represented a huge gain by not only creating energy related jobs but adding to the employment base for retail, commercial and construction sectors as well. Odessa's employment activities revealed the unemployment rate was approximately 4% near the fiscal year end as new businesses were added to the community and area payrolls expanded with noted increases in average weekly wages as well. The strength of the employment base was also noticed by other communities across the nation as the Wall Street Journal in its November 2013 *Second Life for an Old Oil Field* article reported that high energy production activity helped West Texas cities display "some of the lowest unemployment rates across the country". Energy production activities revealed the U.S. rig count decreased slightly by 4.8%, from 1,848 rigs to 1,760 rigs at September 2013. However, the decrease in total rig counts for the West Texas region in relation to the U.S. total is not deemed significant when considering the average price of oil registered at \$106 a barrel at September 2013.

As mentioned earlier, the City realized extraordinary sales tax revenue collections throughout the entire 2013 fiscal year. Total year-end sales tax receipts were greater than budget by \$6,567,294 or 26% and mostly due to huge gains in Odessa's employment among the energy sector base. In addition, Odessa's housing market activities continued to reveal very favorable trends for the area. Sales of new and existing homes continued to reflect significant activity while an incessant demand for area housing lingered under the continued constraints of an extremely tight residential rental market. Likewise, single-family housing permits increased by 56% over the prior year and represented a solid value of approximately \$18.7 million in additions to the community by September 2013. The 2013 property values, for example, actually reflected an increase of 8.4% 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 2012-13 property tax rate for the City of Odessa reflected a one-cent decrease from the past fiscal year and was adopted at the rate of 51.2750 cents per \$100 of valuation.

Overall, the economic conditions as discussed above clearly indicate the local community is robust and has continued to experience many favorable economic gains. Numerous new commercial, retail, and residential developments and expansions were added to the community. For example, one of the largest commercial developments occurred within Odessa's Industrial District along Murphy Road and a single family redevelopment of approximately 20 lots occurred in central Odessa. Some large private residential developments were also completed during this past fiscal year including the Legado Estates and Renaissance Estates in north Odessa and the Andalucia Apartment complex along 52<sup>nd</sup> Street and North JBS Parkway. In addition, many new hotels and restaurants developments were constructed along 42<sup>nd</sup> Street and various other locations in Odessa. The Parks Legado Town Center project also progressed as planned and opened new shops in northeast Odessa along the Highway 191 Corridor. At present, there are numerous development projects and construction activities progressing throughout the city.

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 91 new jobs with a cumulative annual payroll estimated at \$5.1 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's alternative water supply solutions, as well as, 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, those proposals are still being reviewed and being considered as partnered efforts for the respective entities.

While community growth and economic gains are expected to remain present within the area, the need for an alternative water supply source continues to be 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 and the water supply issue has mildly improved. Increased rainfall over the prior year, coupled with city-wide conservation efforts, has greatly benefitted the community. Likewise, with successful economic development partnerships within the community, the City remains committed to work diligently to secure alternatives that both 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 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 2013 revealed great progress in the areas of major infrastructure and park improvements including the completion of Floyd Gwin Park and Sherwood Park renovations, the Water Tower Rehab project, and various Water and Sewer Line Replacement projects. Intergovernmental partnerships also facilitated continued operations of School Attendance Court. City efforts to facilitate public purpose goals regarding street improvements, park improvements, and water and sewer line improvements continue to be of high priority for the coming fiscal year. The City of Odessa will most certainly 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. Overall, all planned initiatives will reflect all collaborative efforts necessary to effectively enhance and improve the Odessa community with top priority for projects based upon City Council directives.

When considering long-term financial planning, the current economic environment offers great opportunities for the community. The environment not only demonstrates the economic strength of the energy sector within the Odessa community but it is also clearly evident the energy sector retains key influence that has brought extraordinary economic gains, prospects and challenges for the local community. Nonetheless, City officials are quite mindful of the primary source of the community's extraordinary economic trends and they are actively engaged in sound planning activities to guide the City's financial affairs. Accordingly, the City will continue to execute financial management strategies for the coming fiscal year that are 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, 2012. This was the twenty-seventh 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, 2012. 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. 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



Felicia Nzere  
Director of Finance



Government Finance Officers Association

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

Presented to

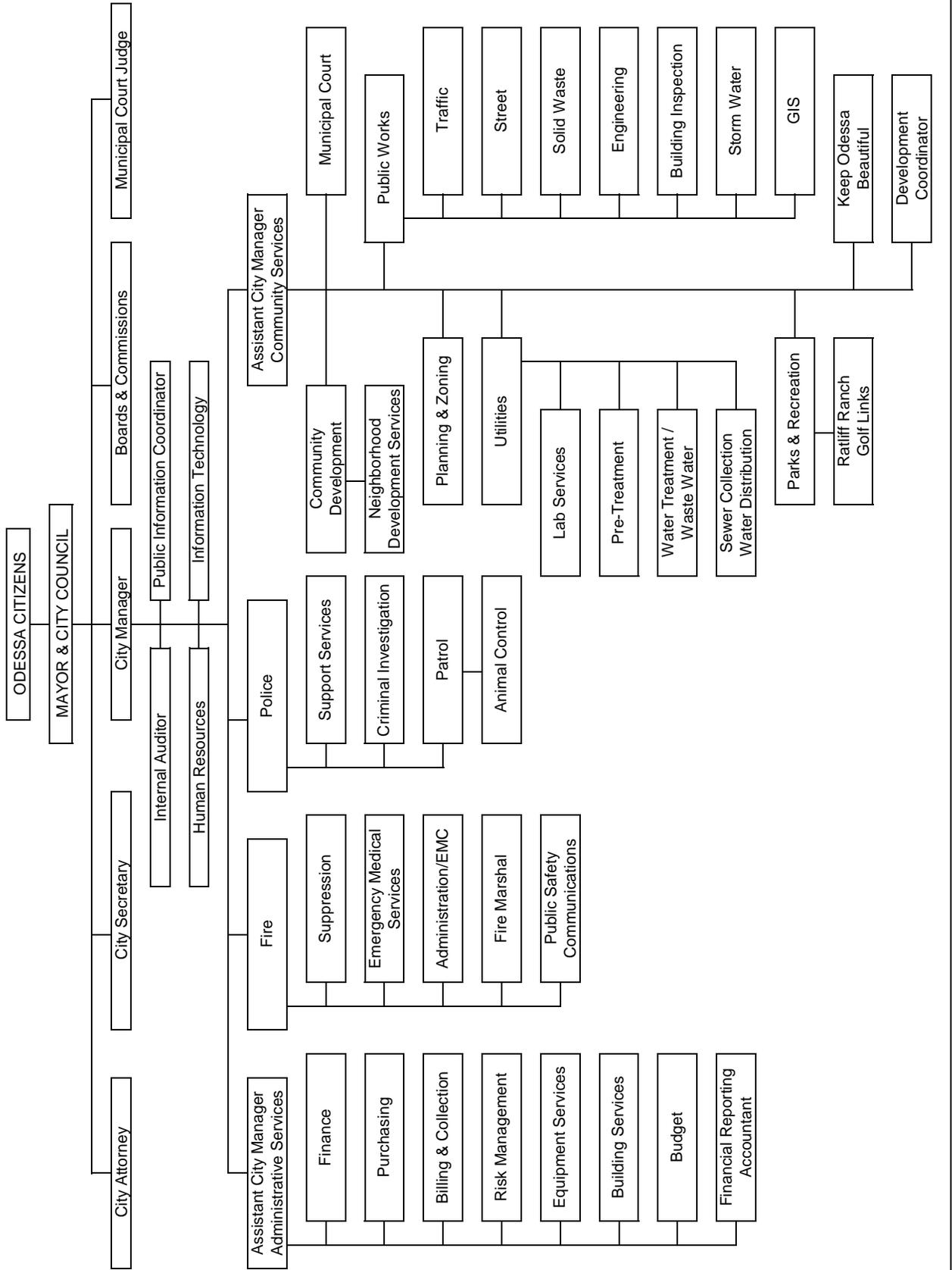
**City of Odessa  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO

# CITY OF ODESSA ORGANIZATION CHART



CITY OF ODESSA, TEXAS

CITY OFFICIALS

MAYOR

DAVID R. 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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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

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## **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, 2013 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.

## **Change in Accounting Principles**

As discussed in Note 1(R) to the financial statements, in 2013 the City adopted new guidance, GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 18 and schedule of funding progress on page 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 basic financial statements.



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

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

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014, which is available under a separate cover, on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

WEAVER AND TIDWELL, L.L.P.

Odessa, Texas  
March 19, 2014

# CITY OF ODESSA, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### As of September 30, 2013

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, 2013. 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 and deferred outflows of resources of the City of Odessa exceeded its liabilities at the close of the most recent fiscal year by \$219.3 million (net position). Of this amount \$62.3 million (unrestricted net position) may be used to meet the government's on-going obligations to citizens and creditors. The government's total net position increased \$31.2 million during the 2013 fiscal year. Accordingly, unrestricted net position increased by \$5.3 million or 9.3%.
- The City of Odessa's governmental funds reported an increase in fund balances of \$58.8 million over the previous year with combined ending fund balances of \$114.4 million as of the close of the current fiscal year. Approximately 25.2%, or \$28.8 million, of this total amount is available for spending at the government's discretion (unassigned fund balances). Within the remaining \$85.6 million, \$661,216 has been restricted for specific debt service requirements, \$66.4 million is restricted or nonspendable, and \$18.5 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 \$28.8 million, or 39.8%, 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 \$55.3 million and increased significantly by \$53.9 million at the close of the current fiscal year. The City issued certificates of obligation during the year in the amount of \$51,335,000.

#### **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 Position presents information on all of the City of Odessa's assets, deferred outflows of resources, and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation 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. Such information may be useful in evaluating a government's near-term financing requirements.

## **Fund Financial Statements (continued)**

### 1. Governmental Funds (continued)

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, insurance, and information technology 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 necessary to acquire 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 and OPEB benefits.

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 required supplementary information on pensions and OPEB.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Odessa, assets and deferred outflows of resources exceeded liabilities by \$219.3 million at the close of the fiscal year.

By far, the largest portion of the City of Odessa's net position, \$155.3 million, or 70.8%, 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 Position  
(In Millions)**

|                                  | Governmental Activities |               | Business-Type Activities |              | Total Primary Government |               |
|----------------------------------|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
|                                  | 2013                    | 2012          | 2013                     | 2012         | 2013                     | 2012          |
| Current & Other Assets           | \$ 135                  | \$ 77         | \$ 59                    | \$ 67        | \$ 194                   | \$ 144        |
| Capital Assets                   | 111                     | 92            | 119                      | 108          | 230                      | 200           |
| Total Assets                     | <u>246</u>              | <u>169</u>    | <u>178</u>               | <u>175</u>   | <u>424</u>               | <u>344</u>    |
| Deferred Outflows of Resources   | -                       | -             | -                        | -            | -                        | -             |
| Long-Term Liabilities            |                         |               |                          |              |                          |               |
| Outstanding                      | 103                     | 51            | 73                       | 77           | 176                      | 128           |
| Other Liabilities                | 16                      | 13            | 13                       | 15           | 29                       | 28            |
| Total Liabilities                | <u>119</u>              | <u>64</u>     | <u>86</u>                | <u>92</u>    | <u>205</u>               | <u>156</u>    |
| Net Investment in Capital Assets | 79                      | 58            | 76                       | 71           | 155                      | 129           |
| Restricted                       | 1                       | 1             | 1                        | 1            | 2                        | 2             |
| Unrestricted                     | 47                      | 46            | 15                       | 11           | 62                       | 57            |
| Total Net Position               | <u>\$ 127</u>           | <u>\$ 105</u> | <u>\$ 92</u>             | <u>\$ 83</u> | <u>\$ 219</u>            | <u>\$ 188</u> |

An additional portion of the City of Odessa's net position (\$2 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$62 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 position, 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 position increased by approximately \$31.2 million. Governmental type activities had an increase of \$22.0 million; and the business-type activities had a \$9.2 million increase. The total revenues increased to \$174.0 million, which was 24.4% more than the previous year. Total expenses increased to \$141.5 million, which was an increase of \$15.8 million or 12.6%. The net increase to the government's net position of \$31.2 million was \$17.1 million more than the previous year's amount of \$14.1 million.

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

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

|  | Governmental<br>Activites |                   | Business-Type<br>Activities |                  | Total Primary<br>Government |                   |
|--|---------------------------|-------------------|-----------------------------|------------------|-----------------------------|-------------------|
|  | 2013                      | 2012              | 2013                        | 2012             | 2013                        | 2012              |
| Program Revenues:                                      |                           |                   |                             |                  |                             |                   |
| Charges for Services                                   | \$ 9,032                  | \$ 8,663          | \$ 61,244                   | \$ 50,270        | \$ 70,276                   | \$ 58,933         |
| Operating Grants                                       |                           |                   |                             |                  |                             |                   |
| Contributions  | 9,770                     | 5,297             | -                           | -                | 9,770                       | 5,297             |
| Capital Grants &<br>Contributions                      | 12,036                    | 2,368             | 7,723                       | 4,376            | 19,759                      | 6,744             |
| General Revenues:                                      |                           |                   |                             |                  |                             |                   |
| Property Taxes   | 23,499                    | 21,670            | -                           | -                | 23,499                      | 21,670            |
| Sales Taxes  | 31,807                    | 28,591            | -                           | -                | 31,807                      | 28,591            |
| Other Taxes  | 15,215                    | 15,168            | -                           | -                | 15,215                      | 15,168            |
| Other Revenues   | 3,530                     | 3,269             | 103                         | 157              | 3,633                       | 3,426             |
| <b>Total Revenues</b>                                  | <b>104,889</b>            | <b>85,026</b>     | <b>69,070</b>               | <b>54,803</b>    | <b>173,959</b>              | <b>139,829</b>    |
| General Government                                     | 4,957                     | 4,280             | -                           | -                | 4,957                       | 4,280             |
| Finance  | 1,505                     | 985               | -                           | -                | 1,505                       | 985               |
| Public Works   | 20,508                    | 14,805            | -                           | -                | 20,508                      | 14,805            |
| Planning & Inspection                                  | 852                       | 785               | -                           | -                | 852                         | 785               |
| Public Safety  | 42,924                    | 39,051            | -                           | -                | 42,924                      | 39,051            |
| Welfare  | 1,344                     | 1,106             | -                           | -                | 1,344                       | 1,106             |
| Culture & Recreation                                   | 8,147                     | 7,040             | -                           | -                | 8,147                       | 7,040             |
| Interest on Long-Term<br>Debt                          | 2,001                     | 1,607             | -                           | -                | 2,001                       | 1,607             |
| Water & Sewer  | -                         | -                 | 46,220                      | 43,282           | 46,220                      | 43,282            |
| Solid Waste  | -                         | -                 | 10,568                      | 10,496           | 10,568                      | 10,496            |
| Ratliff Golf Course                                    | -                         | -                 | 1,718                       | 1,679            | 1,718                       | 1,679             |
| Liquid Waste   | -                         | -                 | 11                          | 13               | 11                          | 13                |
| Storm Water  | -                         | -                 | 714                         | 559              | 714                         | 559               |
| <b>Total Expenses</b>                                  | <b>82,238</b>             | <b>69,659</b>     | <b>59,231</b>               | <b>56,029</b>    | <b>141,469</b>              | <b>125,688</b>    |
| Increase(Decrease) in Net<br>Position Before Transfers | 22,651                    | 15,367            | 9,839                       | (1,226)          | 32,490                      | 14,141            |
| Transfers  | (200)                     | (2,305)           | 200                         | 2,305            | -                           | -                 |
| <b>Increase in Net Position</b>                        | <b>22,451</b>             | <b>13,062</b>     | <b>10,039</b>               | <b>1,079</b>     | <b>32,490</b>               | <b>14,141</b>     |
| Net Position-Beginning, as<br>previously reported      | 104,943                   | 91,881            | 83,105                      | 82,026           | 188,048                     | 173,907           |
| Prior Period Adjustment                                | (477)                     | -                 | (786)                       | -                | (1,263)                     | -                 |
| Net Position-Beginning, as<br>restated                 | 104,466                   | 91,881            | 82,319                      | 82,026           | 186,785                     | 173,907           |
| <b>Net Position-Ending</b>                             | <b>\$ 126,917</b>         | <b>\$ 104,943</b> | <b>\$ 92,358</b>            | <b>\$ 83,105</b> | <b>\$ 219,275</b>           | <b>\$ 188,048</b> |

## Governmental Activities

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

|                                      | <u>2013</u>      | <u>2012</u>      | <u>Variance</u> |
|--------------------------------------|------------------|------------------|-----------------|
| Property Tax, Penalties and Interest | \$ 23,499        | \$ 21,670        | \$ 1,829        |
| Sales Taxes                          | 31,807           | 28,591           | 3,216           |
| Franchise & Gross Receipts           | 9,833            | 9,924            | (91)            |
| Hotel-Motel Taxes                    | 5,382            | 5,244            | 138             |
| Industrial Taxes                     | 3,286            | 2,885            | 401             |
| Unrestricted Investment Income/Misc. | 244              | 384              | (140)           |
| Transfers                            | (200)            | (2,305)          | 2,105           |
| Total General Revenues and Transfers | <u>\$ 73,851</u> | <u>\$ 66,393</u> | <u>\$ 7,458</u> |

The City of Odessa's general revenues and transfers provided \$73.9 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 \$30.8 million and were used to pay expenses associated with governmental activities of \$82.2 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 2013, property taxes generated \$23.5 million and reflected an increase of \$1.8 million over the previous year. Property tax collections were derived from growth in the property tax base that increased to \$4.5 billion during the year and was combined with a property tax rate of \$0.51275 per hundred dollars valuation, a decreased rate from the previous year. Sales taxes revenues generated \$31.8 million, which was more than budget by approximately \$6.6 million. Franchise and gross receipts taxes contributed \$9.8 million to operations, which was a decrease from last year by \$91 thousand. The total charges for services came in at \$9.0 million with the majority coming from public safety in the amount of \$7.1 million. Hotel-motel taxes income provided an additional \$5.4 million, which is an increase over the prior year of \$.2 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 \$42.9 million represents 52.2% of all combined governmental activities expenses.

## **Business-Type Activities**

Net position from business-type activities totaled \$92.4 million at the close of the fiscal year and reflected a 11.2% increase from the prior year. Revenues of business-type activities contributed \$69.1 million to the operations of the City of Odessa. Expenses associated with these activities totaled \$59.2 million. This resulted in an increase to the City's net position of \$9.3 million from business-type activities.

The major components of the revenue stream for business-type activities represent Water and Sewer revenues of \$48.4 million and Solid Waste revenues of \$10.6 million. Investment earnings were lower in the current fiscal year, and represented only \$0.1 million of the revenue component of business-type activities for the City of Odessa. Meanwhile, grants and contributions revenues totaled \$7.7 million as compared to \$4.4 million during the prior year. The Ratliff Golf Course depicted revenues of \$1.4 million.

Water and Sewer had \$46.2 million in expenses coupled with a positive position of \$9.8 million net revenues over expenses for the current fiscal year end. Solid Waste expenses were \$10.6 million and resulted in an excess of revenues over expenses totaling \$71,577. The Ratliff Ranch Golf Course had expenses of \$1.7 million, a transfer in of \$0.2 million and resulted in a deficit of revenues over expenses totaling \$(50,349).

## **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, 2013, the City of Odessa's governmental funds reported combined ending fund balance of \$114.4 million, an increase of \$58.8 million in comparison with the prior year. Approximately 25.5% of this total amount, \$28.8 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 \$28.8 million, while total fund balance reached \$46.6 million. Within the General Fund's unassigned fund balance, the City maintains a 60-day contingency balance of \$12,186,079 and a 25-day budget stabilization balance of \$5,077,533. 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 39.8% of total General Fund expenditures, while total fund balance represents 64.4% of that same amount. Fund balance of the City's General Fund increased by \$2.0 million during the current fiscal year. Some reasons for the 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 \$55.5 million. Of that amount \$54.6 million is restricted for capital outlay and construction; and \$0.7 million is reported as assigned. The net increase in fund balance during the current year for the Capital Projects Fund was \$53.9 million, due to the issuance of certificates of obligation in the amount of \$51.3 million to be used for improvements to parks, streets, drainage, curbs and gutters.

### 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 position of the Water and Sewer Fund at the end of the year amounted to \$82.6 million. The total change in net position was an increase of \$8.5 million. Major factors impacting this change include operating income of \$5.0 million, \$7.7 million in capital contributions, and \$(3.5) million in interest expense. Operating income was \$7.5 million higher in 2013 than it was in 2012. This increase is attributable to a significant water rate increase that went into effect at the beginning of the fiscal year.

Unrestricted net position of the Solid Waste Fund at the end of the year totaled \$610,331. The change in net position from the previous fiscal year was a \$52,677 increase.

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 no changes in budgeted revenues for the year. Actual revenues exceeded the final revenue budget by \$8.6 million during the fiscal year as depicted below.

**General Fund Budgetary Highlights (continued)**

|                                    | Final Budget         | Actual               | Variance Over (Under) |
|------------------------------------|----------------------|----------------------|-----------------------|
| Property Tax, Penalties & Interest | \$ 20,112,788        | \$ 20,607,189        | \$ 494,401            |
| City Sales Tax                     | 25,240,023           | 31,807,317           | 6,567,294             |
| Franchise & Gross Receipts         | 9,219,360            | 9,833,158            | 613,798               |
| Fines & Forfeitures                | 3,294,600            | 2,884,023            | (410,577)             |
| Permits & Licenses                 | 491,000              | 1,448,932            | 957,932               |
| Investment Income                  | 100,000              | 106,287              | 6,287                 |
| Industrial Contracts               | 2,706,000            | 3,285,615            | 579,615               |
| Other                              | 3,552,900            | 3,246,586            | (306,314)             |
| Intergovernmental                  | 1,046,847            | 1,154,831            | 107,984               |
| <b>Total Revenues</b>              | <b>\$ 65,763,518</b> | <b>\$ 74,373,938</b> | <b>\$ 8,610,420</b>   |

City sales tax made up 76% of this favorable variance as the economy in Odessa continues to thrive. 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 \$24,450,734 and can be briefly summarized, in thousands of dollars, as follows:

- \$ 158 increase in general government activities
- \$ 1,391 increase in finances service activities
- \$ 194 increase in public works activities
- \$ 937 increase in public safety activities
- \$ 20 increase in planning and inspection activities
- \$ 167 increase in culture and recreation activities
- \$ 21,613 increase in capital outlays

Approximately \$16.7 million of this increase relates to encumbrances and obligated projects carryover, \$6.5 million is attributable to one-time supplemental requests approved by the governing body during the fiscal year, and \$1.2 million was approved as an increase in longevity pay.

With the adjustments made during fiscal year 2013, the actual expenditures were \$72.4 million as compared to the final budget amount of \$89.9 million causing a positive variance of \$17.5 million. The majority of this variance (93.2%) 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 2013 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, 2013, amounts to \$229.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, furniture and office equipment, data processing equipment, automotive equipment, and radio and communication equipment.

Construction in progress as of September 30, 2013 was \$4.2 million in the governmental activities and \$7.4 million in the business type activities for a total of \$11.6 million. 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, 2013**  
**(Net of Depreciation, in Thousands)**

|                                      | Governmental<br>Activities |                  | Business-Type<br>Activities |                   | Total Primary<br>Government |                   |
|--------------------------------------|----------------------------|------------------|-----------------------------|-------------------|-----------------------------|-------------------|
|                                      | 2013                       | 2012             | 2013                        | 2012              | 2013                        | 2012              |
| Land                                 | \$ 22,797                  | \$ 20,185        | \$ 458                      | \$ 458            | \$ 23,255                   | \$ 20,643         |
| Buildings                            | 10,441                     | 10,929           | 3,673                       | 3,932             | 14,114                      | 14,861            |
| Improvements other than<br>Buildings | 23,735                     | 23,541           | 30,280                      | 28,992            | 54,015                      | 52,533            |
| Infrastructure                       | 34,889                     | 24,647           | 76,466                      | 56,973            | 111,355                     | 81,620            |
| Furniture & Office<br>Equipment      | 64                         | 42               | 2                           | 3                 | 66                          | 45                |
| Machinery & Equipment                | 1,076                      | 1,162            | 345                         | 368               | 1,421                       | 1,530             |
| Data Processing Equipment            | 778                        | 272              | 8                           | 28                | 786                         | 300               |
| Automotive Equipment                 | 11,526                     | 8,202            | -                           | -                 | 11,526                      | 8,202             |
| Radio & Communications<br>Equipment  | 1,279                      | 1,432            | -                           | -                 | 1,279                       | 1,432             |
| Construction in Progress             | 4,184                      | 1,130            | 7,373                       | 16,917            | 11,557                      | 18,047            |
| Totals                               | <u>\$ 110,769</u>          | <u>\$ 91,542</u> | <u>\$ 118,605</u>           | <u>\$ 107,671</u> | <u>\$ 229,374</u>           | <u>\$ 199,213</u> |

The following major capital projects were completed during fiscal year 2013:

#### Governmental Projects

- Floyd Gwin Park Renovations
- Sherwood Park Renovations
- Sections of the East Drainage
- Street Reconstruction
- Overwidth Paving
- Water well for Parks

#### Water and Sewer Projects

- Water Meter Replacements
- Water Line Replacements
- Sewer Line Replacements
- Water Tower Rehab

**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 \$152.1 million. Of this amount, \$80.7 million is governmental-type tax supported debt. Water and Sewer system revenues support \$71.4 million of business-type activity debt.

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

|   | Governmental<br>Activities |                  | Business-Type<br>Activities |                  | Total Primary<br>Government |                   |
|---|----------------------------|------------------|-----------------------------|------------------|-----------------------------|-------------------|
|   | 2013                       | 2012             | 2013                        | 2012             | 2013                        | 2012              |
| Certificates of<br>Obligation Serviced    | \$ 67,690                  | \$ 17,055        | \$ 62,855                   | \$ 62,855        | \$ 130,545                  | \$ 79,910         |
| Refunding General<br>Obligations Serviced | 12,980                     | 13,965           | 8,595                       | 12,650           | 21,575                      | 26,615            |
| Totals                                    | <u>\$ 80,670</u>           | <u>\$ 31,020</u> | <u>\$ 71,450</u>            | <u>\$ 75,505</u> | <u>\$ 152,120</u>           | <u>\$ 106,525</u> |

The City of Odessa's total bonded debt increased \$45.6 million during the current fiscal year. Debt serviced by governmental type activities increased by \$49.7 million, while debt serviced by business-type activities decreased by \$4.1 million. New debt in the amount of \$6.8 million was issued in 2012 to refund certain 2001 and 2004 certificates of obligation. New debt was issued again in 2013 in the amount of \$51.3 million, for the purpose of improving City parks, drainage, curbs and gutters, paving and streets.

The City maintains a rating of "Aa2" 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 struggling 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 are 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 2014 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 2014 fiscal year total \$176.2 million. This amount represents \$12.0 million, or 7.3%, increase above the 2013 fiscal year budget of \$164.2 million. Changes in expenditures reflected are noted as follows, in millions:

- \$ 3.3 increase in the General Fund
- \$ 0.9 increase in the Water and Sewer Fund
- \$ 2.4 increase in the Solid Waste Fund
- \$ 0.3 increase in the Information Technology Fund
- \$ 0.4 increase in the Risk Management Fund
- \$ 4.0 increase in the Debt Service Fund
- \$ 0.6 increase in Convention and Visitors Fund
- \$ 0.2 increase in the Golf Course Fund
- \$ (0.1) decrease in the Community Development Fund

Total revenues for the 2014 fiscal year are projected at \$174.4 million; an amount that exceeds last year's adopted budget by \$12.9 million, or 8.0%. The more significant revenue changes are derived from several sources including;

- \$ 3.3 increase in the General Fund
- \$ 0.7 increase in the Water and Sewer Fund
- \$ 2.4 increase in the Solid Waste Fund
- \$ 2.0 increase in the Equipment Service Fund
- \$ 0.1 increase in the Information Technology Fund
- \$ 0.2 increase in the Risk Management Fund
- \$ 4.0 increase in the Debt Service Fund
- \$ 0.2 increase in the Golf Course Fund
- \$ (0.1) decrease in the Community Development Fund

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

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 14.1% more than the prior year as actual sales tax for 2013 came in \$3.2 million, higher than 2012.

General Fund revenues for the 2014 fiscal year are budgeted at \$74.1 million. The increase over the prior year primarily consists of \$3.5 million increase in sales tax revenue and a slight 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 maintain its previous year tax rate at 51.275 cents per \$100 valuation.

Expenditures projected for the 2014 General Fund total \$74.1 million. This amount yields a balanced budget for 2014, yet reflects a \$3.3 million, or 4.7% 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
- compensation changes
- addition of eighteen full-time positions
- increased fleet maintenance and replacement cost
- transfer of a portion of Neighborhood Development Services from the Community Development Fund to the General Fund

The combined balance of the assigned and unassigned fund balances of the General Fund of \$46.6 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 \$45.6 million and reflect an increase of \$.7 million, or 1.6%, above revenues budgeted for 2013. There was an increase to the rates in 2013 and those rates remain in effect. The 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 \$45.6 million with a \$.9 million, or 2.0%, 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.

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

In the Solid Waste Fund, budgeted revenues are projected at \$12.8 million and expenditures are estimated at \$12.9 million. Budgeted revenues reflect a \$2.4 million increase, due to an approximate 21% rate increase that went into effect for the 2014 year. Budgeted expenditures reflected a \$2.4 million increase as well. This increase will provide for new equipment as well as to increased positions.

The Golf Course Fund reflects slight increases in proposed activities for the 2014 fiscal year. The Ratliff Ranch Golf Course completed its fifth full year of operations as of August 2013. Increased usage at the slightly increased rate for 2014, are expected to provide an increased revenue stream in the next few years. At present, operating revenues are budgeted at \$1.6 million and expenses are budget at \$1.6 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 City Manager, City of Odessa, P.O. Box 4398, Odessa, Texas, 79760-4398.

## BASIC FINANCIAL STATEMENTS

**CITY OF ODESSA, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2013**

|  | Primary Government         |                             |                       | Component Unit                       |
|--|----------------------------|-----------------------------|-----------------------|--------------------------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                 | Odessa<br>Development<br>Corporation |
| <b>ASSETS</b>  |                            |                             |                       |                                      |
| Cash and Investments                                 | \$ 126,390,152             | \$ 45,426,663               | \$ 171,816,815        | \$ 21,095,201                        |
| Receivables (Net of<br>Allowance for Uncollectibles) | 12,769,369                 | 5,157,898                   | 17,927,267            | 1,430,692                            |
| Internal Balances                                    | (5,328,981)                | 5,328,981                   | -                     | -                                    |
| Inventories  | 6,073                      | 474,827                     | 480,900               | -                                    |
| Restricted Assets:                                   |                            |                             |                       |                                      |
| Cash and Investments                                 | -                          | 3,081,231                   | 3,081,231             | -                                    |
| Property Held for Sale                               | 1,152,744                  | -                           | 1,152,744             | -                                    |
| Capital Assets (Net of<br>Accumulated Depreciation): |                            |                             |                       |                                      |
| Land   | 22,797,005                 | 458,208                     | 23,255,213            | -                                    |
| Buildings  | 10,441,293                 | 3,672,468                   | 14,113,761            | -                                    |
| Improvements   | 23,734,808                 | 30,279,822                  | 54,014,630            | -                                    |
| Infrastructure                                       | 34,888,902                 | 76,465,948                  | 111,354,850           | -                                    |
| Furniture and Office Equipment                       | 64,411                     | 2,446                       | 66,857                | -                                    |
| Machinery and Equipment                              | 1,075,953                  | 345,012                     | 1,420,965             | -                                    |
| Data Processing Equipment                            | 778,253                    | 8,400                       | 786,653               | -                                    |
| Automotive Equipment                                 | 11,526,009                 | -                           | 11,526,009            | -                                    |
| Radio and Communication Equipment                    | 1,278,650                  | -                           | 1,278,650             | -                                    |
| Construction-in-Progress                             | 4,184,198                  | 7,373,108                   | 11,557,306            | -                                    |
| <b>TOTAL ASSETS</b>                                  | <b>245,758,839</b>         | <b>178,075,012</b>          | <b>423,833,851</b>    | <b>22,525,893</b>                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                |                            |                             |                       |                                      |
| Deferred charge on Refunding                         | 466,611                    | 18,906                      | 485,517               | -                                    |
| <b>TOTAL DEFERRED OUTFLOWS OF<br/>RESOURCES</b>      | <b>466,611</b>             | <b>18,906</b>               | <b>485,517</b>        | <b>-</b>                             |
| <b>LIABILITIES</b>                                   |                            |                             |                       |                                      |
| Accounts Payable and Other Current Liabilities       | 8,729,476                  | 5,291,857                   | 14,021,333            | 61,304                               |
| Accrued Interest Payable                             | 215,744                    | 282,654                     | 498,398               | -                                    |
| Unearned Revenue                                     | -                          | 2,879,416                   | 2,879,416             | -                                    |
| Noncurrent Liabilities:                              |                            |                             |                       |                                      |
| Due Within One Year                                  | 7,230,327                  | 4,545,925                   | 11,776,252            | -                                    |
| Due in More Than One Year                            | 103,132,679                | 72,735,811                  | 175,868,490           | -                                    |
| <b>TOTAL LIABILITIES</b>                             | <b>119,308,226</b>         | <b>85,735,663</b>           | <b>205,043,889</b>    | <b>61,304</b>                        |
| <b>NET POSITION</b>                                  |                            |                             |                       |                                      |
| Net Investment in Capital Assets                     | 78,928,482                 | 76,417,777                  | 155,346,259           | -                                    |
| Restricted for:                                      |                            |                             |                       |                                      |
| Debt Service   | 661,216                    | -                           | 661,216               | -                                    |
| Rate Stabilization                                   | -                          | 1,000,000                   | 1,000,000             | -                                    |
| Unrestricted   | 47,327,526                 | 14,940,478                  | 62,268,004            | 22,464,589                           |
| <b>TOTAL NET POSITION</b>                            | <b>\$ 126,917,224</b>      | <b>\$ 92,358,255</b>        | <b>\$ 219,275,479</b> | <b>\$ 22,464,589</b>                 |

The accompanying notes are an integral part  
of these financial statements

**CITY OF ODESSA, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2013**

| Functions/Programs                      | Program Revenues      |                      |                                    |                                  |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|
|   | Expenses              | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government:</b>              |                       |                      |                                    |                                  |
| Governmental Activities:                |                       |                      |                                    |                                  |
| General Government                      | \$ 4,956,868          | \$ 410,723           | \$ -                               | \$ -                             |
| Finance                                 | 1,505,331             | 214,231              | -                                  | -                                |
| Public Works                            | 20,508,014            | 270,278              | 7,878,178                          | 11,965,870                       |
| Planning and Inspection                 | 852,050               | 894,857              | -                                  | -                                |
| Public Safety                           | 42,924,590            | 7,129,828            | 592,517                            | 70,570                           |
| Welfare                                 | 1,344,043             | -                    | 1,299,216                          | -                                |
| Culture and Recreation                  | 8,146,726             | 111,833              | -                                  | -                                |
| Interest on Long-term Debt & Bond Costs | 2,000,685             | -                    | -                                  | -                                |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>    | <b>82,238,307</b>     | <b>9,031,750</b>     | <b>9,769,911</b>                   | <b>12,036,440</b>                |
| Business-Type Activities:               |                       |                      |                                    |                                  |
| Water and Sewer                         | 46,220,245            | 48,351,897           | -                                  | 7,701,615                        |
| Solid Waste                             | 10,567,831            | 10,618,107           | -                                  | -                                |
| Ratliff Golf Course                     | 1,717,376             | 1,445,726            | -                                  | 21,301                           |
| Liquid Waste                            | 10,997                | 100,971              | -                                  | -                                |
| Storm Water                             | 714,340               | 727,691              | -                                  | -                                |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b>   | <b>59,230,789</b>     | <b>61,244,392</b>    | <b>-</b>                           | <b>7,722,916</b>                 |
| <b>TOTAL PRIMARY GOVERNMENT</b>         | <b>\$ 141,469,096</b> | <b>\$ 70,276,142</b> | <b>\$ 9,769,911</b>                | <b>\$ 19,759,356</b>             |
| <b>Component Unit:</b>                  |                       |                      |                                    |                                  |
| Odessa Development Corporation          | \$ 3,402,527          | \$ -                 | \$ -                               | \$ -                             |
| <b>TOTAL COMPONENT UNITS</b>            | <b>\$ 3,402,527</b>   | <b>\$ -</b>          | <b>\$ -</b>                        | <b>\$ -</b>                      |

General Revenues:

Property Taxes  
Sales Taxes  
Franchise and Gross Receipts Taxes  
Hotel-Taxes  
Industrial Contracts  
Unrestricted Investment Earnings  
Miscellaneous  
Transfers

TOTAL GENERAL REVENUES AND TRANSFERS

**CHANGE IN NET POSITION**

**NET POSITION - BEGINNING OF THE YEAR, as previously reported**

Prior Period Adjustment - Change in Accounting Principle

**NET POSITION - BEGINNING OF THE YEAR, as restated**

**NET POSITION - END OF THE YEAR**

Net (Expense) Revenue and  
Changes in Net Position

| Primary Government         |                             |                       | Component Unit                       |
|----------------------------|-----------------------------|-----------------------|--------------------------------------|
| Governmental<br>Activities | Business-type<br>Activities | Total                 | Odessa<br>Development<br>Corporation |
| \$ (4,546,145)             | \$ -                        | \$ (4,546,145)        | \$ -                                 |
| (1,291,100)                | -                           | (1,291,100)           | -                                    |
| (393,688)                  | -                           | (393,688)             | -                                    |
| 42,807                     | -                           | 42,807                | -                                    |
| (35,131,675)               | -                           | (35,131,675)          | -                                    |
| (44,827)                   | -                           | (44,827)              | -                                    |
| (8,034,893)                | -                           | (8,034,893)           | -                                    |
| (2,000,685)                | -                           | (2,000,685)           | -                                    |
| <u>(51,400,206)</u>        | <u>-</u>                    | <u>(51,400,206)</u>   | <u>-</u>                             |
| -                          | 9,833,267                   | 9,833,267             | -                                    |
| -                          | 50,276                      | 50,276                | -                                    |
| -                          | (250,349)                   | (250,349)             | -                                    |
| -                          | 89,974                      | 89,974                | -                                    |
| -                          | 13,351                      | 13,351                | -                                    |
| <u>-</u>                   | <u>9,736,519</u>            | <u>9,736,519</u>      | <u>-</u>                             |
| (51,400,206)               | 9,736,519                   | (41,663,687)          | -                                    |
| -                          | -                           | -                     | 3,402,527                            |
| <u>-</u>                   | <u>-</u>                    | <u>-</u>              | <u>3,402,527</u>                     |
| 23,498,496                 | -                           | 23,498,496            | -                                    |
| 31,807,317                 | -                           | 31,807,317            | 8,057,409                            |
| 9,833,158                  | -                           | 9,833,158             | -                                    |
| 5,382,248                  | -                           | 5,382,248             | -                                    |
| 3,285,615                  | -                           | 3,285,615             | -                                    |
| 216,151                    | 102,867                     | 319,018               | (23,713)                             |
| 28,340                     | -                           | 28,340                | -                                    |
| (200,000)                  | 200,000                     | -                     | -                                    |
| <u>73,851,325</u>          | <u>302,867</u>              | <u>74,154,192</u>     | <u>8,033,696</u>                     |
| <u>22,451,119</u>          | <u>10,039,386</u>           | <u>32,490,505</u>     | <u>4,631,169</u>                     |
| 104,943,024                | 83,104,613                  | 188,047,637           | 17,833,420                           |
| (476,919)                  | (785,744)                   | (1,262,663)           | -                                    |
| <u>104,466,105</u>         | <u>82,318,869</u>           | <u>186,784,974</u>    | <u>17,833,420</u>                    |
| <u>\$ 126,917,224</u>      | <u>\$ 92,358,255</u>        | <u>\$ 219,275,479</u> | <u>\$ 22,464,589</u>                 |

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

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**CITY OF ODESSA, TEXAS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2013**

|  | General<br>Fund | Capital<br>Projects<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------|-----------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>  |                 |                             |                                   |                                |
| Cash and Investments   | \$ 44,700,468   | \$ 55,433,821               | \$ 11,480,651                     | \$ 111,614,940                 |
| Receivables, net of Allowance for Uncollectibles                               |                 |                             |                                   |                                |
| Property Taxes   | 1,359,578       | -                           | -                                 | 1,359,578                      |
| Accounts Receivable  | 9,832,415       | 40,302                      | 1,442,284                         | 11,315,001                     |
| Other  | 91,959          | -                           | -                                 | 91,959                         |
| Interfund Receivables  | 251,148         | -                           | -                                 | 251,148                        |
| Inventories  | 6,073           | -                           | -                                 | 6,073                          |
| Property Held for Sale   | -               | -                           | 1,152,744                         | 1,152,744                      |
|  |                 |                             |                                   |                                |
| TOTAL ASSETS   | \$ 56,241,641   | \$ 55,474,123               | \$ 14,075,679                     | \$ 125,791,443                 |
| <b>LIABILITIES</b>   |                 |                             |                                   |                                |
| Accounts Payable   | \$ 1,745,646    | \$ 124,677                  | \$ 1,336,472                      | \$ 3,206,795                   |
| Accrued Payroll  | 1,897,958       | -                           | 25,973                            | 1,923,931                      |
| Interfund Payable  | 300,633         | 9,500                       | 241,648                           | 551,781                        |
| Other  | 620,017         | 25,389                      | -                                 | 645,406                        |
|  |                 |                             |                                   |                                |
| TOTAL LIABILITIES  | 4,564,254       | 159,566                     | 1,604,093                         | 6,327,913                      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                 |                             |                                   |                                |
| Unavailable Revenue - Property Tax   | 1,260,975       | -                           | -                                 | 1,260,975                      |
| Unavailable Revenue - Other Revenues   | 3,799,895       | -                           | -                                 | 3,799,895                      |
|  |                 |                             |                                   |                                |
| TOTAL DEFERRED INFLOWS OF RESOURCES  | 5,060,870       | -                           | -                                 | 5,060,870                      |
| <b>FUND BALANCES</b>   |                 |                             |                                   |                                |
| Nonspendable   | 6,073           | -                           | -                                 | 6,073                          |
| Restricted   | -               | 54,583,451                  | 12,471,586                        | 67,055,037                     |
| Assigned   | 17,775,677      | 731,106                     | -                                 | 18,506,783                     |
| Unassigned   | 28,834,767      | -                           | -                                 | 28,834,767                     |
|  |                 |                             |                                   |                                |
| TOTAL FUND BALANCES  | 46,616,517      | 55,314,557                  | 12,471,586                        | 114,402,660                    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND BALANCES</b> |                 |                             |                                   |                                |
|  | \$ 56,241,641   | \$ 55,474,123               | \$ 14,075,679                     |                                |

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

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

97,085,282

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

5,060,870

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 position.

19,357,947

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(108,989,535)

Net Position of Governmental Activities

\$ 126,917,224

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, 2013**

|  | General<br>Fund   | Capital<br>Projects<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|-----------------------------|-----------------------------------|--------------------------------|
| <b>REVENUES</b>  |                   |                             |                                   |                                |
| Property Tax, Penalties and Interest                                       | \$ 20,607,189     | \$ -                        | \$ 2,907,949                      | \$ 23,515,138                  |
| City Sales Tax   | 31,807,317        | -                           | -                                 | 31,807,317                     |
| Franchise and Gross Receipts   | 9,833,158         | -                           | -                                 | 9,833,158                      |
| Fines and Forfeitures  | 2,884,023         | -                           | 135,129                           | 3,019,152                      |
| Permits and Licenses   | 1,448,932         | -                           | -                                 | 1,448,932                      |
| Grants and Entitlements  | -                 | -                           | 9,623,440                         | 9,623,440                      |
| Hotel and Motel Occupancy Tax  | -                 | -                           | 5,382,248                         | 5,382,248                      |
| Investment Income  | 106,287           | 8,481                       | 21,619                            | 136,387                        |
| Donations  | -                 | -                           | 5,984                             | 5,984                          |
| Industrial Contracts   | 3,285,615         | -                           | -                                 | 3,285,615                      |
| Other  | 3,246,586         | 206,341                     | 45,599                            | 3,498,526                      |
| Intergovernmental  | 1,154,831         | -                           | -                                 | 1,154,831                      |
| Sale of Confiscated Property   | -                 | -                           | 106,731                           | 106,731                        |
| <b>TOTAL REVENUES</b>  | <b>74,373,938</b> | <b>214,822</b>              | <b>18,228,699</b>                 | <b>92,817,459</b>              |
| <b>EXPENDITURES</b>  |                   |                             |                                   |                                |
| Current  |                   |                             |                                   |                                |
| General Government   | 4,614,981         | -                           | -                                 | 4,614,981                      |
| Finance  | 1,177,677         | -                           | 254,999                           | 1,432,676                      |
| Public Works   | 10,642,131        | -                           | 7,733,432                         | 18,375,563                     |
| Planning and Inspection  | 943,643           | -                           | -                                 | 943,643                        |
| Public Safety  | 40,776,428        | -                           | 469,370                           | 41,245,798                     |
| Welfare  | -                 | -                           | 1,279,237                         | 1,279,237                      |
| Culture and Recreation   | 4,701,794         | 34,444                      | 2,432,138                         | 7,168,376                      |
| <b>TOTAL CURRENT</b>   | <b>62,856,654</b> | <b>34,444</b>               | <b>12,169,176</b>                 | <b>75,060,274</b>              |
| Debt Service   |                   |                             |                                   |                                |
| Principal Retirement   | 1,052,129         | -                           | 1,685,000                         | 2,737,129                      |
| Bond Issuance Costs  | -                 | 495,331                     | -                                 | 495,331                        |
| Interest and Fiscal Charges  | 280,601           | -                           | 1,221,505                         | 1,502,106                      |
| <b>TOTAL DEBT SERVICE</b>  | <b>1,332,730</b>  | <b>495,331</b>              | <b>2,906,505</b>                  | <b>4,734,566</b>               |
| Capital Outlay   | 8,224,245         | 157,373                     | 276,507                           | 8,658,125                      |
| <b>TOTAL EXPENDITURES</b>  | <b>72,413,629</b> | <b>687,148</b>              | <b>15,352,188</b>                 | <b>88,452,965</b>              |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (Carried Forward)</b> | <b>1,960,309</b>  | <b>(472,326)</b>            | <b>2,876,511</b>                  | <b>4,364,494</b>               |

(Continued)

**CITY OF ODESSA, TEXAS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2013**

|  | General<br>Fund      | Capital<br>Projects<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------------|-----------------------------------|--------------------------------|
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES (Brought Forward) | \$ 1,960,309         | \$ (472,326)                | \$ 2,876,511                      | \$ 4,364,494                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                  |                      |                             |                                   |                                |
| Certificates of Obligation Issued                                      | -                    | 51,335,000                  | -                                 | 51,335,000                     |
| Premium on Certificates of Obligation Issued                           | -                    | 3,000,508                   | -                                 | 3,000,508                      |
| Capital Lease Proceeds   | 289,718              | -                           | -                                 | 289,718                        |
| Transfers In   | -                    | -                           | 26,654                            | 26,654                         |
| Transfers (Out)  | (223,974)            | -                           | (2,680)                           | (226,654)                      |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                            | <b>65,744</b>        | <b>54,335,508</b>           | <b>23,974</b>                     | <b>54,425,226</b>              |
| <b>NET CHANGE IN FUND BALANCES</b>                                     | <b>2,026,053</b>     | <b>53,863,182</b>           | <b>2,900,485</b>                  | <b>58,789,720</b>              |
| <b>FUND BALANCE - AT BEGINNING OF YEAR</b>                             | <b>44,590,464</b>    | <b>1,451,375</b>            | <b>9,571,101</b>                  | <b>55,612,940</b>              |
| <b>FUND BALANCE - AT END OF YEAR</b>                                   | <b>\$ 46,616,517</b> | <b>\$ 55,314,557</b>        | <b>\$ 12,471,586</b>              | <b>\$ 114,402,660</b>          |

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, 2013**

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)   | \$ 58,789,720        |
| 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 capital outlays exceeded depreciation in the current period.  | 4,220,542            |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.   | 10,888,320           |
| 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).   | 194,441              |
| 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. | (51,909,422)         |
| 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.  | (1,774,982)          |
| Internal service funds are used by management to charge the costs of the garage, warehouse, self-insurance and information technology funds to individual funds. The net gain of certain activities of internal service funds is reported with governmental activities.  | 2,042,500            |
| Change in net position of governmental activities (page 21)  | <u>\$ 22,451,119</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, 2013**

|   | Budgeted Amount      |                      | Actual               | Variance             |
|---|----------------------|----------------------|----------------------|----------------------|
|   | Original             | Final                |                      | Over<br>(Under)      |
| <b>REVENUES</b>   |                      |                      |                      |                      |
| Property Tax, Penalties and Interest  | \$ 20,112,788        | \$ 20,112,788        | \$ 20,607,189        | \$ 494,401           |
| City Sales Tax  | 25,240,023           | 25,240,023           | 31,807,317           | 6,567,294            |
| Franchise and Gross Receipts  | 9,219,360            | 9,219,360            | 9,833,158            | 613,798              |
| Fines and Forfeitures   | 3,294,600            | 3,294,600            | 2,884,023            | (410,577)            |
| Permits and Licenses  | 491,000              | 491,000              | 1,448,932            | 957,932              |
| Investment Income   | 100,000              | 100,000              | 106,287              | 6,287                |
| Industrial Contracts  | 2,706,000            | 2,706,000            | 3,285,615            | 579,615              |
| Other   | 3,552,900            | 3,552,900            | 3,246,586            | (306,314)            |
| Intergovernmental   | 1,046,847            | 1,046,847            | 1,154,831            | 107,984              |
| <b>TOTAL REVENUES</b>   | <b>65,763,518</b>    | <b>65,763,518</b>    | <b>74,373,938</b>    | <b>8,610,420</b>     |
| <b>EXPENDITURES</b>   |                      |                      |                      |                      |
| Current   |                      |                      |                      |                      |
| General Government  | 4,506,523            | 4,664,680            | 4,614,981            | (49,699)             |
| Finance   | 722,403              | 2,114,161            | 1,177,677            | (936,484)            |
| Public Works  | 10,524,497           | 10,718,534           | 10,642,131           | (76,403)             |
| Planning and Inspection   | 863,405              | 883,543              | 943,643              | 60,100               |
| Public Safety   | 40,024,847           | 40,962,214           | 40,776,428           | (185,786)            |
| Culture and Recreation  | 4,568,276            | 4,704,922            | 4,701,794            | (3,128)              |
| Landfill closure and postclosure care (\$5,046) [total amount determined for the year under GASB-18] plus \$5,046 change in general long-term debt account group liability) | -                    | -                    | -                    | -                    |
| <b>TOTAL CURRENT</b>  | <b>61,209,951</b>    | <b>64,048,054</b>    | <b>62,856,654</b>    | <b>(1,191,400)</b>   |
| Debt Service  |                      |                      |                      |                      |
| Principal Retirement  | 1,052,129            | 1,052,129            | 1,052,129            | -                    |
| Interest  | 280,601              | 280,601              | 280,601              | -                    |
| Capital Outlay  | 2,891,837            | 24,504,468           | 8,224,245            | (16,280,223)         |
| <b>TOTAL EXPENDITURES</b>   | <b>65,434,518</b>    | <b>89,885,252</b>    | <b>72,413,629</b>    | <b>(17,471,623)</b>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>  | <b>329,000</b>       | <b>(24,121,734)</b>  | <b>1,960,309</b>     | <b>26,082,043</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                      |                      |                      |                      |
| Capital Lease Proceeds  | -                    | -                    | 289,718              | (289,718)            |
| Transfers (Out)   | (329,000)            | (329,000)            | (223,974)            | (105,026)            |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | <b>(329,000)</b>     | <b>(329,000)</b>     | <b>65,744</b>        | <b>(394,744)</b>     |
| <b>NET CHANGE IN FUND BALANCE</b>   | <b>-</b>             | <b>(24,450,734)</b>  | <b>2,026,053</b>     | <b>26,476,787</b>    |
| <b>FUND BALANCE - AT BEGINNING OF YEAR,</b>   | <b>44,590,464</b>    | <b>44,590,464</b>    | <b>44,590,464</b>    | <b>-</b>             |
| <b>FUND BALANCE - AT END OF YEAR</b>  | <b>\$ 44,590,464</b> | <b>\$ 20,139,730</b> | <b>\$ 46,616,517</b> | <b>\$ 26,476,787</b> |

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

**CITY OF ODESSA, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2013**

|   | Business-Type Activities - Enterprise Funds |                        |
|---|---|------------------------|
|   | Water and<br>Sewer Fund                     | Solid<br>Waste<br>Fund |
| <b>ASSETS</b>   |   |                        |
| <b>CURRENT ASSETS:</b>  |   |                        |
| Cash and Investments  | \$ 43,468,425                               | \$ 1,081,051           |
| Accounts Receivable (Net of Allowance for Uncollectible Accounts) | 4,097,686                                   | 988,531                |
| Interfund Receivable  | -   | -                      |
| Inventories   | 410,401                                     | -                      |
| <b>RESTRICTED ASSETS:</b>   |   |                        |
| Cash and Investments  | 3,081,231                                   | -                      |
| <b>TOTAL CURRENT ASSETS</b>                                       | <b>51,057,743</b>                           | <b>2,069,582</b>       |
| <b>NONCURRENT ASSETS:</b>   |   |                        |
| <b>CAPITAL ASSETS:</b>  |   |                        |
| Land  | 437,690                                     | -                      |
| Buildings   | 9,120,631                                   | -                      |
| Improvements  | 78,219,082                                  | -                      |
| Infrastructure  | 147,113,867                                 | -                      |
| Furniture and Office Equipment                                    | 99,670                                      | -                      |
| Machinery and Equipment   | 2,765,559                                   | 39,082                 |
| Data Processing Equipment   | 829,812                                     | 6,441                  |
| Automotive Equipment  | -   | -                      |
| Radio and Electronic Equipment                                    | 3,750                                       | -                      |
| Construction-In-Progress  | 7,373,108                                   | -                      |
| Less Accumulated Depreciation                                     | (130,606,888)                               | (40,425)               |
| <b>TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation)</b>     | <b>115,356,281</b>                          | <b>5,098</b>           |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                            |   |                        |
| Loss on Refunding (Net of Accumulated Amortization)               | 18,906                                      | -                      |
| <b>TOTAL NONCURRENT ASSETS</b>                                    | <b>115,375,187</b>                          | <b>5,098</b>           |
| <b>TOTAL ASSETS</b>   | <b>166,432,930</b>                          | <b>2,074,680</b>       |

| Business-Type Activities - Enterprise Funds |                         |                        |                      | Governmental                                 |
|---|-------------------------|------------------------|----------------------|--|
| Ratliff<br>Golf<br>Course<br>Fund           | Liquid<br>Waste<br>Fund | Storm<br>Water<br>Fund | Totals               | Activities -<br>Internal<br>Service<br>Funds |
| \$ 125,610                                  | \$ 200,976              | \$ 550,601             | \$ 45,426,663        | \$ 14,775,211                                |
| 9,867                                       | -                       | 61,814                 | 5,157,898            | 2,831  |
| -   | -                       | -                      | -                    | 300,633                                      |
| 64,426                                      | -                       | -                      | 474,827              | -  |
| -   | -                       | -                      | 3,081,231            | -  |
| <u>199,903</u>                              | <u>200,976</u>          | <u>612,415</u>         | <u>54,140,619</u>    | <u>15,078,675</u>                            |
| 20,518                                      | -                       | -                      | 458,208              | 89,531                                       |
| 206,604                                     | -                       | -                      | 9,327,235            | 1,356,554                                    |
| 3,883,791                                   | -                       | -                      | 82,102,873           | 466,874                                      |
| -   | -                       | -                      | 147,113,867          | -  |
| -   | -                       | -                      | 99,670               | 88,595                                       |
| 61,231                                      | -                       | -                      | 2,865,872            | 1,711,377                                    |
| 7,000                                       | -                       | -                      | 843,253              | 3,447,921                                    |
| -   | -                       | -                      | -                    | 31,208,480                                   |
| -   | -                       | -                      | 3,750                | 81,624                                       |
| -   | -                       | -                      | 7,373,108            | -  |
| <u>(935,111)</u>                            | <u>-</u>                | <u>-</u>               | <u>(131,582,424)</u> | <u>(24,766,756)</u>                          |
| <u>3,244,033</u>                            | <u>-</u>                | <u>-</u>               | <u>118,605,412</u>   | <u>13,684,200</u>                            |
| -   | -                       | -                      | 18,906               | -  |
| <u>3,244,033</u>                            | <u>-</u>                | <u>-</u>               | <u>118,624,318</u>   | <u>13,684,200</u>                            |
| <u>3,443,936</u>                            | <u>200,976</u>          | <u>612,415</u>         | <u>172,764,937</u>   | <u>28,762,875</u>                            |

(Continued)

**CITY OF ODESSA, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION (CONTINUED)  
 SEPTEMBER 30, 2013**

|   | Business-Type Activities - Enterprise Funds |                        |
|---|---|------------------------|
|   | Water and<br>Sewer Fund                     | Solid<br>Waste<br>Fund |
| <b>LIABILITIES</b>                        |   |                        |
| <b>CURRENT LIABILITIES:</b>               |   |                        |
| Accounts Payable                          | \$ 4,061,436                                | \$ 244,437             |
| Compensated Absences                      | 217,545                                     | 81,049                 |
| Accrued Payroll                           | 248,924                                     | 117,479                |
| Contracts Payable                         | 289,333                                     | -                      |
| Deposits and Billings Payable             | 2,879,416                                   | -                      |
| Current Portion of Bonds Payable          | 4,220,000                                   | -                      |
| Accrued Interest                          | 282,654                                     | -                      |
| Other Liabilities                         | 216,164                                     | 60,442                 |
|   | <b>12,415,472</b>                           | <b>503,407</b>         |
| <b>NONCURRENT LIABILITIES:</b>            |   |                        |
| Compensated Absences                      | 403,297                                     | 232,700                |
| Other Post Employment Benefits Payable    | 1,179,661                                   | 442,589                |
| TMRS Phase In Liability                   | 753,427                                     | 280,555                |
| Bonds Payable (Net of Current Maturities) | 69,130,688                                  | -                      |
|   | <b>71,467,073</b>                           | <b>955,844</b>         |
| <b>TOTAL LIABILITIES</b>                  | <b>83,882,545</b>                           | <b>1,459,251</b>       |
| <b>NET POSITION</b>                       |   |                        |
| Net Investment in Capital Assets          | 73,168,646                                  | 5,098                  |
| Restricted for Rate Stabilization         | 1,000,000                                   | -                      |
| Unrestricted                              | 8,381,739                                   | 610,331                |
| <b>TOTAL NET POSITION</b>                 | <b>\$ 82,550,385</b>                        | <b>\$ 615,429</b>      |

Reconciliation to government-wide statement of net position:

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

Net position of business-type activities

| Business-Type Activities - Enterprise Funds |                         |                        |                      | Governmental                                 |
|---|-------------------------|------------------------|----------------------|--|
| Ratliff<br>Golf<br>Course<br>Fund           | Liquid<br>Waste<br>Fund | Storm<br>Water<br>Fund | Totals               | Activities -<br>Internal<br>Service<br>Funds |
| \$ 15,179                                   | \$ 634                  | \$ 510                 | \$ 4,322,196         | \$ 2,812,704                                 |
| 20,453                                      | -                       | 6,878                  | 325,925              | 112,132                                      |
| 25,199                                      | -                       | 12,120                 | 403,722              | 139,010                                      |
| -   | -                       | -                      | 289,333              | -  |
| -   | -                       | -                      | 2,879,416            | -  |
| -   | -                       | -                      | 4,220,000            | -  |
| -   | -                       | -                      | 282,654              | -  |
| -   | -                       | -                      | 276,606              | 1,629  |
| <u>60,831</u>                               | <u>634</u>              | <u>19,508</u>          | <u>12,999,852</u>    | <u>3,065,475</u>                             |
| 54,075                                      | -                       | 55,085                 | 745,157              | 384,134                                      |
| 89,419                                      | 6,375                   | 31,302                 | 1,749,346            | 368,101                                      |
| 58,312                                      | 3,803                   | 14,523                 | 1,110,620            | 258,237                                      |
| -   | -                       | -                      | 69,130,688           | -  |
| <u>201,806</u>                              | <u>10,178</u>           | <u>100,910</u>         | <u>72,735,811</u>    | <u>1,010,472</u>                             |
| <u>262,637</u>                              | <u>10,812</u>           | <u>120,418</u>         | <u>85,735,663</u>    | <u>4,075,947</u>                             |
| 3,244,033                                   | -                       | -                      | 76,417,777           | 13,684,200                                   |
| -   | -                       | -                      | 1,000,000            | -  |
| (62,734)                                    | 190,164                 | 491,997                | 9,611,497            | 11,002,728                                   |
| <u>\$ 3,181,299</u>                         | <u>\$ 190,164</u>       | <u>\$ 491,997</u>      | 87,029,274           | <u>\$ 24,686,928</u>                         |
|   |                         |                        | <u>5,328,981</u>     |  |
|   |                         |                        | <u>\$ 92,358,255</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 POSITION  
 YEAR ENDED SEPTEMBER 30, 2013**

|   | Business-Type Activities - Enterprise Funds |                        |
|---|---|------------------------|
|   | Water and<br>Sewer Fund                     | Solid<br>Waste<br>Fund |
| <b>OPERATING REVENUES</b>                                       |   |                        |
| Water   | \$ 31,599,886                               | \$ -                   |
| Sewer   | 13,457,269                                  | -                      |
| Other   | 3,294,742                                   | 31,483                 |
| User Fees   | -   | 10,586,624             |
| <b>TOTAL OPERATING REVENUES</b>                                 | <b>48,351,897</b>                           | <b>10,618,107</b>      |
| <b>OPERATING EXPENSES</b>                                       |   |                        |
| Personal Services   | 6,628,561                                   | 2,993,887              |
| Supplies and Materials  | 17,058,386                                  | 83,600                 |
| Other Services  | 10,181,333                                  | 6,861,327              |
| Maintenance   | 2,858,457                                   | 186,257                |
| Depreciation and Amortization                                   | 6,566,193                                   | 5,099                  |
| Other   | -   | 437,661                |
| <b>TOTAL OPERATING EXPENSES</b>                                 | <b>43,292,930</b>                           | <b>10,567,831</b>      |
| <b>OPERATING INCOME (LOSS)</b>                                  | <b>5,058,967</b>                            | <b>50,276</b>          |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                        |   |                        |
| Investment Income   | 98,998                                      | 2,401                  |
| Gain(Loss) on Sale of City Property                             | -   | -                      |
| Interest Expense and Fiscal Charges                             | (3,549,630)                                 | -                      |
| Other Non-Operating Expense                                     | -   | -                      |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>                  | <b>(3,450,632)</b>                          | <b>2,401</b>           |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>         | <b>1,608,335</b>                            | <b>52,677</b>          |
| <b>CAPITAL CONTRIBUTIONS</b>                                    | <b>7,701,615</b>                            | <b>-</b>               |
| <b>TRANSFERS IN (OUT)</b>                                       | <b>-</b>                                    | <b>-</b>               |
| <b>CHANGE IN NET POSITION</b>                                   | <b>9,309,950</b>                            | <b>52,677</b>          |
| <b>NET POSITION - BEGINNING OF YEAR, as previously reported</b> | <b>74,026,179</b>                           | <b>562,752</b>         |
| Prior Period Adjustment - Change in Accounting Principles       | (785,744)                                   | -                      |
| <b>NET POSITION - BEGINNING OF YEAR, as restated</b>            | <b>73,240,435</b>                           | <b>562,752</b>         |
| <b>NET POSITION - END OF YEAR</b>                               | <b>\$ 82,550,385</b>                        | <b>\$ 615,429</b>      |

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

| Business-Type Activities - Enterprise Funds |                         |                        |                      | Governmental                                 |
|---|-------------------------|------------------------|----------------------|--|
| Ratliff<br>Golf<br>Course<br>Fund           | Liquid<br>Waste<br>Fund | Storm<br>Water<br>Fund | Totals               | Activities -<br>Internal<br>Service<br>Funds |
| \$ -  | \$ -                    | \$ -                   | \$ 31,599,886        | \$ -   |
| -   | -                       | -                      | 13,457,269           | -  |
| -   | -                       | -                      | 3,326,225            | 595,006                                      |
| <u>1,445,726</u>                            | <u>100,971</u>          | <u>727,691</u>         | <u>12,861,012</u>    | <u>25,238,937</u>                            |
| <u>1,445,726</u>                            | <u>100,971</u>          | <u>727,691</u>         | <u>61,244,392</u>    | <u>25,833,943</u>                            |
| 612,322                                     | -                       | 312,037                | 10,546,807           | 3,500,482                                    |
| 333,335                                     | 1,911                   | -                      | 17,477,232           | 3,503,083                                    |
| 543,146                                     | 9,086                   | 363,945                | 17,958,837           | 9,159,615                                    |
| 85,149                                      | -                       | 17,122                 | 3,146,985            | 3,818,880                                    |
| 143,424                                     | -                       | -                      | 6,714,716            | 4,480,138                                    |
| -   | -                       | -                      | 437,661              | 832,497                                      |
| <u>1,717,376</u>                            | <u>10,997</u>           | <u>693,104</u>         | <u>56,282,238</u>    | <u>25,294,695</u>                            |
| <u>(271,650)</u>                            | <u>89,974</u>           | <u>34,587</u>          | <u>4,962,154</u>     | <u>539,248</u>                               |
| -   | 333                     | 1,135                  | 102,867              | 31,631                                       |
| -   | -                       | -                      | -                    | 1,171,506                                    |
| -   | -                       | -                      | (3,549,630)          | -  |
| -   | -                       | (21,236)               | (21,236)             | (321,542)                                    |
| <u>-</u>                                    | <u>333</u>              | <u>(20,101)</u>        | <u>(3,467,999)</u>   | <u>881,595</u>                               |
| <u>(271,650)</u>                            | <u>90,307</u>           | <u>14,486</u>          | <u>1,494,155</u>     | <u>1,420,843</u>                             |
| 21,301                                      | -                       | -                      | 7,722,916            | 1,243,972                                    |
| <u>200,000</u>                              | <u>-</u>                | <u>-</u>               | <u>200,000</u>       | <u>-</u>                                     |
| <u>(50,349)</u>                             | <u>90,307</u>           | <u>14,486</u>          | <u>9,417,071</u>     | <u>2,664,815</u>                             |
| 3,231,648                                   | 99,857                  | 477,511                | 78,397,947           | 22,022,113                                   |
| -   | -                       | -                      | (785,744)            | -  |
| <u>3,231,648</u>                            | <u>99,857</u>           | <u>477,511</u>         | <u>77,612,203</u>    | <u>22,022,113</u>                            |
| <u>\$ 3,181,299</u>                         | <u>\$ 190,164</u>       | <u>\$ 491,997</u>      | <u>\$ 87,029,274</u> | <u>\$ 24,686,928</u>                         |
|   |                         |                        | \$ 9,417,071         |  |
|   |                         |                        | 622,315              |  |
|   |                         |                        | <u>\$ 10,039,386</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, 2013**

|  | Business-Type Activities - Enterprise Funds |                        |
|--|---|------------------------|
|  | Water and<br>Sewer Fund                     | Solid<br>Waste<br>Fund |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |                        |
| Cash Received from Customers   | \$ 44,383,008                               | \$ 10,561,483          |
| Cash Received from Other Funds for Services  | 3,294,742                                   | -                      |
| Cash Paid to Employees   | (6,609,566)                                 | (3,005,020)            |
| Cash Paid for Goods and Services   | (24,114,910)                                | (3,394,114)            |
| Cash Paid to Other Funds for Services  | (7,925,828)                                 | (4,265,743)            |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES   | 9,027,446                                   | (103,394)              |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>   |   |                        |
| Capital Contributions Out  | -   | -                      |
| Transfer from(to) General Fund   | -   | -                      |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES  | -   | -                      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>  |   |                        |
| Principal Paid on Debt   | (4,319,627)                                 | -                      |
| Interest Paid on Debt  | (3,554,053)                                 | -                      |
| Acquisition and Construction of Capital Assets   | (9,926,009)                                 | -                      |
| Proceeds from Sale of Capital Assets   | -   | -                      |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCIAL ACTIVITIES  | (17,799,689)                                | -                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |                        |
| Investment Income Received on Investments  | 98,998                                      | 2,401                  |
| NET CASH PROVIDED BY INVESTING ACTIVITIES  | 98,998                                      | 2,401                  |
| <br>NET INCREASE (DECREASE) IN CASH  | <br>(8,673,245)                             | <br>(100,993)          |
| <b>CASH - AT BEGINNING OF YEAR</b>   |   |                        |
| (Included in Cash and Investments of Business-Type Activities<br>\$53,403,716 and \$3,634,971 in Restricted Accounts)    | 55,222,901                                  | 1,182,044              |
| <br><b>CASH - AT END OF YEAR</b>   |   |                        |
| (Included in Cash and Investments of Business-Type Activities<br>of \$45,426,663 and \$3,081,231 in Restricted Accounts) | \$ 46,549,656                               | \$ 1,081,051           |

| Business-Type Activities - Enterprise Funds |                         |                        |                      | Governmental                                 |
|---|-------------------------|------------------------|----------------------|--|
| Ratliff<br>Golf<br>Course<br>Fund           | Liquid<br>Waste<br>Fund | Storm<br>Water<br>Fund | Totals               | Activities -<br>Internal<br>Service<br>Funds |
| \$ 1,483,572                                | \$ 100,971              | \$ 726,599             | \$ 57,255,633        | \$ 25,237,443                                |
| -   | -                       | -                      | 3,294,742            | 595,006                                      |
| (591,426)                                   | -                       | (293,849)              | (10,499,861)         | (3,337,084)                                  |
| (674,925)                                   | (10,363)                | (24,446)               | (28,218,758)         | (15,732,159)                                 |
| (292,061)                                   | -                       | (360,859)              | (12,844,491)         | (1,339,116)                                  |
| <u>(74,840)</u>                             | <u>90,608</u>           | <u>47,445</u>          | <u>8,987,265</u>     | <u>5,424,090</u>                             |
| -   | -                       | (21,236)               | (21,236)             | (321,542)                                    |
| 200,000                                     | -                       | -                      | 200,000              | -  |
| <u>200,000</u>                              | <u>-</u>                | <u>(21,236)</u>        | <u>178,764</u>       | <u>(321,542)</u>                             |
| -   | -                       | -                      | (4,319,627)          | -  |
| -   | -                       | -                      | (3,554,053)          | -  |
| -   | -                       | -                      | (9,926,009)          | (7,354,532)                                  |
| -   | -                       | -                      | -                    | 1,171,506                                    |
| <u>-</u>                                    | <u>-</u>                | <u>-</u>               | <u>(17,799,689)</u>  | <u>(6,183,026)</u>                           |
| -   | 333                     | 1,135                  | 102,867              | 31,631                                       |
| -   | 333                     | 1,135                  | 102,867              | 31,631                                       |
| <u>125,160</u>                              | <u>90,941</u>           | <u>27,344</u>          | <u>(8,530,793)</u>   | <u>(1,048,847)</u>                           |
| 450   | 110,035                 | 523,257                | 57,038,687           | 15,824,058                                   |
| <u>\$ 125,610</u>                           | <u>\$ 200,976</u>       | <u>\$ 550,601</u>      | <u>\$ 48,507,894</u> | <u>\$ 14,775,211</u>                         |

(Continued)

**CITY OF ODESSA, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (CONTINUED)  
 YEAR ENDED SEPTEMBER 30, 2013**

|  | Business-Type Activities - Enterprise Funds |                        |
|--|---|------------------------|
|  | Water and<br>Sewer Fund                     | Solid<br>Waste<br>Fund |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO<br/>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |   |                        |
| <b>OPERATING INCOME (LOSS)</b>   | <b>\$ 5,058,967</b>                         | <b>\$ 50,276</b>       |
| Adjustments to Reconcile Operating Income (Loss)<br>to Net Cash Provided (Used) By Operating Activities  |   |                        |
| Depreciation and Amortization  | 6,566,193                                   | 5,099                  |
| (Increase) Decrease in Accounts Receivable   | (890,602)                                   | (56,624)               |
| (Increase) Decrease in Inventories   | 128,551                                     | -                      |
| (Increase) Decrease in Interfund Receivable  | -   | -                      |
| (Decrease) Increase in Accounts Payable  | (1,616,916)                                 | (88,089)               |
| (Decrease) Increase in Accrued Employee Benefits Payable   | (57,016)                                    | (49,629)               |
| (Decrease) Increase in Accrued Payroll   | (11,381)                                    | (1,031)                |
| (Decrease) Increase in Interfund Payables  | -   | -                      |
| (Decrease) Increase in Contracts Payable   | (462,380)                                   | -                      |
| (Decrease) Increase in Deposits and Billings Payable   | 216,455                                     | -                      |
| (Decrease) Increase in Other Post Employment Payable   | 81,890                                      | 37,031                 |
| (Decrease) Increase in TMRS Phase In Liability   | 5,502                                       | 2,496                  |
| (Decrease) Increase in Other Liabilities   | 8,183                                       | (2,923)                |
| <b>TOTAL ADJUSTMENTS</b>   | <b>3,968,479</b>                            | <b>(153,670)</b>       |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <b>\$ 9,027,446</b>                         | <b>\$ (103,394)</b>    |

**NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES**

During the fiscal year ended September 30, 2013, the Water and Sewer Fund and the Ratliff Golf Course Fund acquired capital assets of \$7,701,615 and \$21,301, respectively, through contributed capital.

During the fiscal year ended September 30, 2013, the Internal Service Funds acquired capital assets of \$1,243,972 through contributed capital.

| Business-Type Activities - Enterprise Funds |                         |                        |              | Governmental                                 |
|---|-------------------------|------------------------|--------------|--|
| Ratliff<br>Golf<br>Course<br>Fund           | Liquid<br>Waste<br>Fund | Storm<br>Water<br>Fund | Totals       | Activities -<br>Internal<br>Service<br>Funds |
| \$ (271,650)                                | \$ 89,974               | \$ 34,587              | \$ 4,962,154 | \$ 539,248                                   |
| 143,424                                     | -                       | -                      | 6,714,716    | 4,480,138                                    |
| (9,867)                                     | -                       | (1,092)                | (958,185)    | (1,494)                                      |
| (6,883)                                     | -                       | -                      | 121,668      | -  |
| 47,713                                      | -                       | -                      | 47,713       | (135,640)                                    |
| 1,527                                       | 634                     | (4,238)                | (1,707,082)  | 571,801                                      |
| 9,795                                       | -                       | 10,354                 | (86,496)     | 67,995                                       |
| 2,853                                       | -                       | 3,385                  | (6,174)      | 56,945                                       |
| -   | -                       | -                      | -            | (194,902)                                    |
| -   | -                       | -                      | (462,380)    | -  |
| -   | -                       | -                      | 216,455      | -  |
| 7,828                                       | -                       | 4,215                  | 130,964      | 35,526                                       |
| 420   | -                       | 234                    | 8,652        | 2,932  |
| -   | -                       | -                      | 5,260        | 1,541  |
| 196,810                                     | 634                     | 12,858                 | 4,025,111    | 4,884,842                                    |
| \$ (74,840)                                 | \$ 90,608               | \$ 47,445              | \$ 8,987,265 | \$ 5,424,090                                 |

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

**CITY OF ODESSA, TEXAS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
SEPTEMBER 30, 2013**

|                               | <u>Agency<br/>Funds</u>    |
|-------------------------------|----------------------------|
| <b>ASSETS</b>                 |                            |
| Cash and Investments          | \$ 1,117,608               |
| Accounts Receivable           | <u>127,227</u>             |
| <b>TOTAL ASSETS</b>           | <u><u>\$ 1,244,835</u></u> |
| <b>LIABILITIES</b>            |                            |
| Accounts Payable              | \$ 944,232                 |
| Deposits and Billings Payable | <u>300,603</u>             |
| <b>TOTAL LIABILITIES</b>      | <u><u>\$ 1,244,835</u></u> |

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

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

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

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

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

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

GASB 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.
- 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 the primary government is considered to be 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. Additionally, the primary government may determine, in management's professional judgment, that the inclusion of an entity that does not meet the financial accountability criteria is necessary to prevent the reporting entity's financial statements from being misleading. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities; and are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government wide financial statements to emphasize that it is legally separate from the primary government.

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. 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. ODC 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.

2. 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, 2013, 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**

3. 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, 2013, 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.
  
4. 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, 2013 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.

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

**Joint Venture:**

On August 28, 2001, the City signed an interlocal agreement with the City of Midland, Texas to create the Midland-Odessa Urban Transit District ("MOUTD"). The MOUTD shall be exclusively governed by both City Councils or they may delegate this authority to an equally appointed Board. For the year ended September 30, 2013, 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.

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

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

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

As previously discussed, the basic financial statements of the City are presented at two basic levels, the government-wide level and the fund level. These statements focus on the City as a whole at the government-wide level and on major funds at the fund level. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities 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.

The government-wide statement of net position reports all financial and capital resources of the City and is presented in an “assets plus deferred outflows of resources minus liabilities and deferred inflows of resources equal net position” format with net position 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.

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

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

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

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

Fund level financial statements are presented for governmental funds, proprietary funds with a focus on major funds, and fiduciary funds, which are excluded from the government-wide financial statements because they do not represent assets which can be used to support the City's programs. GASB 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 position and changes in net position. 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. The treatment of nonexchange transactions is grouped in four classes based upon the principal characteristics of the transaction and reported according to those characteristics. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Capital assets are reported as historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the City's depreciation policy.

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

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

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

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

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

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

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

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

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

Debt Service Fund – ad valorem taxes and interest.

Capital Projects Fund – interest.

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

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.

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

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

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

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

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).

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

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

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

OTHER FUND TYPES

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

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

**D. Cash and Investments**

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

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

LOGIC - LOGIC was created by an interlocal contract under the laws of the state of Texas and is governed by the Public Funds Investment Act, Chapter 2256, Texas Government Code and is rated AAAM by Standard & Poor's. It is not registered with the SEC as an investment company. LOGIC is governed by a board of directors consisting of three local government participants. It is required by the Public Funds Investment Act to maintain an "AAA" rating.

LOGIC uses the amortized cost method permitted by SEC Rule 2a7. LOGIC operates in substantial compliance with Rule 2a7, to the extent such rule is applicable to its operations. The fair value of LOGIC shares is the same as the value of LOGIC's shares, pursuant to the amortized cost method permitted by Rule 2a7.

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

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

**D. Cash and Investments – Continued**

TexPool – Texpool was also created by an interlocal contract and is governed by the Public Funds Investment Act, 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, 2013, represents the final unpaid billings issued prior to September 30, 2013, and includes an amount for unbilled September 2013 consumption.

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

**F. Inventories**

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

**G. Restricted Assets**

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

**H. Property Held for Sale**

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

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

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

**I. Capital Assets**

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

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

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

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

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

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding debt reported in the government-wide statement of net position. A deferred charge on refunding debt results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and other revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

**K. 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.

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.

**L. 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 and discounts 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.

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

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

**M. 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.
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, 2013.
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. The City Council has, by ordinance, authorized the city manager or the Council itself to assign fund balance. 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 (\$12,186,079 at September 30, 2013) and for budget stabilization equal to 25 days of subsequent year budgeted General Fund expenditures (\$5,077,533 at September 30, 2013). 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 Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position 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 position is 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.

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

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

**M. Fund Equity - Continued**

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

1. Restricted for Debt Service – Net position legally restricted for the retirement of debt.
2. Restricted for Rate Stabilization – Net position 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, 2013, fund balance classifications.

**N. 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, 2013 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, 2013, was \$ .51275 per \$100 of assessed valuation, therefore leaving a tax margin of \$1.48725 per \$100 which represented approximate potential property tax revenue of \$66,759,884.

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.

**O. 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.

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

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

**P. 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.

**Q. Changes in Accounting Principles**

For fiscal year 2013, the City implemented Governmental Accounting Standards Board (GASB) Statements Nos. 63 and 65. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No.4, *Elements of Financial Statements*, as a consumption of net assets applicable to a future reporting and an acquisition of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No.4 also identifies net position as the residual of all other elements presented in a statement of financial position.

Statement No. 65, *Items Previously Reported as Assets and Liabilities* reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements:

- Deferred outflows of resources
- Outflows of resources
- Deferred inflows of resources
- Inflows of resources

*Concepts Statement No. 4 require that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance.*

**R. Restatement of Beginning Net Position**

Due to changes in accounting principles described above, beginning net position has been decreased by \$476,919, from \$104,943,024 to \$104,466,105 for governmental activities; and by \$785,744 in both the Water and Sewer Enterprise Fund and in the business-type activities. Beginning net position for the Water and Sewer Enterprise Fund decreased from \$74,026,179 to \$73,240,435, and for the business-type activities decreased from \$83,104,613 to \$82,318,869.

**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 position.

The governmental fund balance sheet includes reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position. 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 \$(108,989,535) difference are as follows:

|  |                         |
|--|-------------------------|
| Bonds, Certification of Obligations and Notes Payable                  | \$ (80,670,000)         |
| Plus Bond Premiums   | (3,517,536)             |
| Less Deferred Loss   | 466,611                 |
| Accrued Interest Payable   | (215,744)               |
| Landfill Payable   | (1,618,416)             |
| Compensated Absences   | (7,442,623)             |
| Capital Lease Payable  | (2,754,603)             |
| Other Post Employment Benefits Obligation                              | (5,912,221)             |
| Firemen's Benefit Obligation   | (3,422,859)             |
| TMRS Phase-in Liability  | <u>(3,902,144)</u>      |
| <br>Net adjustment to reduce Fund balance - Total                      |                         |
| Governmental Funds to arrive at net position - Governmental Activities | <u>\$ (108,989,535)</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 inflows of resources’.” The details of this \$5,060,870 difference are as follows:

|  |                     |
|--|---------------------|
| Deferred Property Tax Revenue  | \$ 1,260,975        |
| Deferred Municipal Court Fines Revenue                                 | 2,033,741           |
| Deferred Other Miscellaneous Revenue                                   | <u>1,766,154</u>    |
| <br>Net adjustment to increase Fund Balance - Total                    |                     |
| Governmental Funds to arrive at net position - Governmental Activities | <u>\$ 5,060,870</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 position 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 \$4,220,542 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   | \$ 8,658,125        |
| Depreciation Expense   | <u>(4,437,583)</u>  |
|  |                     |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 4,220,542</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 position.” The details of this \$10,888,320 difference are as follows:

|   |                      |
|---|----------------------|
| Donated land, paving and drainage from developers   | \$ 11,763,670        |
| Other miscellaneous transactions of capital assets decrease net position in the statement of activities, but do not appear in the governmental funds because they are not uses of financial resources | <u>(875,350)</u>     |
|   |                      |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities  | <u>\$ 10,888,320</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 position.

Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas premiums and discounts are deferred and amortized in the statement of activities. The details of this \$(51,909,422) difference are as follows:

|  |                        |
|--|------------------------|
| Capital Lease Proceeds   | \$ (289,718)           |
| Certificates of Obligation Issued  | (51,335,000)           |
| Premium on Certificates of Obligation Issued   | (3,000,508)            |
| Refund of Bond Issuance Costs Paid   | (12,991)               |
| Principal repayments on Bonds, Certificates of Obligation and Capital Leases   | 2,737,129              |
| Amortization of Premium  | 48,133                 |
| Amortization of Deferred Loss  | <u>(56,467)</u>        |
|  |                        |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (51,909,422)</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 \$(1,774,982) difference are as follows:

|  |                       |
|--|-----------------------|
| Accrued Interest   | \$ 53,219             |
| Compensated Absences   | 184,537               |
| Landfill   | 5,046                 |
| Other Post Employment Benefit  | (447,690)             |
| Firemen's Benefit  | (1,521,590)           |
| TMRS Phase-In  | <u>(48,504)</u>       |
|  |                       |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (1,774,982)</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, 2013, supplemental appropriations in the amount of \$16.7 million for rollover encumbrances were necessary in the General Fund.

**B. Excess of Expenditures over Appropriations**

For the year ended September 30, 2013, expenditures exceeded appropriations in the General Fund Planning and Inspection Function by \$60,100. The over expenditures in the General Fund were funded by available fund balance and excess current year revenues.

**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, 2013, 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, 2013. At year-end, the carrying amount of the City's deposits was \$176,015,654 (\$174,898,046 in the Primary Government and \$1,117,608 in the Agency Funds). Of the total, \$52,083,121 was in deposits (including \$3,011,183 in CD's, \$27,388,134 in CDARS CD's and \$18,352,829 in savings) and \$123,932,533 was in investments, and the respective bank balances totaled \$52,694,270. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$28,124,613 and \$24,569,657 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, 2013, are:

|                   | Fair Value            | Effective Duration<br>or Weighted<br>Average Maturity | Credit Risk |
|-------------------|-----------------------|---|-------------|
| Investment Pools: |                       |   |             |
| LOGIC             | \$ 3,745,235          | 59 Days   | AAAm - S&P  |
| TEXPOOL           | 55,695,005            | 49 Days   | AAAm - S&P  |
| TexStar           | 64,492,293            | 46 Days   | AAAm - S&P  |
| Total Fair Value: | <u>\$ 123,932,533</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, 2013, 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, 2013, 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              | Capital<br>Projects | Water and<br>Sewer  | Solid<br>Waste    | Ratliff<br>Golf<br>Course | Storm<br>Water   | Nonmajor<br>and Other<br>Funds | Total                |
|--------------------------------------|----------------------|---------------------|---------------------|-------------------|---------------------------|------------------|--------------------------------|----------------------|
| Receivables:                         |                      |                     |                     |                   |                           |                  |                                |                      |
| Property Taxes                       | \$ 1,416,227         | \$ -                | \$ -                | \$ -              | \$ -                      | \$ -             | \$ -                           | \$ 1,416,227         |
| Sales Taxes                          | 5,722,771            | -                   | -                   | -                 | -                         | -                | -                              | 5,722,771            |
| Accounts                             | 10,983,376           | 40,302              | 4,433,208           | 1,067,572         | 9,867                     | 67,266           | 2,831                          | 16,604,422           |
| Hotel/Motel Tax                      | -                    | -                   | -                   | -                 | -                         | -                | 1,282,407                      | 1,282,407            |
| Intergovernmental                    | -                    | -                   | -                   | -                 | -                         | -                | 159,877                        | 159,877              |
| Gross Receivables                    | 18,122,374           | 40,302              | 4,433,208           | 1,067,572         | 9,867                     | 67,266           | 1,445,115                      | 25,185,704           |
| Less: Allowance for<br>Uncollectible | (6,838,422)          | -                   | (335,522)           | (79,041)          | -                         | (5,452)          | -                              | (7,258,437)          |
| Net Total Receivables                | <u>\$ 11,283,952</u> | <u>\$ 40,302</u>    | <u>\$ 4,097,686</u> | <u>\$ 988,531</u> | <u>\$ 9,867</u>           | <u>\$ 61,814</u> | <u>\$ 1,445,115</u>            | <u>\$ 17,927,267</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, 2013, deferred inflows of resources in the amount of \$5,060,870 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, 2013, was as follows:

Primary Government

|  | Beginning<br>Balance | Additions/<br>Completions | Retirements/<br>Adjustments | Ending<br>Balance     |
|--|----------------------|---------------------------|-----------------------------|-----------------------|
| <b>Governmental Activities</b>                 |                      |                           |                             |                       |
| Capital Assets, not<br>being depreciated       |                      |                           |                             |                       |
| Land   | \$ 20,185,002        | \$ 2,612,003              | \$ -                        | \$ 22,797,005         |
| Construction in Progress                       | 1,130,102            | 4,122,662                 | 1,068,566                   | 4,184,198             |
| Total Capital Assets, not<br>being depreciated | <u>21,315,104</u>    | <u>6,734,665</u>          | <u>1,068,566</u>            | <u>26,981,203</u>     |
| Capital Assets, being depreciated              |                      |                           |                             |                       |
| Buildings                                      | 28,631,781           | 277,422                   | -                           | 28,909,203            |
| Improvements other than buildings              | 37,552,422           | 1,291,649                 | -                           | 38,844,071            |
| Infrastructure                                 | 76,847,765           | 12,402,298                | -                           | 89,250,063            |
| Furniture and Office Equipment                 | 440,330              | 42,365                    | 72,145                      | 410,550               |
| Machinery and Equipment                        | 4,904,746            | 342,956                   | 519,797                     | 4,727,905             |
| Data Processing Equipment                      | 5,357,295            | 769,241                   | 603,929                     | 5,522,607             |
| Automotive Equipment                           | 29,925,674           | 7,737,713                 | 6,454,907                   | 31,208,480            |
| Radio and Communication Equipment              | 7,201,390            | 7,410                     | 923,740                     | 6,285,060             |
| Total Capital Assets, being depreciated        | <u>190,861,403</u>   | <u>22,871,054</u>         | <u>8,574,518</u>            | <u>205,157,939</u>    |
| Less Accumulated Depreciation for              |                      |                           |                             |                       |
| Buildings                                      | 17,702,937           | 764,973                   | -                           | 18,467,910            |
| Improvements other than buildings              | 14,011,027           | 1,098,236                 | -                           | 15,109,263            |
| Infrastructure                                 | 52,200,545           | 2,160,616                 | -                           | 54,361,161            |
| Furniture and Office Equipment                 | 398,201              | 20,083                    | 72,145                      | 346,139               |
| Machinery and Equipment                        | 3,743,139            | 418,053                   | 509,240                     | 3,651,952             |
| Data Processing Equipment                      | 5,085,726            | 262,557                   | 603,929                     | 4,744,354             |
| Automotive Equipment                           | 21,723,899           | 4,031,836                 | 6,073,264                   | 19,682,471            |
| Radio and Communication Equipment              | 5,768,783            | 161,367                   | 923,740                     | 5,006,410             |
| Total Accumulated Depreciation                 | <u>120,634,257</u>   | <u>8,917,721</u>          | <u>8,182,318</u>            | <u>121,369,660</u>    |
| Total Capital Assets, being depreciated, net   | <u>70,227,146</u>    | <u>13,953,333</u>         | <u>392,200</u>              | <u>83,788,279</u>     |
| Governmental Activities Capital Assets, net    | <u>\$ 91,542,250</u> | <u>\$ 20,687,998</u>      | <u>\$ 1,460,766</u>         | <u>\$ 110,769,482</u> |

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

**NOTE 6: CAPITAL ASSETS – CONTINUED**

|  | Beginning<br>Balance  | Additions/<br>Completions | Retirements/<br>Adjustments | Ending<br>Balance     |
|--|-----------------------|---------------------------|-----------------------------|-----------------------|
| <b>Business-type Activities</b>                |                       |                           |                             |                       |
| Capital Assets, not<br>being depreciated       |                       |                           |                             |                       |
| Land   | \$ 458,208            | \$ -                      | \$ -                        | \$ 458,208            |
| Construction in Progress                       | 16,916,538            | 3,801,378                 | 13,344,808                  | 7,373,108             |
| Total Capital Assets, not<br>being depreciated | <u>\$ 17,374,746</u>  | <u>3,801,378</u>          | <u>13,344,808</u>           | <u>7,831,316</u>      |
| Capital Assets, being depreciated              |                       |                           |                             |                       |
| Buildings                                      | 9,327,235             | -                         | -                           | 9,327,235             |
| Improvements other than buildings              | 78,155,563            | 3,947,310                 | -                           | 82,102,873            |
| Infrastructure                                 | 123,932,469           | 23,181,398                | -                           | 147,113,867           |
| Furniture and Office Equipment                 | 101,759               | -                         | 2,089                       | 99,670                |
| Machinery and Equipment                        | 2,933,805             | 68,864                    | 136,797                     | 2,865,872             |
| Radio Equipment                                | 3,750                 | -                         | -                           | 3,750                 |
| Data Processing Equipment                      | 967,900               | -                         | 124,647                     | 843,253               |
| Total Capital Assets, being depreciated        | <u>215,422,481</u>    | <u>27,197,572</u>         | <u>263,533</u>              | <u>242,356,520</u>    |
| Less Accumulated Depreciation for              |                       |                           |                             |                       |
| Buildings                                      | 5,395,591             | 259,176                   | -                           | 5,654,767             |
| Improvements other than buildings              | 49,163,497            | 2,659,554                 | -                           | 51,823,051            |
| Infrastructure                                 | 66,958,999            | 3,688,920                 | -                           | 70,647,919            |
| Furniture and Office Equipment                 | 98,497                | 816                       | 2,089                       | 97,224                |
| Machinery and Equipment                        | 2,565,357             | 92,300                    | 136,797                     | 2,520,860             |
| Radio Equipment                                | 3,750                 | -                         | -                           | 3,750                 |
| Data Processing Equipment                      | 940,333               | 13,950                    | 119,430                     | 834,853               |
| Total Accumulated Depreciation                 | <u>125,126,024</u>    | <u>6,714,716</u>          | <u>258,316</u>              | <u>131,582,424</u>    |
| Total Capital Assets, being depreciated, net   | <u>90,296,457</u>     | <u>20,482,856</u>         | <u>5,217</u>                | <u>110,774,096</u>    |
| Business-type Activities Capital Assets, net   | <u>\$ 107,671,203</u> | <u>\$ 24,284,234</u>      | <u>\$ 13,350,025</u>        | <u>\$ 118,605,412</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   | \$ 259,997       |
| Finance  | 176,917          |
| Public Works   | 2,240,618        |
| Public Safety  | 802,743          |
| Cultural and Recreation  | 957,308          |
| Capital Assets held by government's Internal Service<br>Funds are charged to the various functions based on<br>their usage of assets | 4,480,138        |
| <br>Total Depreciation Expense - Governmental Activities   | <br>\$ 8,917,721 |
| <br><b>Business-type Activities</b>  |                  |
| Water and Sewer  | \$ 6,566,193     |
| Solid Waste  | 5,099            |
| Ratliff Golf Course  | 143,424          |
| <br>Total Depreciation Expense - Business-type Activities  | <br>\$ 6,714,716 |

**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 from 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 2013             | Plan Year 2012             |
|---|----------------------------|----------------------------|
| 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<br>(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, 2013, are as follows:

|   |                            |
|---|----------------------------|
| Annual Required Contribution (ARC)                  | \$ 5,043,871               |
| Interest on Net Pension Obligation                  | 364,870                    |
| Adjustment to the ARC                               | <u>(318,837)</u>           |
| Annual Pension Cost (APC)                           | 5,089,904                  |
| Contributions Made                                  | <u>(5,029,816)</u>         |
| Increase (Decrease) in Net Pension Obligation       | 60,088                     |
| Net Pension Obligation / (Asset), Beginning of Year | <u>5,210,912</u>           |
| Net Pension Obligation / (Asset), End of Year       | <u><u>\$ 5,271,000</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:

|   | 2013         | 2012         | 2011         |
|---|--------------|--------------|--------------|
| Annual Pension Cost                         | \$ 5,089,904 | \$ 5,000,907 | \$ 6,010,398 |
| Actual Contributions Made                   | 5,029,816    | 4,713,140    | 4,836,329    |
| Net Pension Obligation Increase             | \$ 60,088    | \$ 287,767   | \$ 1,174,069 |
| Net Pension Obligation Balance              | \$ 5,271,000 | \$ 5,210,912 | \$ 4,923,145 |
| Contributions as a % of Annual Pension Cost | 98.8%        | 94.2%        | 80.5%        |

The City contributed 98.8%, 94.2%, and 80.5% of the annual pension cost for 2013, 2012, and 2011, respectively. The required contribution rates for the fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

| Valuation Date                                     | 12/31/2012                   | 12/31/2011                   | 12/31/2010                   |
|--|------------------------------|------------------------------|------------------------------|
| 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      | 25.2 years;<br>closed period | 26.2 years;<br>closed period | 27.1 years;<br>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%                         | 7.0%                         |
| Projected Salary Increases *                       | Varies by age<br>and service | Varies by age<br>and service | Varies by age<br>and service |
| * Includes Inflation at Cost-of-Living Adjustments | 3.0%<br>1.5%                 | 3.0%<br>1.5%                 | 3.0%<br>1.5%                 |

**Funded Status and Funding Progress:**

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

| Actuarial Valuation Date | Actuarial Value of Assets | Accrued Liability (AAL) | Unfunded AAL Funded (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL Actuarial as a % of Covered Payroll |
|--------------------------|---------------------------|-------------------------|----------------------------|--------------|------------------------|--|
| 12/31/12                 | \$ 171,061,334            | \$191,557,767           | \$ 20,496,433              | 89.3%        | \$30,839,646           | 66.5%                                    |

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 2013, 2012 and 2011 were \$62,865, \$60,287, and \$73,500, respectively, which equaled the required contributions each year.

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

| Plan/Calendar<br>Year | Annual Required<br>Contribution (Rate) | Actual<br>Contribution Made (Rate) | Percentage of<br>ARC Contributed |
|-----------------------|--|------------------------------------|----------------------------------|
| 2013                  | 0.05%                                  | 0.05%                              | 100%                             |
| 2012                  | 0.05%                                  | 0.05%                              | 100%                             |
| 2011                  | 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 \$1,249,693 for fiscal year 2013.

GASB Statement No. 45 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 40% of the postretirement healthcare and other benefit costs, which totaled \$1,249,693 for fiscal year ended September 30, 2013. The retirees were responsible for funding approximately 60% of the healthcare and other benefit costs. The City accrued an additional \$614,180 in retiree healthcare expenses during fiscal year 2013.

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, 2013:

| 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 |
|--------------------|---------------------------|-----------------------------------|-----------------------------------|--------------|------------------------|--------------------------------|
| 9/30/13            | \$ -                      | \$ 11,880,732                     | \$ 11,880,732                     | 0%           | \$ 44,387,012          | 26.8%                          |

**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<br/>September 30, 2013<br/>Amount</u> | <u>Percent of Payroll <sup>1</sup></u> |
|---|---|--|
| 1. Unfunded actuarial accrued liability at October 1, 2013  | \$ 11,880,732   | 26.8%                                  |
| <u>Annual Required Contribution (ARC)</u>   |   |  |
| 2. Normal Cost  | \$ 562,063  |  |
| 3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization | 623,008   |  |
| 4. Annual Required Contribution (ARC = 2 + 3)   | <u>\$ 1,185,071</u>   | 2.7%                                   |
| <u>Annual OPEB Cost (Expenses)</u>  |   |  |
| 5. ARC  | \$ 1,185,071  |  |
| 6. Interest on beginning of year CAFR accrual   | 222,572   |  |
| 7. Amortization of beginning of year CAFR accrual   | (378,515)   |  |
| 8. Fiscal 2013 OPEB cost (5 + 6 - 7)  | <u>\$ 1,029,128</u>   | 2.3%                                   |
| <u>End of Year CAFR Accrual (Net OPEB Obligation) <sup>2</sup></u>                                |   |  |
| 9. Beginning of year CAFR accrual   | \$ 7,415,488  |  |
| 10. Annual OPEB cost  | 1,029,128   |  |
| 11. Employer contribution (benefit payments)  | (414,948)   |  |
| 12. End of year CAFR accrual (9 + 10 - 11) <sup>2</sup>   | <u>\$ 8,029,668</u>   | 18.0%                                  |

<sup>1</sup> Annual payroll for the 787 active plan participants as of October 1, 2013 was \$44,387,012.

<sup>2</sup> Actual benefits and administrative fees paid in fiscal year 2013 of \$1,249,693 less participant contributions of \$834,745. Employer contributed 40.3% of annual OPEB cost during fiscal year 2013.

Schedule of Employer Contributions

| <u>Fiscal<br/>Year<br/>Ended</u> | <u>Annual<br/>Required<br/>Contributions</u> | <u>Actual<br/>Contributions <sup>3</sup></u> | <u>Percentage<br/>Contributed</u> |
|----------------------------------|--|--|-----------------------------------|
| September 30, 2013               | \$ 1,185,071                                 | \$ 414,948                                   | 35.0%                             |
| September 30, 2012               | 1,274,623                                    | 299,941                                      | 23.5                              |
| September 30, 2011               | 1,536,888                                    | 246,964                                      | 16.1                              |

<sup>3</sup> Since there is no funding, these are actual benefit payments of \$1,249,693 less retiree contributions of \$834,745 for 2013. For 2012, actual benefit payments were \$1,029,448 and retiree contributions were \$729,507.

**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 \$1,185,071 for fiscal year 2013 and CAFR accrual of \$8,029,668 as of September 30, 2013, 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<br>Ended | Annual OPEB<br>Cost | Percentage of OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|--|------------------------|
| September 30, 2013   | \$ 1,029,128        | 40.3%                                  | \$ 8,029,668           |
| September 30, 2012   | 1,136,936           | 26.4                                   | 7,415,488              |
| September 30, 2011   | 1,423,340           | 17.4                                   | 6,578,493              |

Summary of Key Actuarial Methods and Assumptions

|                               |   |
|-------------------------------|---|
| <b>Valuation Year</b>         | October 1, 2012 – September 30, 2013                  |
| <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 2013, 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 2007-2012.

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.

**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.

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

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

**Mortality** IRS 2008 Combined Static Mortality Table

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

Retirement Rates

Employees are assumed to retire according to the following schedule:

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

Sample Withdrawal and Disability Rates

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

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

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

**NOTE 7: RETIREMENT COMMITMENTS – CONTINUED**

Firefighters’ Relief and Retirement Fund

Plan Description:

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

Additionally, the Fund has single entity actuarial valuations performed as of December 31 in even numbered years. The last actuarial valuation report available is for the year ended December 31, 2012. 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 – 15.15% for 2013 and 15.49% for 2012.

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, 2012:

|   | <u>December 31, 2012</u> |
|---|--------------------------|
| Retirees and beneficiaries currently receiving benefits and     |                          |
| Terminated employees entitled to benefits but not yet receiving | 166                      |
| Current employees   |                          |
| a. Vested   | 75                       |
| b. Nonvested  | <u>91</u>                |
| TOTAL   | <u>332</u>               |

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

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

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

**NOTE 7: RETIREMENT COMMITMENTS – CONTINUED**

Firefighters' Relief and Retirement Fund – Continued

A member drawing a benefit under this proposal is not eligible for supplemental benefits or for COLA benefits. Employees are also eligible for immediate actuarially reduced early retirement benefits upon completion of 20 years of service. Odessa firefighters are required to contribute 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 2013 was 15.15% 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.

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, 2012, 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, 2012. The funding policy of the Fund requires contributions equal to 15.00% of pay by the firefighters and 15.15% of pay by the City of Odessa.

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

**NOTE 7: RETIREMENT COMMITMENTS – CONTINUED**

Firefighters’ Relief and Retirement Fund – Continued

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, 2013:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>AAL<br>Funded (UAAL) | Funded<br>Ratio | Annual<br>Covered<br>Payroll | UAAL<br>as a % of<br>Covered<br>Payroll |
|--------------------------------|---------------------------------|--|----------------------------------|-----------------|------------------------------|---|
| 12/31/12                       | \$ 42,756,974                   | \$ 87,585,700                              | \$ 44,828,726                    | 48.80%          | \$ 9,518,672                 | 471.0%                                  |

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:

|   | 2013                | 2012                | 2011                |
|---|---------------------|---------------------|---------------------|
| Annual Required Contribution ARC            | <u>\$ 3,094,934</u> | <u>\$ 2,143,523</u> | <u>\$ 2,682,289</u> |
| Annual Pension Cost                         | 3,094,934           | 2,143,523           | 2,682,289           |
| Contributions Made                          | <u>1,573,344</u>    | <u>1,477,045</u>    | <u>1,447,498</u>    |
| Change in Net Pension Obligation            | 1,521,590           | 666,478             | 1,234,791           |
| NPO, Beginning of Year                      | <u>1,901,269</u>    | <u>1,234,791</u>    | -                   |
| NPO, End of Year                            | <u>\$ 3,422,859</u> | <u>\$ 1,901,269</u> | <u>\$ 1,234,791</u> |
| Contributions as a % of Annual Pension Cost | 50.8%               | 68.9%               | 54%                 |

|                              |   |   |
|------------------------------|---|---|
| Actuarial valuation date     | January 1, 2013   | January 1, 2011   |
| Actuarial cost method        | Entry age normal  | Entry age normal  |
| Amortization method          | Open method   | Open method   |
| Asset valuation method       | Level percentage of payroll<br>5-Year Smoothed market<br>values | Level percentage of payroll<br>5-Year Smoothed market<br>values |
| Amortization period for ARC  | 30 years  | 30 years  |
| Amortization period for UAAL |   | 71 years  |
| Actuarial assumptions:       |   |   |
| Investment rate of return    | 8.25%   | 8.5%  |
| Inflation rate               | 3.0%  | 3.5%  |
| Cost-of-living adjustments   | 1%  | 1%  |
| Projected salary increases   | 4.5% per year   | 4.5% per year   |

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

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

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

**A. Significant Accounting Policies**

1. Definition and Nature of Entity

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

The Corporation is governed by a five-member Board of Directors appointed by the City Council, and the Corporation's annual operating budget, as well as projects undertaken by it, is subject to approval by the City Council. Because of this oversight responsibility, the Corporation is considered to be a component unit of the City of Odessa, and in accordance with Governmental Accounting Standards Board (GASB) 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 position 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 position reports all financial and capital resources of the Corporation and is presented in an “assets minus liabilities equal net position” format with net position 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

**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

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 2013 year. Items such as taxes, investment earnings and non-specific grants are not included as program revenues but are instead reported as general revenues which normally cover the net cost of a function.

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

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

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 receivable and revenue in the period when the exchange transaction imposed occurs on the accrual basis and when measurable and available under the modified accrual basis. Sales taxes accrued are considered available.

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 Position/Fund Balances

The Corporation reports its fund balances under 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 spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. The Corporation has no nonspendable fund balance at September 30, 2013.

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, 2013.

Committed Fund Balance – Amounts that can only be used for specific purposes because of a formal action (resolution) by the Board – the highest level of decision-making authority. This classification includes incentive agreements, grants and a water desalination project.

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, 2013.

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 position presentation. Net position is categorized as unrestricted net position.

**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 position:
  - There are no differences between the governmental fund balance sheet and the government-wide statement of net position. 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 \$21,095,201, of which \$6,038,734 was held in investments in TexPool, and \$6,025,476 was held in a high yield savings account at a local bank, and \$9,030,991 was held in certificates of deposit. The fair value amount (\$6,038,734) held in Texpool had a weighted average maturity of 49 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, 2013, 29% of the Corporation's investments were in an external investment pool, TexPool.

**D. Receivables**

Receivables of \$1,430,692 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, 2013.

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

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

**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 \$21,095,201 at September 30, 2013, 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, 2013, 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 \$700,472 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 \$33,144 refund in the current year for the 2011-2012 contract. The contract period began October 1, 2012 and terminated on September 30, 2013, 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 \$703 refund from MOTRAN in the current year for the 2011-2012 contract period. The contract period began October 1, 2012 and terminated September 30, 2013, 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 contract period began October 1, 2012 and terminated September 30, 2013, whereby a new annual contract began with essentially the same provisions.

In September 2012, The Corporation entered into an agreement with the City of Odessa for a test water well and study (referred to as "Desal Water Project"). The agreement was amended during 2013 to increase the amount to \$3,000,000. The Corporation paid \$817,000 to the City in the current year and will pay the remaining amount of \$2,183,000 to the City of Odessa after receipt of invoices and other documentation from the City of Odessa showing reasonable and necessary cost incurred in the project.

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

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

**H. Contingencies**

The Corporation has entered into business incentive agreements/training grants with multiple entities, both in the current year and since inception. The agreements require the Corporation to pay incentives/grants upon the completion of certain transactions, which may or may not correspond to the entity's earnings of those incentives/grants. Based on accrual and modified accrual accounting, these expenditures are recorded by the Corporation when paid out. If the entities fail to meet their requirements, the agreement states that the entities will refund incentive/training dollars back to the Corporation. At September 30, 2013, the Corporation was committed for \$4,237,177, for incentive agreements signed but not yet completed on the part of the entities.

**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, 2013, and can be obtained from the MOUSD. For the year ended September 30, 2013, 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, 2013, the MOUSD had net assets of \$10,390,072 of which \$10,250,344 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, 2013, arising from these transactions were as follows:

|                                   | Interfund         |                   |
|-----------------------------------|-------------------|-------------------|
|                                   | Receivables       | Payables          |
| Governmental Funds                |                   |                   |
| General Fund                      | \$ 251,148        | \$ 300,633        |
| Capital Projects Fund             | -                 | 9,500             |
| Non-Major Government Funds        |                   |                   |
| Housing and Community Development | -                 | 186,601           |
| Other                             | -                 | 55,047            |
| Internal Service Funds            |                   |                   |
| Equipment Service Fund            | 300,633           | -                 |
|                                   | <u>\$ 551,781</u> | <u>\$ 551,781</u> |

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

**NOTE 12: INTERFUND TRANSACTIONS - CONTINUED**

Interfund transfers for the year ended September 30, 2013, are as follows:

|                              | Interfund         |                   |
|------------------------------|-------------------|-------------------|
|                              | Transfers In      | Transfers Out     |
| Governmental Funds           |                   |                   |
| General Fund                 | \$ -              | \$ 223,974        |
| Non-Major Governmental Funds |                   |                   |
| Special Revenue Funds-Other  | 26,654            | 2,680             |
| Enterprise Funds             |                   |                   |
| Ratliff Golf Course Fund     | 200,000           | -                 |
|                              | <u>\$ 226,654</u> | <u>\$ 226,654</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, 2013:

|                               | Balance,<br>October 1,<br>2012 | Additions            | Reductions          | Balance,<br>September 30,<br>2013 | Due Within<br>One Year |
|-------------------------------|--------------------------------|----------------------|---------------------|-----------------------------------|------------------------|
| Certificates of Obligation :  |                                |                      |                     |                                   |                        |
| Series 2004                   | 110,000                        | -                    | 110,000             | -                                 | -                      |
| Series 2005                   | 4,645,000                      | -                    | 135,000             | 4,510,000                         | 140,000                |
| Series 2006                   | 8,075,000                      | -                    | 415,000             | 7,660,000                         | 435,000                |
| Series 2007                   | 4,225,000                      | -                    | 40,000              | 4,185,000                         | 45,000                 |
| Series 2013                   | -                              | 51,335,000           | -                   | 51,335,000                        | 1,820,000              |
| General Refunding Bond:       |                                |                      |                     |                                   |                        |
| Series 2006                   | 4,805,000                      | -                    | 515,000             | 4,290,000                         | 540,000                |
| General Obligation Refunding: |                                |                      |                     |                                   |                        |
| Series 2009                   | 2,380,000                      | -                    | 300,000             | 2,080,000                         | 315,000                |
| Series 2012                   | 6,780,000                      | -                    | 170,000             | 6,610,000                         | 290,000                |
| Unamortized Premiums:         |                                |                      |                     |                                   |                        |
| Series 2007                   | 127,221                        | -                    | 8,481               | 118,740                           | -                      |
| Series 2009                   | 36,995                         | -                    | 5,285               | 31,710                            | -                      |
| Series 2012                   | 400,945                        | -                    | 34,367              | 366,578                           | -                      |
| Series 2013                   | -                              | 3,000,508            | -                   | 3,000,508                         | -                      |
| Deferred Loss on Refundings:  |                                |                      |                     |                                   |                        |
| Series 2006                   | (173,892)                      | -                    | (173,892)           | -                                 | -                      |
| Series 2009                   | (47,740)                       | -                    | (47,740)            | -                                 | -                      |
| Series 2012                   | (301,446)                      | -                    | (301,446)           | -                                 | -                      |
| Capital Lease Payable         | 3,517,014                      | 289,718              | 1,052,129           | 2,754,603                         | 1,157,018              |
| Compensated Absences          | 8,055,431                      | 2,271,768            | 2,388,310           | 7,938,889                         | 2,388,309              |
| Landfill Closure/Post-Closure | 1,623,462                      | -                    | 5,046               | 1,618,416                         | 100,000                |
| Other Post Employment         |                                |                      |                     |                                   |                        |
| Benefits Obligation           | 5,797,104                      | 483,218              | -                   | 6,280,322                         | -                      |
| Firemen's Benefit Obligation  | 1,901,269                      | 1,521,590            | -                   | 3,422,859                         | -                      |
| TMRS Phase-in Liability       | 4,108,945                      | 51,436               | -                   | 4,160,381                         | -                      |
|                               | <u>\$ 56,065,308</u>           | <u>\$ 58,953,238</u> | <u>\$ 4,655,540</u> | <u>\$ 110,363,006</u>             | <u>\$ 7,230,327</u>    |

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

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

CERTIFICATES OF OBLIGATION

September 30, 2013

|   |                     |
|---|---------------------|
| <p>\$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.</p>   | <p>\$ 4,510,000</p> |
| <p>\$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; improvments to municipal golf course.</p> | <p>7,660,000</p>    |
| <p>\$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.</p>  | <p>4,185,000</p>    |
| <p>\$51,335,000 Certificates of Obligation Bonds due in annual installments from March 1, 2014 through March 1, 2033; interest rates 4.2-4.9% - Construction of improvements to City parks, drainage improvements, paving, curb and gutter improvements, and street improvements.</p>   | <p>51,335,000</p>   |

BONDS

|  |                  |
|--|------------------|
| <p>\$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%</p>  | <p>4,290,000</p> |
| <p>\$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%</p>  | <p>2,080,000</p> |
| <p>\$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%</p> | <p>6,610,000</p> |

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, 2013, the City still held unspent bond proceeds of \$54,634,528.

**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, 2013, are as follows:

| Year Ending<br>September 30 | Certificates of Obligation |                      |                       |
|-----------------------------|----------------------------|----------------------|-----------------------|
|                             | Principal                  | Interest             | Total                 |
| 2014                        | \$ 2,440,000               | \$ 2,901,752         | \$ 5,341,752          |
| 2015                        | 2,355,000                  | 2,985,974            | 5,340,974             |
| 2016                        | 2,455,000                  | 2,910,444            | 5,365,444             |
| 2017                        | 2,540,000                  | 2,835,809            | 5,375,809             |
| 2018                        | 2,765,000                  | 2,736,139            | 5,501,139             |
| 2019-2023                   | 17,865,000                 | 11,357,142           | 29,222,142            |
| 2024-2028                   | 19,580,000                 | 6,643,070            | 26,223,070            |
| 2029-2033                   | 17,690,000                 | 2,299,500            | 19,989,500            |
|                             | <u>\$ 67,690,000</u>       | <u>\$ 34,669,830</u> | <u>\$ 102,359,830</u> |

| Year Ending<br>September 30 | Bonds                |                     |                      |
|-----------------------------|----------------------|---------------------|----------------------|
|                             | Principal            | Interest            | Total                |
| 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                        | 1,510,000            | 251,300             | 1,761,300            |
| 2019-2023                   | 5,540,000            | 578,275             | 6,118,275            |
| 2024                        | 865,000              | 17,300              | 882,300              |
|                             | <u>\$ 12,980,000</u> | <u>\$ 2,311,563</u> | <u>\$ 15,291,563</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<br>October 1, 2012 | Additions         | Reductions          | Due<br>Balance<br>September 30, 2013 | Within<br>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% | \$ 9,605,000               | \$ -              | \$ 3,070,000        | \$ 6,535,000                         | \$ 3,205,000        |
| Unamortized Premium on General Obligation Refunding Bonds Series 2006 (W&S portion)  | 132,930                    | -                 | 42,488              | 90,442                               | -                   |
| 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   | 1,985,525                  | -                 | 206,980             | 1,778,545                            | -                   |
| \$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%     | 3,045,000                  | -                 | 985,000             | 2,060,000                            | 1,015,000           |
| Unamortized Premium on General Obligation Refunding Bonds Series 2009 (W&S portion)  | 46,860                     | -                 | 15,160              | 31,700                               | -                   |
| Compensated Absences   | 1,157,578                  | 239,430           | 325,925             | 1,071,083                            | 325,925             |
| Other Post Employment Benefits Obligation  | 1,618,382                  | 130,964           | -                   | 1,749,346                            | -                   |
| TMRS Net Pension Obligation  | 1,101,968                  | 8,652             | -                   | 1,110,620                            | -                   |
|  | <u>\$ 81,548,243</u>       | <u>\$ 379,046</u> | <u>\$ 4,645,553</u> | <u>\$ 77,281,736</u>                 | <u>\$ 4,545,925</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, 2013, the City still held unspent bond proceeds of \$31,144,148 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, 2013, are as follows:

| <u>Year Ending<br/>September 30</u> | <u>Certificates of Obligation</u> |                      |                      |
|-------------------------------------|-----------------------------------|----------------------|----------------------|
|                                     | <u>Principal</u>                  | <u>Interest</u>      | <u>Total</u>         |
| 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                                | 4,330,000                         | 2,632,500            | 6,962,500            |
| 2019-2023                           | 25,225,000                        | 9,593,875            | 34,818,875           |
| 2024-2027                           | 25,260,000                        | 2,604,750            | 27,864,750           |
|                                     | <u>\$ 62,855,000</u>              | <u>\$ 27,005,125</u> | <u>\$ 89,860,125</u> |

| <u>Year Ending<br/>September 30</u> | <u>Bonds</u>        |                   |                     |
|-------------------------------------|---------------------|-------------------|---------------------|
|                                     | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
| 2014                                | \$ 4,220,000        | \$ 249,100        | \$ 4,469,100        |
| 2015                                | 4,375,000           | 84,888            | 4,459,888           |
|                                     | <u>\$ 8,595,000</u> | <u>\$ 333,988</u> | <u>\$ 8,928,988</u> |

**Defeasance of Debt**

In 2012, the City refunded \$5,085,000 of its Series 2004 Certificates of Obligation and \$1,810,000 of its Series 2001 Certificates of Obligation. Before 2012, the City had 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.

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

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

Defeasance of Debt - Continued

At September 30, 2013, outstanding issues are considered to be defeased. They are analyzed as follows:

| Issue  | Amount<br>Defeased | Defeased Debt<br>Outstanding |
|--|--------------------|------------------------------|
| Certificates of Obligation, Series 1998                  | \$ 3,280,000       | \$ 2,115,000                 |
| Certificates of Obligation, Series 2000                  | 5,580,000          | 4,215,000                    |
| Waterworks and Sewer System Refunding Bonds, Series 2001 | 16,290,000         | 8,520,000                    |
| Certificates of Obligation, Series 2001                  | 1,810,000          | 1,680,000                    |
| Certificates of Obligation, Series 2004                  | 5,085,000          | 4,970,000                    |
|  |                    | <u>\$ 21,500,000</u>         |

**NOTE 14: CAPITAL LEASE OBLIGATIONS**

The City is obligated under a capital lease for equipment which cost \$10,228,076 and is included in governmental activities' assets.

Future minimum lease payments as of September 30, 2013 are as follows:

| Year ending September 30,                             | General Fund        |
|---|---------------------|
| 2014  | \$ 1,332,730        |
| 2015  | 1,332,730           |
| 2016  | 418,135             |
| Total minimum lease payments                          | 3,083,595           |
| Less amounts representing interest                    | (328,992)           |
| Present value of net minimum capital lease payments   | 2,754,603           |
| Less current obligations under capital lease          | (1,157,018)         |
| Obligations Under Capital Leases Less Current Portion | <u>\$ 1,597,585</u> |

**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, 2013, \$28,963 was expended for the post-closure care costs for the landfill, and \$23,917 was added to the liability to reflect inflated estimated costs. The City's post-closure liability as of September 30, 2013 was \$1,618,416. 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.

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

**NOTE 15: LANDFILL CLOSURE AND POST-CLOSURE CARE COST - Continued**

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, 2013, 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, 2013.

**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 2013, 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.

Changes in the balances of claims liabilities during the fiscal years 2013 and 2012 were as follows:

| Fiscal Year | Liability at Beginning | Current-Year Claims and Changes in Estimates | Claim Payments | Liability at End |
|-------------|------------------------|--|----------------|------------------|
| 2013        | \$ 1,172,031           | \$ 6,663,286                                 | \$ 6,529,908   | \$ 1,305,409     |
| 2012        | 1,521,729              | 5,702,998                                    | 6,052,696      | 1,172,031        |

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.

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

**NOTE 17: FUND BALANCE**

In accordance with GASB Statement 54, the City classifies its fund balances at September 30, 2013, as follows:

|                                      | General             | Capital Projects    | NonMajor            |                       |                    |                  | Total NonMajor      | Total Governmental   |
|--------------------------------------|---------------------|---------------------|---------------------|-----------------------|--------------------|------------------|---------------------|----------------------|
|                                      |                     |                     | Housing & Comm. Dev | Convention & Visitors | Other              | Debt Service     |                     |                      |
| <b>NONSPENDABLE:</b>                 |                     |                     |                     |                       |                    |                  |                     |                      |
| Inventory                            | \$ 6,073            | \$ -                | \$ -                | \$ -                  | \$ -               | \$ -             | \$ -                | \$ 6,073             |
| <b>RESTRICTED FOR:</b>               |                     |                     |                     |                       |                    |                  |                     |                      |
| Parks, Public Works, & Public Safety | -                   | 54,583,451          | -                   | -                     | -                  | -                | -                   | 54,583,451           |
| Culture & Recreation                 | -                   | -                   | -                   | 10,733,303            | -                  | -                | 10,733,303          | 10,733,303           |
| Public Safety                        | -                   | -                   | -                   | -                     | 640,140            | -                | 640,140             | 640,140              |
| Municipal Court                      | -                   | -                   | -                   | -                     | 145,926            | -                | 145,926             | 145,926              |
| Debt Service                         | -                   | -                   | -                   | -                     | -                  | 661,216          | 661,216             | 661,216              |
| Welfare                              | -                   | -                   | -                   | -                     | 28,698             | -                | 28,698              | 28,698               |
| Other Purposes                       | -                   | -                   | -                   | -                     | 262,303            | -                | 262,303             | 262,303              |
| <b>ASSIGNED TO:</b>                  |                     |                     |                     |                       |                    |                  |                     |                      |
| Compensated Absences                 | 1,143,523           | -                   | -                   | -                     | -                  | -                | -                   | 1,143,523            |
| Parks Improvements/Development       | 2,768,870           | -                   | -                   | -                     | -                  | -                | -                   | 2,768,870            |
| Other Capital Projects               | -                   | 731,106             | -                   | -                     | -                  | -                | -                   | 731,106              |
| Public Safety                        | 5,465,228           | -                   | -                   | -                     | -                  | -                | -                   | 5,465,228            |
| Information Technology               | 726,436             | -                   | -                   | -                     | -                  | -                | -                   | 726,436              |
| Other Purposes                       | 1,459,850           | -                   | -                   | -                     | -                  | -                | -                   | 1,459,850            |
| Public Works                         | 6,211,770           | -                   | -                   | -                     | -                  | -                | -                   | 6,211,770            |
| <b>UNASSIGNED:</b>                   | <u>28,834,767</u>   | <u>-</u>            | <u>-</u>            | <u>-</u>              | <u>-</u>           | <u>-</u>         | <u>-</u>            | <u>28,834,767</u>    |
|                                      | <u>\$46,616,517</u> | <u>\$55,314,557</u> | <u>\$ -</u>         | <u>\$10,733,303</u>   | <u>\$1,077,067</u> | <u>\$661,216</u> | <u>\$12,471,586</u> | <u>\$114,402,660</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.

**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.

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

**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. 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.

GASB issued Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees" – intended to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. This statement is effective for financial statements for periods beginning after June 15, 2013.

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.

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 |
|--------------------------|---------------------------|-----------------------------------|----------------------------|--------------|------------------------|--------------------------------|
| 12/31/12                 | \$ 171,061,334            | \$ 191,557,767                    | \$ 20,496,433              | 89.3%        | \$ 30,839,646          | 66.5%                          |
| 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 * |
|--------------------|---------------------------|-----------------------------------|-----------------------------------|--------------|--------------------------|----------------------------------|
| 9/30/13            | \$ -                      | \$ 11,880,732                     | \$ 11,880,732                     | 0            | \$ 44,387,012            | 26.8%                            |
| 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, 2013, 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 |
|-----------------------------|---------------------------|-----------------------------------|----------------------------|--------------|------------------------|--------------------------------|
| 12/31/12                    | \$ 42,756,974             | \$ 87,585,700                     | \$ 44,828,726              | 48.8%        | \$ 9,518,672           | 471.0%                         |
| 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                 | 62.1         | 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.

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## **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.

MOUTD - 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.

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**CITY OF ODESSA, TEXAS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2013**

|  | Special Revenue Funds                   |                               |
|--|---|-------------------------------|
|  | Housing and<br>Community<br>Development | Convention<br>and<br>Visitors |
| <b>ASSETS</b>                              |   |                               |
| Cash and Investments                       | \$ -                                    | \$ 9,634,235                  |
| Accounts Receivable                        | 98,497                                  | 1,282,407                     |
| Property Held for Sale                     | 1,152,744                               | -                             |
| TOTAL ASSETS                               | \$ 1,251,241                            | \$ 10,916,642                 |
| <b>LIABILITIES</b>                         |   |                               |
| Accounts Payable                           | \$ 1,052,505                            | \$ 183,339                    |
| Accrued Payroll                            | 12,135                                  | -                             |
| Interfund Payable                          | 186,601                                 | -                             |
| TOTAL LIABILITIES                          | 1,251,241                               | 183,339                       |
| <b>FUND BALANCES</b>                       |   |                               |
| Restricted                                 | -                                       | 10,733,303                    |
| TOTAL FUND BALANCES                        | -                                       | 10,733,303                    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | \$ 1,251,241                            | \$ 10,916,642                 |

| <u>Special Revenue Funds</u> |                     | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>NonMajor<br/>Governmental<br/>Funds</u> |
|------------------------------|---------------------|----------------------------------|--|
| <u>MOUTD</u>                 | <u>Other</u>        |                                  |  |
| \$ 90,777                    | \$ 1,094,423        | \$ 661,216                       | \$ 11,480,651  |
| -                            | 61,380              | -                                | 1,442,284  |
| -                            | -                   | -                                | 1,152,744  |
| <u>\$ 90,777</u>             | <u>\$ 1,155,803</u> | <u>\$ 661,216</u>                | <u>\$ 14,075,679</u>                                 |
| \$ 90,777                    | \$ 9,851            | \$ -                             | \$ 1,336,472   |
| -                            | 13,838              | -                                | 25,973   |
| -                            | 55,047              | -                                | 241,648  |
| <u>90,777</u>                | <u>78,736</u>       | <u>-</u>                         | <u>1,604,093</u>                                     |
| -                            | 1,077,067           | 661,216                          | 12,471,586   |
| -                            | 1,077,067           | 661,216                          | 12,471,586   |
| <u>\$ 90,777</u>             | <u>\$ 1,155,803</u> | <u>\$ 661,216</u>                | <u>\$ 14,075,679</u>                                 |

**CITY OF ODESSA, TEXAS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2013**

|  | Special Revenue Funds                   |                               |
|--|---|-------------------------------|
|  | Housing and<br>Community<br>Development | Convention<br>and<br>Visitors |
| <b>REVENUES</b>                                      |   |                               |
| Property Tax, Penalties and Interest                 | \$ -                                    | \$ -                          |
| Fines and Forfeitures                                | -                                       | -                             |
| Grants and Entitlements                              | 1,260,624                               | -                             |
| Hotel and Motel Occupancy Tax                        | -                                       | 5,382,248                     |
| Investment Income                                    | -                                       | 17,333                        |
| Donations  | -                                       | -                             |
| Other  | 32,608                                  | -                             |
| Sale of Confiscated Property                         | -                                       | -                             |
| TOTAL REVENUES                                       | 1,293,232                               | 5,399,581                     |
| <b>EXPENDITURES</b>                                  |   |                               |
| Current  |   |                               |
| Finance  | -                                       | -                             |
| Public Works   | -                                       | -                             |
| Public Safety  | -                                       | -                             |
| Welfare  | 1,279,237                               | -                             |
| Culture and Recreation                               | -                                       | 2,432,138                     |
| TOTAL CURRENT  | 1,279,237                               | 2,432,138                     |
| Debt Service   |   |                               |
| Principal Retirement                                 | -                                       | -                             |
| Interest and Fiscal Charges                          | -                                       | -                             |
| TOTAL DEBT SERVICE                                   | -                                       | -                             |
| Capital Outlay                                       | 13,995                                  | -                             |
| TOTAL EXPENDITURES                                   | 1,293,232                               | 2,432,138                     |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | -                                       | 2,967,443                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                |   |                               |
| Transfer In  | -                                       | -                             |
| Transfer (Out)                                       | -                                       | -                             |
| TOTAL OTHER FINANCING SOURCES (USES)                 | -                                       | -                             |
| NET CHANGE IN FUND BALANCES                          | -                                       | 2,967,443                     |
| <b>FUND BALANCES - AT BEGINNING OF YEAR</b>          | -                                       | 7,765,860                     |
| <b>FUND BALANCES - AT END OF YEAR</b>                | \$ -                                    | \$ 10,733,303                 |

| Special Revenue Funds |                     | Debt Service Fund | Total NonMajor Governmental Funds |
|-----------------------|---------------------|-------------------|-----------------------------------|
| MOUTD                 | Other               |                   |                                   |
| \$ -                  | \$ -                | \$ 2,907,949      | \$ 2,907,949                      |
| -                     | 135,129             | -                 | 135,129                           |
| 7,723,632             | 639,184             | -                 | 9,623,440                         |
| -                     | -                   | -                 | 5,382,248                         |
| -                     | 2,036               | 2,250             | 21,619                            |
| -                     | 5,984               | -                 | 5,984                             |
| -                     | -                   | 12,991            | 45,599                            |
| -                     | 106,731             | -                 | 106,731                           |
| <u>7,723,632</u>      | <u>889,064</u>      | <u>2,923,190</u>  | <u>18,228,699</u>                 |
| -                     | 254,999             | -                 | 254,999                           |
| 7,723,632             | 9,800               | -                 | 7,733,432                         |
| -                     | 469,370             | -                 | 469,370                           |
| -                     | -                   | -                 | 1,279,237                         |
| -                     | -                   | -                 | 2,432,138                         |
| <u>7,723,632</u>      | <u>734,169</u>      | <u>-</u>          | <u>12,169,176</u>                 |
| -                     | -                   | 1,685,000         | 1,685,000                         |
| -                     | -                   | 1,221,505         | 1,221,505                         |
| -                     | -                   | 2,906,505         | 2,906,505                         |
| -                     | 262,512             | -                 | 276,507                           |
| <u>7,723,632</u>      | <u>996,681</u>      | <u>2,906,505</u>  | <u>15,352,188</u>                 |
| -                     | (107,617)           | 16,685            | 2,876,511                         |
| -                     | 26,654              | -                 | 26,654                            |
| -                     | (2,680)             | -                 | (2,680)                           |
| -                     | 23,974              | -                 | 23,974                            |
| -                     | (83,643)            | 16,685            | 2,900,485                         |
| -                     | 1,160,710           | 644,531           | 9,571,101                         |
| <u>\$ -</u>           | <u>\$ 1,077,067</u> | <u>\$ 661,216</u> | <u>\$ 12,471,586</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, 2013**

|  | Budgeted Amounts   |                              | Actual             | Variance<br>Over<br>(Under) |
|--|--------------------|------------------------------|--------------------|-----------------------------|
|  | Original           | Final                        |                    |                             |
| <b>REVENUES</b>                            |                    |                              |                    |                             |
| Grants and Entitlements                    | \$ 1,130,518       | \$ 1,027,702                 | \$ 1,260,624       | \$ 232,922                  |
| Other                                      | -                  | -                            | 32,608             | 32,608                      |
| TOTAL REVENUES                             | <u>1,130,518</u>   | <u>1,027,702</u>             | <u>1,293,232</u>   | <u>265,530</u>              |
| <b>EXPENDITURES</b>                        |                    |                              |                    |                             |
| Current                                    |                    |                              |                    |                             |
| Welfare                                    | 1,114,961          | 2,651,532                    | 1,279,237          | (1,372,295)                 |
| Capital Outlay                             | <u>15,557</u>      | <u>54,739</u>                | <u>13,995</u>      | <u>(40,744)</u>             |
| TOTAL EXPENDITURES                         | <u>1,130,518</u>   | <u>2,706,271</u>             | <u>1,293,232</u>   | <u>(1,413,039)</u>          |
| NET CHANGE IN FUND BALANCE                 | -                  | (1,678,569)                  | -                  | 1,678,569                   |
| <b>FUND BALANCE - AT BEGINNING OF YEAR</b> | <u>-</u>           | <u>-</u>                     | <u>-</u>           | <u>-</u>                    |
| <b>FUND BALANCE - AT END OF YEAR</b>       | <u><u>\$ -</u></u> | <u><u>\$ (1,678,569)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,678,569</u></u>  |

**CITY OF ODESSA, TEXAS  
CONVENTION AND VISITORS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2013**

|  | Budgeted Amounts           |                            | Actual                      | Variance<br>Over<br>(Under) |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|
|  | Original                   | Final                      |                             |                             |
| <b>REVENUES</b>                            |                            |                            |                             |                             |
| Hotel and Motel Occupancy Tax              | \$ 3,200,000               | \$ 3,200,000               | \$ 5,382,248                | \$ 2,182,248                |
| Investment Income                          | -                          | -                          | 17,333                      | 17,333                      |
| <b>TOTAL REVENUES</b>                      | <u>3,200,000</u>           | <u>3,200,000</u>           | <u>5,399,581</u>            | <u>2,199,581</u>            |
| <b>EXPENDITURES</b>                        |                            |                            |                             |                             |
| Current                                    |                            |                            |                             |                             |
| Culture and Recreation                     | 2,449,697                  | 2,601,127                  | 2,432,138                   | (168,989)                   |
| <b>TOTAL EXPENDITURES</b>                  | <u>2,449,697</u>           | <u>2,601,127</u>           | <u>2,432,138</u>            | <u>(168,989)</u>            |
| <b>NET CHANGE IN FUND BALANCE</b>          | 750,303                    | 598,873                    | 2,967,443                   | 2,368,570                   |
| <b>FUND BALANCE - AT BEGINNING OF YEAR</b> | <u>7,765,860</u>           | <u>7,765,860</u>           | <u>7,765,860</u>            | <u>-</u>                    |
| <b>FUND BALANCE - AT END OF YEAR</b>       | <u><u>\$ 8,516,163</u></u> | <u><u>\$ 8,364,733</u></u> | <u><u>\$ 10,733,303</u></u> | <u><u>\$ 2,368,570</u></u>  |

**CITY OF ODESSA, TEXAS  
OTHER SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2013**

|  | Budgeted Amount   |                    | Actual              | Variance<br>Over<br>(Under) |
|--|-------------------|--------------------|---------------------|-----------------------------|
|  | Original          | Final              |                     |                             |
| <b>REVENUES</b>  |                   |                    |                     |                             |
| Fines and Forfeitures  | \$ 135,000        | \$ 135,000         | \$ 135,129          | \$ 129                      |
| Grants and Entitlements                                      | 14,740            | 641,699            | 639,184             | (2,515)                     |
| Investment Income  | -                 | -                  | 2,036               | 2,036                       |
| Donations  | -                 | -                  | 5,984               | 5,984                       |
| Sale of Confiscated Property                                 | -                 | -                  | 106,731             | 106,731                     |
| <b>TOTAL REVENUES</b>  | <b>149,740</b>    | <b>776,699</b>     | <b>889,064</b>      | <b>112,365</b>              |
| <b>EXPENDITURES</b>  |                   |                    |                     |                             |
| Current  |                   |                    |                     |                             |
| Finance  | 246,816           | 398,114            | 254,999             | (143,115)                   |
| Public Works   | -                 | 9,800              | 9,800               | -                           |
| Public Safety  | 497,393           | 694,822            | 469,370             | (225,452)                   |
| Welfare  | -                 | 4,000              | -                   | (4,000)                     |
| <b>TOTAL CURRENT</b>   | <b>744,209</b>    | <b>1,106,736</b>   | <b>734,169</b>      | <b>(372,567)</b>            |
| Capital Outlay   | 90,000            | 925,237            | 262,512             | (662,725)                   |
| <b>TOTAL EXPENDITURES</b>                                    | <b>834,209</b>    | <b>2,031,973</b>   | <b>996,681</b>      | <b>(1,035,292)</b>          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(684,469)</b>  | <b>(1,255,274)</b> | <b>(107,617)</b>    | <b>1,147,657</b>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |                    |                     |                             |
| Transfer In  | -                 | -                  | 26,654              | 26,654                      |
| Transfer (Out)   | -                 | -                  | (2,680)             | (2,680)                     |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>-</b>          | <b>-</b>           | <b>23,974</b>       | <b>23,974</b>               |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(684,469)</b>  | <b>(1,255,274)</b> | <b>(83,643)</b>     | <b>1,171,631</b>            |
| <b>FUND BALANCE - AT BEGINNING OF YEAR</b>                   | <b>1,160,710</b>  | <b>1,160,710</b>   | <b>1,160,710</b>    | <b>-</b>                    |
| <b>FUND BALANCE - AT END OF YEAR</b>                         | <b>\$ 476,241</b> | <b>\$ (94,564)</b> | <b>\$ 1,077,067</b> | <b>\$ 1,171,631</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, 2013**

|  | Budgeted Amount   |                   | Actual            | Variance<br>Over<br>(Under) |
|--|-------------------|-------------------|-------------------|-----------------------------|
|  | Original          | Final             |                   |                             |
| <b>REVENUES</b>  |                   |                   |                   |                             |
| Property Tax, Penalties and Interest                         | \$ 2,907,949      | \$ 2,907,949      | \$ 2,907,949      | \$ -                        |
| Investment Income  | -                 | -                 | 2,250             | 2,250                       |
| Miscellaneous Incocme  | -                 | -                 | 12,991            | 12,991                      |
| <b>TOTAL REVENUES</b>  | <u>2,907,949</u>  | <u>2,907,949</u>  | <u>2,923,190</u>  | <u>15,241</u>               |
| <b>EXPENDITURES</b>  |                   |                   |                   |                             |
| Debt Service   |                   |                   |                   |                             |
| Principal Retirement   | 1,685,000         | 1,685,000         | 1,685,000         | -                           |
| Interest and Fiscal Charges                                  | 1,222,949         | 1,222,949         | 1,221,505         | (1,444)                     |
| <b>TOTAL EXPENDITURES</b>                                    | <u>2,907,949</u>  | <u>2,907,949</u>  | <u>2,906,505</u>  | <u>(1,444)</u>              |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b> | <u>-</u>          | <u>-</u>          | <u>16,685</u>     | <u>16,685</u>               |
| <b>NET CHANGE IN FUND BALANCE</b>                            | -                 | -                 | 16,685            | 16,685                      |
| <b>FUND BALANCE - AT BEGINNING OF YEAR</b>                   | <u>644,531</u>    | <u>644,531</u>    | <u>644,531</u>    | <u>-</u>                    |
| <b>FUND BALANCE - AT END OF YEAR</b>                         | <u>\$ 644,531</u> | <u>\$ 644,531</u> | <u>\$ 661,216</u> | <u>\$ 16,685</u>            |

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## INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financing of goods and services provided by one department to other departments on a cost-reimbursement basis. The three 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.

Information Technology Fund: To account for the cost of providing information technology equipment and services 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 as the end of its useful life.

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**CITY OF ODESSA, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2013**

|   | Equipment<br>Service<br>Fund | Risk<br>Management<br>Fund | Information<br>Technology<br>Fund | Total                |
|---|------------------------------|----------------------------|-----------------------------------|----------------------|
| <b>ASSETS</b>   |                              |                            |                                   |                      |
| <b>CURRENT ASSETS:</b>  |                              |                            |                                   |                      |
| Cash and Investments  | \$ 8,480,440                 | \$ 5,294,622               | \$ 1,000,149                      | \$ 14,775,211        |
| Accounts Receivable   | -                            | 2,831                      | -                                 | 2,831                |
| Interfund Receivable  | 300,633                      | -                          | -                                 | 300,633              |
| <b>TOTAL CURRENT ASSETS</b>                                       | <u>8,781,073</u>             | <u>5,297,453</u>           | <u>1,000,149</u>                  | <u>15,078,675</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                                    | -                            | 67,571                     | 21,024                            | 88,595               |
| Machinery and Equipment   | 886,018                      | 238,200                    | 587,159                           | 1,711,377            |
| Data Processing Equipment   | 255,406                      | 35,731                     | 3,156,784                         | 3,447,921            |
| Automotive Equipment  | 31,208,480                   | -                          | -                                 | 31,208,480           |
| Radio and Electronic Equipment                                    | 77,874                       | 3,750                      | -                                 | 81,624               |
| Less Accumulated Depreciation                                     | (21,428,500)                 | (575,267)                  | (2,762,989)                       | (24,766,756)         |
| <b>TOTAL CAPITAL ASSETS (Net of<br/>Accumulated Depreciation)</b> | <u>11,799,845</u>            | <u>882,377</u>             | <u>1,001,978</u>                  | <u>13,684,200</u>    |
| <b>TOTAL ASSETS</b>   | <u>20,580,918</u>            | <u>6,179,830</u>           | <u>2,002,127</u>                  | <u>28,762,875</u>    |
| <b>LIABILITIES</b>  |                              |                            |                                   |                      |
| <b>CURRENT LIABILITIES:</b>                                       |                              |                            |                                   |                      |
| Accounts Payable  | 1,217,393                    | 1,429,491                  | 165,820                           | 2,812,704            |
| Compensated Absences  | 56,071                       | 40,518                     | 15,543                            | 112,132              |
| Accrued Payroll   | 44,592                       | 41,099                     | 53,319                            | 139,010              |
| Other Liabilities   | -                            | 1,629                      | -                                 | 1,629                |
| <b>TOTAL CURRENT LIABILITIES</b>                                  | <u>1,318,056</u>             | <u>1,512,737</u>           | <u>234,682</u>                    | <u>3,065,475</u>     |
| <b>NONCURRENT LIABILITIES:</b>                                    |                              |                            |                                   |                      |
| Compensated Absences  | 191,727                      | 192,407                    | -                                 | 384,134              |
| Other Post Employment Benefits Payable                            | 224,718                      | 132,545                    | 10,838                            | 368,101              |
| TMRS Phase In Liability   | 152,084                      | 105,113                    | 1,040                             | 258,237              |
| <b>TOTAL NONCURRENT LIABILITIES</b>                               | <u>568,529</u>               | <u>430,065</u>             | <u>11,878</u>                     | <u>1,010,472</u>     |
| <b>TOTAL LIABILITIES</b>  | <u>1,886,585</u>             | <u>1,942,802</u>           | <u>246,560</u>                    | <u>4,075,947</u>     |
| <b>NET POSITION</b>   |                              |                            |                                   |                      |
| Net Investment in Capital Assets                                  | 11,799,845                   | 882,377                    | 1,001,978                         | 13,684,200           |
| Unrestricted  | 6,894,488                    | 3,354,651                  | 753,589                           | 11,002,728           |
| <b>TOTAL NET POSITION</b>   | <u>\$ 18,694,333</u>         | <u>\$ 4,237,028</u>        | <u>\$ 1,755,567</u>               | <u>\$ 24,686,928</u> |

**CITY OF ODESSA, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2013**

|  | Equipment<br>Service<br>Fund | Risk<br>Management<br>Fund | Information<br>Technology<br>Fund | Total                |
|--|------------------------------|----------------------------|-----------------------------------|----------------------|
| <b>OPERATING REVENUES</b>                            |                              |                            |                                   |                      |
| Rental and Other Charges for Services                | \$ 12,061,141                | \$ 9,854,312               | \$ 3,323,484                      | \$ 25,238,937        |
| Other  | 103,451                      | 491,555                    | -                                 | 595,006              |
| <b>TOTAL OPERATING REVENUES</b>                      | <b>12,164,592</b>            | <b>10,345,867</b>          | <b>3,323,484</b>                  | <b>25,833,943</b>    |
| <b>OPERATING EXPENSES</b>                            |                              |                            |                                   |                      |
| Personal Services                                    | 1,259,706                    | 1,039,263                  | 1,201,513                         | 3,500,482            |
| Supplies and Materials                               | 2,802,372                    | 196,780                    | 503,931                           | 3,503,083            |
| Other Services                                       | 471,759                      | 8,466,650                  | 221,206                           | 9,159,615            |
| Maintenance  | 3,224,621                    | 13,234                     | 581,025                           | 3,818,880            |
| Depreciation and Amortization                        | 4,128,262                    | 46,466                     | 305,410                           | 4,480,138            |
| Other  | 455,264                      | 377,233                    | -                                 | 832,497              |
| <b>TOTAL OPERATING EXPENSES</b>                      | <b>12,341,984</b>            | <b>10,139,626</b>          | <b>2,813,085</b>                  | <b>25,294,695</b>    |
| <b>OPERATING (LOSS) INCOME</b>                       | <b>(177,392)</b>             | <b>206,241</b>             | <b>510,399</b>                    | <b>539,248</b>       |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>             |                              |                            |                                   |                      |
| Investment Income                                    | 19,828                       | 10,607                     | 1,196                             | 31,631               |
| Gain on Sale of City Property                        | 1,171,506                    | -                          | -                                 | 1,171,506            |
| Other Non-Operating Expenses                         | (317,268)                    | (4,274)                    | -                                 | (321,542)            |
| <b>TOTAL NON-OPERATING REVENUES<br/>(EXPENSES)</b>   | <b>874,066</b>               | <b>6,333</b>               | <b>1,196</b>                      | <b>881,595</b>       |
| <b>INCOME BEFORE CONTRIBUTIONS<br/>AND TRANSFERS</b> | <b>696,674</b>               | <b>212,574</b>             | <b>511,595</b>                    | <b>1,420,843</b>     |
| <b>CAPITAL CONTRIBUTIONS</b>                         | <b>-</b>                     | <b>-</b>                   | <b>1,243,972</b>                  | <b>1,243,972</b>     |
| <b>CHANGE IN NET POSITION</b>                        | <b>696,674</b>               | <b>212,574</b>             | <b>1,755,567</b>                  | <b>2,664,815</b>     |
| <b>NET POSITION - AT BEGINNING OF YEAR</b>           | <b>17,997,659</b>            | <b>4,024,454</b>           | <b>-</b>                          | <b>22,022,113</b>    |
| <b>NET POSITION - AT END OF YEAR</b>                 | <b>\$ 18,694,333</b>         | <b>\$ 4,237,028</b>        | <b>\$ 1,755,567</b>               | <b>\$ 24,686,928</b> |

**CITY OF ODESSA, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2013**

|   | Equipment<br>Service<br>Fund | Risk<br>Management<br>Fund | Information<br>Technology<br>Fund | Total                |
|---|------------------------------|----------------------------|-----------------------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                              |                            |                                   |                      |
| Cash Received from Other Funds for Rental and<br>Other Charges for Services | \$ 12,061,141                | \$ 9,852,818               | \$ 3,323,484                      | \$ 25,237,443        |
| Cash Received from Employees and Others                                     | 103,451                      | 491,555                    | -                                 | 595,006              |
| Cash Paid to Employees  | (1,223,115)                  | (993,196)                  | (1,120,773)                       | (3,337,084)          |
| Cash Paid To Suppliers and Providers  | (6,299,045)                  | (8,356,833)                | (1,076,281)                       | (15,732,159)         |
| Cash Paid to Other Funds for Services                                       | (730,699)                    | (544,356)                  | (64,061)                          | (1,339,116)          |
| <b>NET CASH PROVIDED BY OPERATING<br/>ACTIVITIES</b>                        | <u>3,911,733</u>             | <u>449,988</u>             | <u>1,062,369</u>                  | <u>5,424,090</u>     |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>                  |                              |                            |                                   |                      |
| Capital Contributions Out   | (317,268)                    | (4,274)                    | -                                 | (321,542)            |
| <b>NET CASH (USED) BY NONCAPITAL<br/>FINANCING ACTIVITIES</b>               | <u>(317,268)</u>             | <u>(4,274)</u>             | <u>-</u>                          | <u>(321,542)</u>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>         |                              |                            |                                   |                      |
| Acquisition of Capital Assets   | (7,263,355)                  | (27,761)                   | (63,416)                          | (7,354,532)          |
| Proceeds from Sale of Capital Assets  | 1,171,506                    | -                          | -                                 | 1,171,506            |
| <b>NET CASH (USED) BY CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>      | <u>(6,091,849)</u>           | <u>(27,761)</u>            | <u>(63,416)</u>                   | <u>(6,183,026)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                              |                            |                                   |                      |
| Investment Income Received on Investments                                   | 19,828                       | 10,607                     | 1,196                             | 31,631               |
| <b>NET CASH PROVIDED BY INVESTING<br/>ACTIVITIES</b>                        | <u>19,828</u>                | <u>10,607</u>              | <u>1,196</u>                      | <u>31,631</u>        |
| <b>NET (DECREASE) INCREASE IN CASH</b>                                      | (2,477,556)                  | 428,560                    | 1,000,149                         | (1,048,847)          |
| <b>CASH - AT BEGINNING OF YEAR</b>  | <u>10,957,996</u>            | <u>4,866,062</u>           | <u>-</u>                          | <u>15,824,058</u>    |
| <b>CASH - AT END OF YEAR</b>  | <u>\$ 8,480,440</u>          | <u>\$ 5,294,622</u>        | <u>\$ 1,000,149</u>               | <u>\$ 14,775,211</u> |

(Continued)

**CITY OF ODESSA, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2013**

|   | Equipment<br>Service<br>Fund | Risk<br>Management<br>Fund | Information<br>Technology<br>Fund | Total                      |
|---|------------------------------|----------------------------|-----------------------------------|----------------------------|
| <b>RECONCILIATION OF OPERATING (LOSS) INCOME TO<br/>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                              |                            |                                   |                            |
| <b>OPERATING (LOSS) INCOME</b>  | <u>\$ (177,392)</u>          | <u>\$ 206,241</u>          | <u>\$ 510,399</u>                 | <u>\$ 539,248</u>          |
| Adjustments to Reconcile Operating (Loss) Income to Net<br>Cash Provided by Operating Activities  |                              |                            |                                   |                            |
| Depreciation and Amortization   | 4,128,262                    | 46,466                     | 305,410                           | 4,480,138                  |
| (Increase) Decrease in Accounts Receivable  | -                            | (1,494)                    | -                                 | (1,494)                    |
| (Increase) Decrease in Interfund Receivable   | (135,640)                    | -                          | -                                 | (135,640)                  |
| (Decrease) Increase in Accounts Payable   | 254,814                      | 151,167                    | 165,820                           | 571,801                    |
| (Decrease) Increase in Accrued Employee Benefits  | 24,340                       | 28,112                     | 15,543                            | 67,995                     |
| (Decrease) Increase in Accrued Payroll  | (4,430)                      | 8,056                      | 53,319                            | 56,945                     |
| (Decrease) Increase in Interfund Payable  | (194,902)                    | -                          | -                                 | (194,902)                  |
| (Decrease) Increase in Other Post Employment Benefit  | 15,656                       | 9,032                      | 10,838                            | 35,526                     |
| (Decrease) Increase in TMRS Phase In Payable  | 1,025                        | 867                        | 1,040                             | 2,932                      |
| (Decrease) Increase in Other Liabilities  | -                            | 1,541                      | -                                 | 1,541                      |
| <b>TOTAL ADJUSTMENTS</b>  | <u>4,089,125</u>             | <u>243,747</u>             | <u>551,970</u>                    | <u>4,884,842</u>           |
| <b>NET CASH PROVIDED BY OPERATING<br/>ACTIVITIES</b>  | <u><u>\$ 3,911,733</u></u>   | <u><u>\$ 449,988</u></u>   | <u><u>\$ 1,062,369</u></u>        | <u><u>\$ 5,424,090</u></u> |

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

The Information Technology Fund acquired capital assets during the fiscal year ended September 30, 2013 in the amount of \$1,243,972 through contributed capital.

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## AGENCY FUNDS

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

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

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

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

**CITY OF ODESSA, TEXAS  
 AGENCY FUNDS  
 COMBINING STATEMENTS OF ASSETS AND LIABILITIES  
 SEPTEMBER 30, 2013**

|                              | Payroll                  | Ector County<br>Utility District | Martin L.<br>King<br>Memorial | MOTOR<br>MPO       | Total                      |
|------------------------------|--------------------------|----------------------------------|-------------------------------|--------------------|----------------------------|
| <b>ASSETS</b>                |                          |                                  |                               |                    |                            |
| Cash and Investments         | \$ 943,774               | \$ 173,376                       | \$ 458                        | \$ -               | \$ 1,117,608               |
| Accounts Receivable          | -                        | 127,227                          | -                             | -                  | 127,227                    |
| <b>TOTAL ASSETS</b>          | <b><u>\$ 943,774</u></b> | <b><u>\$ 300,603</u></b>         | <b><u>\$ 458</u></b>          | <b><u>\$ -</u></b> | <b><u>\$ 1,244,835</u></b> |
| <b>LIABILITIES</b>           |                          |                                  |                               |                    |                            |
| Accounts Payable             | \$ 943,774               | -                                | \$ 458                        | -                  | \$ 944,232                 |
| Deposits and Billing Payable | -                        | 300,603                          | -                             | -                  | 300,603                    |
| <b>TOTAL LIABILITIES</b>     | <b><u>\$ 943,774</u></b> | <b><u>\$ 300,603</u></b>         | <b><u>\$ 458</u></b>          | <b><u>\$ -</u></b> | <b><u>\$ 1,244,835</u></b> |

**CITY OF ODESSA, TEXAS  
ALL AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED SEPTEMBER 30, 2013**

|  | <u>Balance<br/>October 1</u> | <u>Additions</u>     | <u>Deletions</u>     | <u>Balance<br/>September 30</u> |
|--|------------------------------|----------------------|----------------------|---------------------------------|
| <b>PAYROLL FUND</b>                      |                              |                      |                      |                                 |
| <b>ASSETS</b>                            |                              |                      |                      |                                 |
| Cash and Investments                     | \$ 730,101                   | \$ 54,133,807        | \$ 53,920,134        | \$ 943,774                      |
| <b>TOTAL ASSETS</b>                      | <u>\$ 730,101</u>            | <u>\$ 54,133,807</u> | <u>\$ 53,920,134</u> | <u>\$ 943,774</u>               |
| <b>LIABILITIES</b>                       |                              |                      |                      |                                 |
| Accounts Payable                         | \$ 730,101                   | \$ 26,518,497        | \$ 26,304,824        | \$ 943,774                      |
| <b>TOTAL LIABILITIES</b>                 | <u>\$ 730,101</u>            | <u>\$ 26,518,497</u> | <u>\$ 26,304,824</u> | <u>\$ 943,774</u>               |
| <br><b>ECTOR COUNTY UTILITY DISTRICT</b> |                              |                      |                      |                                 |
| <b>ASSETS</b>                            |                              |                      |                      |                                 |
| Cash and Investments                     | \$ 79,406                    | \$ 3,663,044         | \$ 3,569,074         | \$ 173,376                      |
| Accounts Receivable                      | 199,544                      | 3,701,578            | 3,773,895            | 127,227                         |
| <b>TOTAL ASSETS</b>                      | <u>\$ 278,950</u>            | <u>\$ 7,364,622</u>  | <u>\$ 7,342,969</u>  | <u>\$ 300,603</u>               |
| <b>LIABILITIES</b>                       |                              |                      |                      |                                 |
| Accounts Payable                         | \$ -                         | \$ 3,880,513         | \$ 3,880,513         | \$ -                            |
| Deposits and Billings Payable            | 278,950                      | 82,646               | 60,993               | 300,603                         |
| <b>TOTAL LIABILITIES</b>                 | <u>\$ 278,950</u>            | <u>\$ 3,963,159</u>  | <u>\$ 3,941,506</u>  | <u>\$ 300,603</u>               |
| <br><b>MARTIN L. KING MEMORIAL</b>       |                              |                      |                      |                                 |
| <b>ASSETS</b>                            |                              |                      |                      |                                 |
| Cash and Investments                     | \$ 457                       | \$ 1                 | \$ -                 | \$ 458                          |
| <b>TOTAL ASSETS</b>                      | <u>\$ 457</u>                | <u>\$ 1</u>          | <u>\$ -</u>          | <u>\$ 458</u>                   |
| <b>LIABILITIES</b>                       |                              |                      |                      |                                 |
| Accounts Payable                         | \$ 457                       | \$ 1                 | \$ -                 | \$ 458                          |
| <b>TOTAL LIABILITIES</b>                 | <u>\$ 457</u>                | <u>\$ 1</u>          | <u>\$ -</u>          | <u>\$ 458</u>                   |

(Continued)

**CITY OF ODESSA, TEXAS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2013**

|                              | Balance<br>October 1 | Additions            | Deletions            | Balance<br>September 30 |
|------------------------------|----------------------|----------------------|----------------------|-------------------------|
| <b>MOTOR - MPO</b>           |                      |                      |                      |                         |
| <b>ASSETS</b>                |                      |                      |                      |                         |
| Cash and Investments         | \$ -                 | \$ 502,190           | \$ 502,190           | \$ -                    |
| <b>TOTAL ASSETS</b>          | <b>\$ -</b>          | <b>\$ 502,190</b>    | <b>\$ 502,190</b>    | <b>\$ -</b>             |
| <b>LIABILITIES</b>           |                      |                      |                      |                         |
| Accounts Payable             | \$ -                 | \$ 502,190           | \$ 502,190           | \$ -                    |
| <b>TOTAL LIABILITIES</b>     | <b>\$ -</b>          | <b>\$ 502,190</b>    | <b>\$ 502,190</b>    | <b>\$ -</b>             |
| <br><b>ALL FUNDS</b>         |                      |                      |                      |                         |
| <b>ASSETS</b>                |                      |                      |                      |                         |
| Cash and Investments         | \$ 809,964           | \$ 58,299,042        | \$ 57,991,398        | \$ 1,117,608            |
| Accounts Receivable          | 199,544              | 3,701,578            | 3,773,895            | 127,227                 |
| <b>TOTAL ASSETS</b>          | <b>\$ 1,009,508</b>  | <b>\$ 62,000,620</b> | <b>\$ 61,765,293</b> | <b>\$ 1,244,835</b>     |
| <b>LIABILITIES</b>           |                      |                      |                      |                         |
| Accounts Payable             | \$ 730,558           | \$ 30,901,201        | \$ 30,687,527        | \$ 944,232              |
| Deposits and Billing Payable | 278,950              | 82,646               | 60,993               | 300,603                 |
| <b>TOTAL LIABILITIES</b>     | <b>\$ 1,009,508</b>  | <b>\$ 30,983,847</b> | <b>\$ 30,748,520</b> | <b>\$ 1,244,835</b>     |

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

**CITY OF ODESSA, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**SEPTEMBER 30, 2013**

|  | 2013           |
|--|----------------|
| <b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>                          |                |
| Land   | \$ 22,707,475  |
| Buildings  | 27,552,648     |
| Improvements   | 38,377,197     |
| Infrastructure   | 85,774,993     |
| Traffic Signals  | 3,475,070      |
| Furniture and Office Equipment                                     | 321,955        |
| Machinery and Equipment  | 3,016,528      |
| Data Processing Equipment  | 2,074,685      |
| Communication Equipment  | 6,203,436      |
| Construction-In-Progress   | 4,184,198      |
| TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS                            | \$ 193,688,185 |
| <b>INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:</b> |                |
| General Fund   | \$ 36,412,523  |
| Capital Projects Fund  | 76,169,009     |
| Special Revenue Funds  | 21,807,343     |
| Other Funds  | 3,114,385      |
| Donations  | 56,184,925     |
| TOTAL INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS              | \$ 193,688,185 |

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, 2013**

| <u>Function</u>  | <u>Total</u>          | <u>Land</u>          | <u>Buildings</u>     | <u>Improvements</u>  |
|--|-----------------------|----------------------|----------------------|----------------------|
| General Government                                     | \$ 11,679,627         | \$ 842,875           | \$ 5,782,989         | \$ 3,871,255         |
| Finance  | 2,417,239             | -                    | -                    | 182,538              |
| Public Works   | 105,102,186           | 13,602,180           | 687,001              | 1,785,723            |
| Planning and Inspection                                | 17,955                | -                    | -                    | -                    |
| Public Safety  | 30,112,921            | 247,956              | 17,566,216           | 4,676,352            |
| Culture and Recreation                                 | <u>40,174,059</u>     | <u>8,014,464</u>     | <u>3,516,442</u>     | <u>27,861,329</u>    |
| TOTAL GOVERNMENTAL FUNDS<br>CAPITAL ASSETS BY FUNCTION | <u>\$ 189,503,987</u> | <u>\$ 22,707,475</u> | <u>\$ 27,552,648</u> | <u>\$ 38,377,197</u> |
| Construction-In-Progress                               | <u>4,184,198</u>      |                      |                      |                      |
| TOTAL GOVERNMENTAL FUNDS<br>CAPITAL ASSETS             | <u>\$ 193,688,185</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<br/>Signals</u> | <u>Furniture<br/>and Office<br/>Equipment</u> | <u>Machinery<br/>and<br/>Equipment</u> | <u>Data<br/>Processing<br/>Equipment</u> | <u>Communication<br/>Equipment</u> |
|-----------------------------|----------------------------|---|--|--|------------------------------------|
| \$ 908,938                  | \$ -                       | \$ 77,580                                     | \$ 61,309                              | \$ 100,956                               | \$ 33,725                          |
| -                           | -                          | 76,744  | 172,224                                | 281,043                                  | 1,704,690                          |
| 84,851,474                  | 3,475,070                  | 37,309  | 489,145                                | 171,138                                  | 3,146                              |
| -                           | -                          | 10,083  | -                                      | 7,872                                    | -                                  |
| -                           | -                          | 94,080  | 1,598,701                              | 1,474,105                                | 4,455,511                          |
| <u>14,581</u>               | <u>-</u>                   | <u>26,159</u>                                 | <u>695,149</u>                         | <u>39,571</u>                            | <u>6,364</u>                       |
| <u><u>\$ 85,774,993</u></u> | <u><u>\$ 3,475,070</u></u> | <u><u>\$ 321,955</u></u>                      | <u><u>\$ 3,016,528</u></u>             | <u><u>\$ 2,074,685</u></u>               | <u><u>\$ 6,203,436</u></u>         |

**CITY OF ODESSA, TEXAS**  
**SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN**  
**THE OPERATION OF GOVERNMENTAL FUNDS AND ACTIVITY**  
**YEAR ENDED SEPTEMBER 30, 2013**

| <u>Function</u>                                    | Governmental<br>Funds Capital<br>Assets<br><u>October 1, 2012</u> | <u>Additions</u>            | Transfers or<br>Deductions | Governmental<br>Funds Capital<br>Assets<br><u>September 30, 2013</u> |
|--|---|-----------------------------|----------------------------|--|
| General Government                                 | \$ 11,930,940   | \$ 13,995                   | \$ 265,308                 | \$ 11,679,627  |
| Finance  | 3,770,241   | 6,538                       | 1,359,540                  | 2,417,239  |
| Public Works                                       | 90,197,980  | 15,143,829                  | 239,623                    | 105,102,186  |
| Planning and Inspection                            | 28,478  | -                           | 10,523                     | 17,955   |
| Public Safety                                      | 31,522,152  | 977,055                     | 2,386,286                  | 30,112,921   |
| Culture and Recreation                             | 39,501,467  | 725,793                     | 53,201                     | 40,174,059   |
| Construction-In-Progress                           | <u>1,130,100</u>  | <u>4,122,662</u>            | <u>1,068,564</u>           | <u>4,184,198</u>   |
| <b>TOTAL GOVERNMENTAL FUNDS<br/>CAPITAL ASSETS</b> | <b><u>\$ 178,081,358</u></b>                                      | <b><u>\$ 20,989,872</u></b> | <b><u>\$ 5,383,045</u></b> | <b><u>\$ 193,688,185</u></b>   |

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>   | 115-120     |
| <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>   | 122-128     |
| <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>  | 129-133     |
| <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>   | 134-136     |
| <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>  | 137-138     |
| <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 POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*  
(Unaudited)

|   | FISCAL YEAR           |                       |                       |                       |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | <u>2013</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>           |
| <b>GOVERNMENTAL ACTIVITIES</b>              |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net Investment In Capital Assets            | \$ 78,928,482         | \$ 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         |
| Restricted                                  | 661,216               | 644,531               | 545,365               | 541,064               | 517,217               | 406,646               | 378,704               | 311,979               | 217,553               | 142,867               |
| Unrestricted                                | 47,327,526            | 45,994,633 *          | 33,526,485            | 23,979,513            | 22,362,740            | 23,008,977            | 33,935,504            | 39,560,529            | 27,742,297            | 12,978,038            |
| Total Governmental Activities Net Position  | <u>\$ 126,917,224</u> | <u>\$ 104,466,105</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>  |
| <b>BUSINESS-TYPE ACTIVITIES</b>             |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net Investment In Capital Assets            | \$ 76,417,777         | \$ 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         |
| 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                                | 14,940,478            | 9,791,782 *           | 15,617,347            | 14,970,722            | 14,834,570            | 18,236,777            | 20,181,896            | 19,595,139            | 21,191,991            | 22,522,628            |
| Total Business-Type Activities Net Position | <u>\$ 92,358,255</u>  | <u>\$ 82,318,869</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>  |
| <b>PRIMARY GOVERNMENT</b>                   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net Investment In Capital Assets            | \$ 155,346,259        | \$ 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         |
| Restricted                                  | 1,661,216             | 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             |
| Unrestricted                                | 62,268,004            | 55,786,415 *          | 49,143,832            | 38,950,235            | 37,197,310            | 41,245,754            | 54,117,400            | 59,155,668            | 48,934,288            | 35,500,666            |
| Total Primary Government Net Position       | <u>\$ 219,275,479</u> | <u>\$ 186,784,974</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> |

\* 2012 amounts were changed due to an accounting principles change implemented in 2013.

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

|   | FISCAL YEAR           |                       |                       |                       |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2013                  | 2012                  | 2011                  | 2010                  | 2009                  | 2008                  | 2007                  | 2006                  | 2005                  | 2004                  |
| <b>EXPENSES</b>                                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental Activities:                              |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| General Government                                    | \$ 4,956,868          | \$ 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          |
| Finance   | 1,505,331             | 985,369               | 1,143,460             | 821,498               | 978,331               | 824,208               | 1,608,949             | 1,424,160             | 1,384,410             | 1,467,632             |
| Public Works  | 20,508,014            | 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             |
| Planning & Inspection                                 | 852,050               | 785,512               | 726,735               | 734,271               | 608,961               | 518,135               | 544,824               | 988,344               | 858,535               | 831,633               |
| Public Safety   | 42,924,590            | 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            |
| Welfare   | 1,344,043             | 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             |
| Culture & Recreation                                  | 8,146,726             | 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             |
| Interest on Long-Term Debt                            | 2,000,685             | 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               |
| <b>Total Governmental Activities Expenses</b>         | <b>82,238,307</b>     | <b>69,659,069</b>     | <b>69,071,397</b>     | <b>70,779,656</b>     | <b>67,365,398</b>     | <b>57,237,512</b>     | <b>52,976,141</b>     | <b>54,422,498</b>     | <b>50,742,741</b>     | <b>48,653,573</b>     |
| Business-type Activities:                             |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Water & Sewer   | 46,220,245            | 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            |
| Solid Waste   | 10,567,831            | 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             |
| Natural Gas *   | -                     | -                     | -                     | 14,270,216            | 10,543,829            | 21,153,516            | 19,527,764            | 20,474,867            | 17,451,033            | 14,150,499            |
| Ratliff Golf Course                                   | 1,717,376             | 1,679,188             | 1,738,122             | 1,585,941             | 1,908,251             | 1,377,420             | 981,938               | 685,745               | -                     | -                     |
| Liquid Waste  | 10,997                | 12,608                | 16,601                | 50,634                | 58,564                | 46,926                | 22,020                | 41,525                | 40,006                | 37,960                |
| Storm Water   | 714,340               | 559,034               | 551,492               | 523,047               | -                     | -                     | -                     | -                     | -                     | -                     |
| <b>Total Business-Type Activities Expenses</b>        | <b>59,230,789</b>     | <b>56,028,618</b>     | <b>51,692,439</b>     | <b>66,032,016</b>     | <b>62,206,447</b>     | <b>69,122,832</b>     | <b>58,928,715</b>     | <b>61,151,805</b>     | <b>53,796,954</b>     | <b>51,871,969</b>     |
| <b>Total Primary Government Expenses</b>              | <b>\$ 141,469,096</b> | <b>\$ 125,687,687</b> | <b>\$ 120,763,836</b> | <b>\$ 136,811,672</b> | <b>\$ 129,571,845</b> | <b>\$ 126,360,344</b> | <b>\$ 111,904,856</b> | <b>\$ 115,574,303</b> | <b>\$ 104,539,695</b> | <b>\$ 100,525,542</b> |
| <b>PROGRAM REVENUES</b>                               |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental Activities:                              |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges For Services:                                 |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| General Government                                    | \$ 410,723            | \$ 111,421            | \$ 86,316             | \$ 93,066             | \$ 108,861            | \$ 101,499            | \$ 85,643             | \$ 111,965            | \$ 71,099             | \$ 70,772             |
| Finance   | 214,231               | 223,453               | 203,192               | 277,002               | 281,508               | 300,335               | 253,776               | 254,119               | 345,495               | 366,552               |
| Public Works  | 270,278               | 277,745               | 412,002               | 174,435               | 383,690               | 471,067               | 372,293               | 799,676               | 218,696               | 305,546               |
| Planning & Inspection                                 | 894,857               | 806,596               | 408,991               | 347,018               | 330,748               | 482,551               | 342,124               | 320,753               | 329,947               | 284,008               |
| Public Safety   | 7,129,828             | 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             |
| Culture & Recreation                                  | 111,833               | 102,663               | 86,201                | 85,400                | 69,363                | 157,782               | 175,891               | 58,540                | 149,494               | 148,178               |
| Operating Grants & Contributions                      | 9,769,911             | 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             |
| Capital Grants & Contributions                        | 12,036,440            | 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             |
| <b>Total Governmental Activities Program Revenues</b> | <b>30,838,101</b>     | <b>16,328,281</b>     | <b>16,983,740</b>     | <b>19,238,566</b>     | <b>12,602,850</b>     | <b>12,297,337</b>     | <b>12,105,691</b>     | <b>12,447,591</b>     | <b>13,989,698</b>     | <b>11,228,109</b>     |

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

|   | FISCAL YEAR            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2013                   | 2012                   | 2011                   | 2010                   | 2009                   | 2008                   | 2007                   | 2006                   | 2005                   | 2004                   |
| <b>Business-Type Activities:</b>                          |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| <b>Charges For Services:</b>                              |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Water & Sewer   | \$ 48,351,897          | \$ 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          |
| Solid Waste   | 10,618,107             | 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              |
| Natural Gas *   | -                      | -                      | -                      | 14,263,383             | 10,559,184             | 21,148,085             | 19,508,935             | 20,465,037             | 17,433,005             | 14,166,793             |
| Ratliff Golf Course                                       | 1,445,726              | 1,343,284              | 1,281,974              | 1,208,940              | 1,149,169              | 274,831                | 105,372                | 584,233                | -                      | -                      |
| Liquid Waste  | 100,971                | 85,686                 | 61,071                 | 28,406                 | 21,869                 | -                      | -                      | 14,412                 | 15,319                 | 13,927                 |
| Storm Water   | 727,691                | 702,592                | 703,060                | 703,054                | -                      | -                      | -                      | -                      | -                      | -                      |
| Operating Grants and Contributions                        | -                      | -                      | -                      | 12,776                 | 19,854                 | 39,452                 | 35,311                 | 26,910                 | 29,028                 | 20,388                 |
| Capital Grants and Contributions                          | 7,722,916              | 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                |
| <b>Total Business-Type Activities Program Revenues</b>    | <b>68,967,308</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>Total Primary Government Program Revenues</b>          | <b>\$ 99,805,409</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>NET (EXPENSE)/REVENUE</b>                              |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental Activities                                   | \$ (51,400,206)        | \$ (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)        |
| Business-Type Activities                                  | 9,736,519              | (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              |
| <b>Total Primary Government Net Expense</b>               | <b>\$ (41,663,687)</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>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b> |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| <b>Governmental Activities:</b>                           |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| <b>Taxes</b>  |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Property Taxes  | \$ 23,498,496          | \$ 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          |
| Sales Taxes   | 31,807,317             | 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             |
| Gross Receipts Taxes                                      | 9,833,158              | 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              |
| Hotel-Motel Taxes   | 5,382,248              | 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              |
| Gain on Sale of Assets                                    | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | 93,965                 | 37,258                 |
| Industrial Contracts                                      | 3,285,615              | 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                |
| Unrestricted Investment Earnings                          | 216,151                | 253,807                | 133,408                | 187,157                | 415,596                | 1,566,562              | 2,544,148              | 1,707,718              | 779,839                | 373,886                |
| Miscellaneous   | 28,340                 | 129,802                | 27,726                 | 16,940                 | 130,989                | -                      | -                      | -                      | -                      | -                      |
| Contributed Capital                                       | -                      | -                      | -                      | 52,628                 | (1,704,008)            | (2,389,601)            | -                      | -                      | -                      | -                      |
| Transfers   | (200,000)              | (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>73,851,325</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>Business-Type Activities:</b>                          |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Investment Earnings                                       | 102,867                | 156,607                | 204,228                | 285,550                | 730,758                | 2,638,202              | 1,088,485              | 842,516                | 522,852                | 353,610                |
| Contributed Capital                                       | -                      | -                      | -                      | (52,628)               | 1,704,008              | 2,389,601              | -                      | -                      | -                      | -                      |
| Transfers   | 200,000                | 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>302,867</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>Total Primary Government</b>                           | <b>\$ 74,154,192</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>CHANGE IN NET POSITION</b>                             |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental Activities                                   | \$ 22,451,119          | \$ 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             |
| Business-Type Activities                                  | 10,039,386             | 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              |
| <b>Total Primary Government</b>                           | <b>\$ 32,490,505</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>    |

\* 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)

**PROGRAM REVENUES**

|                                   | <u>2013</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>          |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>FUNCTION/PROGRAM</b>           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental Activities:          |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General Government                | \$ 410,723           | \$ 111,421           | \$ 86,316            | \$ 93,066            | \$ 108,861           | \$ 101,499           | \$ 85,643            | \$ 111,965           | \$ 377,199           | \$ 129,115           |
| Finance                           | 214,231              | 223,453              | 203,192              | 277,002              | 281,508              | 300,335              | 253,776              | 254,119              | 345,495              | 366,552              |
| Public Works                      | 20,114,326           | 5,129,613            | 5,031,534            | 6,794,186            | 2,392,970            | 1,266,616            | 512,362              | 2,078,828            | 357,209              | 353,284              |
| Planning & Inspection             | 894,857              | 806,596              | 408,991              | 347,018              | 330,748              | 482,551              | 342,124              | 320,753              | 329,947              | 284,008              |
| Public Safety                     | 7,792,915            | 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            |
| Welfare                           | 1,299,216            | 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            |
| Culture & Recreation              | 111,833              | 102,663              | 86,201               | 85,400               | 69,363               | 493,643              | 175,891              | 58,540               | 149,494              | 148,178              |
| Subtotal Governmental Activities  | <u>30,838,101</u>    | <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>    |
| Business-Type Activities:         |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water and Sewer                   | 56,053,512           | 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           |
| Solid Waste                       | 10,618,107           | 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            |
| Natural Gas **                    | -                    | -                    | -                    | 14,263,383           | 10,559,184           | 21,148,085           | 19,508,935           | 20,465,037           | 17,433,005           | 14,166,793           |
| Ratliff Golf Course *             | 1,467,027            | 1,343,284            | 1,281,974            | 1,208,940            | 1,149,169            | 274,831              | 105,372              | 584,233              | -                    | -                    |
| Liquid Waste                      | 100,971              | 85,686               | 61,071               | 41,182               | 41,723               | 39,452               | 35,311               | 41,322               | 44,347               | 34,315               |
| Storm Water                       | 727,691              | 702,592              | 703,060              | 703,054              | -                    | -                    | -                    | -                    | -                    | -                    |
| Subtotal Business-Type Activities | <u>68,967,308</u>    | <u>54,645,531</u>    | <u>53,385,657</u>    | <u>67,418,015</u>    | <u>61,419,422</u>    | <u>69,105,230</u>    | <u>62,789,273</u>    | <u>65,141,867</u>    | <u>56,378,239</u>    | <u>53,124,613</u>    |
| Total Primary Government          | <u>\$ 99,805,409</u> | <u>\$ 70,973,812</u> | <u>\$ 70,369,397</u> | <u>\$ 86,656,581</u> | <u>\$ 74,022,272</u> | <u>\$ 81,402,567</u> | <u>\$ 74,894,964</u> | <u>\$ 77,589,458</u> | <u>\$ 70,367,937</u> | <u>\$ 64,352,722</u> |

**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 purchases 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          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2013                 | 2012                 | 2011                 | 2010                 | 2009                 | 2008                 | 2007                 | 2006                 | 2005                 | 2004                 |
| <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         |
| Unreserved, Reported in:               |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Designated for Contingencies           | -                    | -                    | -                    | -                    | 9,692,830            | 9,608,235            | 8,836,665            | 8,350,312            | 7,693,239            | 7,286,141            |
| Designated for Budget Stabilization    | -                    | -                    | -                    | -                    | 4,038,679            | 4,003,431            | 3,681,944            | 3,479,296            | 3,205,516            | 3,035,892            |
| 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            |
| Nonspendable                           | 6,073                | 2,305                | 2,019                | 94                   | -                    | -                    | -                    | -                    | -                    | -                    |
| Committed                              | -                    | -                    | 512,589              | 192,075              | -                    | -                    | -                    | -                    | -                    | -                    |
| Assigned                               | 17,775,677           | 17,837,824           | 7,764,667            | 3,477,559            | -                    | -                    | -                    | -                    | -                    | -                    |
| Unassigned                             | 28,834,767           | 26,750,335           | 26,734,646           | 23,404,156           | -                    | -                    | -                    | -                    | -                    | -                    |
| Total General Fund                     | <u>\$ 46,616,517</u> | <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> |
| <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           |
| Reserved for Debt service              | -                    | -                    | -                    | -                    | 517,217              | 406,646              | 378,704              | 311,979              | 217,553              | 142,867              |
| 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            |
| Undesignated                           | -                    | -                    | -                    | -                    | 1,526,181            | 517,036              | 1,154,451            | 946,708              | 630,922              | 439,314              |
| Special Revenue Funds                  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Undesignated                           | -                    | -                    | -                    | -                    | 3,343,053            | 2,170,104            | 1,733,060            | 891,967              | 1,330,342            | 512,566              |
| Restricted                             | 67,055,037           | 10,434,889           | 7,124,686            | 6,282,586            | -                    | -                    | -                    | -                    | -                    | -                    |
| Committed                              | -                    | -                    | 17,311               | 71,036               | -                    | -                    | -                    | -                    | -                    | -                    |
| Assigned                               | 731,106              | 587,587              | 565,095              | 580,992              | -                    | -                    | -                    | -                    | -                    | -                    |
| Unassigned                             | -                    | -                    | (10,972)             | (6,958)              | -                    | -                    | -                    | -                    | -                    | -                    |
| Total All Other Governmental Funds     | <u>\$ 67,786,143</u> | <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>  |

**Note:** The City implemented GASB Statement No. 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> |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | <b>2013</b>        | <b>2012</b>       | <b>2011</b>       | <b>2010</b>       | <b>2009</b>       | <b>2008</b>       | <b>2007</b>       | <b>2006</b>       | <b>2005</b>       | <b>2004</b>       |
| <b>REVENUES</b>                                 |                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Property Tax, Penalties and Interest            | \$ 23,515,138      | \$ 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     |
| City Sales Tax                                  | 31,807,317         | 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        |
| Franchise and Gross Receipts                    | 9,833,158          | 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         |
| Fines and Forfeitures                           | 3,019,152          | 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         |
| Permits and Licenses                            | 1,448,932          | 1,021,736         | 525,418           | 441,524           | 596,579           | 627,010           | 430,234           | 390,571           | 396,901           | 358,981           |
| Grants and Entitlements                         | 9,623,440          | 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         |
| Hotel and Motel Occupancy Tax                   | 5,382,248          | 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         |
| Investment Income                               | 136,387            | 135,357           | 108,553           | 132,113           | 355,691           | 1,436,525         | 2,358,359         | 1,570,338         | 707,393           | 329,100           |
| Donations                                       | 5,984              | 100,000           | 100,000           | 70,000            | 100,000           | 100,000           | 125,000           | -                 | 100,000           | 100,000           |
| Industrial Contracts                            | 3,285,615          | 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           |
| Other   | 3,498,526          | 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         |
| Intergovernmental                               | 1,154,831          | 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         |
| Sale of Confiscated Property                    | 106,731            | 135,498           | 214,064           | 67,416            | 51,685            | 73,908            | 20,589            | 51,470            | 105,092           | 42,454            |
| <b>Total Revenues</b>                           | <b>92,817,459</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>EXPENDITURES</b>                             |                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General Government                              | 4,614,981          | 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         |
| Finance   | 1,432,676          | 800,716           | 1,011,168         | 503,217           | 676,440           | 957,891           | 2,078,689         | 1,465,575         | 1,492,590         | 1,510,413         |
| Public Works                                    | 18,375,563         | 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         |
| Planning & Inspection                           | 943,643            | 749,346           | 699,959           | 697,351           | 565,315           | 533,890           | 530,304           | 958,695           | 859,724           | 809,743           |
| Public Safety                                   | 41,245,798         | 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        |
| Welfare   | 1,279,237          | 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         |
| Culture & Recreation                            | 7,168,376          | 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         |
| Capital Outlay                                  | 8,658,125          | 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         |
| Debt Service                                    |                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Interest and Fiscal Charges                     | 1,502,106          | 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           |
| Principal Retirement                            | 2,737,129          | 1,987,039         | 1,879,666         | 1,792,976         | 1,425,000         | 1,135,000         | 915,000           | 825,000           | 905,000           | 1,095,000         |
| Payments to Escrow Agent                        | -                  | -                 | -                 | -                 | -                 | -                 | 124,078           | -                 | -                 | -                 |
| Bond Issuance Costs                             | 495,331            | 145,914           | -                 | -                 | 68,103            | 69,444            | 139,560           | 150,000           | 95,000            | 95,000            |
| <b>Total Expenditures</b>                       | <b>88,452,965</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> |
| Excess Of Revenues<br>Over (Under) Expenditures | 4,364,494          | 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           |

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>   |                      |                     |                       |                       |                     |                       |                      |                     |                     |
|---------------------------------------|----------------------|----------------------|---------------------|-----------------------|-----------------------|---------------------|-----------------------|----------------------|---------------------|---------------------|
|                                       | <b>2013</b>          | <b>2012</b>          | <b>2011</b>         | <b>2010</b>           | <b>2009</b>           | <b>2008</b>         | <b>2007</b>           | <b>2006</b>          | <b>2005</b>         | <b>2004</b>         |
| <b>OTHER FINANCING SOURCES (USES)</b> |                      |                      |                     |                       |                       |                     |                       |                      |                     |                     |
| Certificates of Obligations Issued    | \$ 51,335,000        | \$ -                 | \$ -                | \$ -                  | \$ 3,280,000          | \$ 4,345,000        | \$ -                  | \$ 10,150,000        | \$ 5,400,000        | \$ 5,795,000        |
| General Fund Payment to Escrow        | -                    | -                    | -                   | -                     | -                     | -                   | 124,078               | -                    | -                   | -                   |
| Reoffering Premium                    | 3,000,508            | 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                | 289,718              | 1,560,469            | -                   | -                     | -                     | -                   | -                     | 4,360,000            | -                   | -                   |
| Loan Proceeds                         | -                    | -                    | -                   | -                     | -                     | -                   | -                     | -                    | -                   | -                   |
| Transfers In                          | 26,654               | 126,678              | 882,749             | 17,766                | 21,624                | 140,059             | 1,681,420             | 1,262,846            | 1,409,466           | 229,355             |
| Transfers Out                         | (226,654)            | (2,431,763)          | (232,749)           | (217,766)             | (221,624)             | (301,628)           | (507,924)             | (105,992)            | (98,472)            | (93,043)            |
| Total Other Financing Sources (Uses)  | <u>54,425,226</u>    | <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>    |
| Net Changes In Fund Balances          | <u>\$ 58,789,720</u> | <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> |
| Debt Service As A                     |                      |                      |                     |                       |                       |                     |                       |                      |                     |                     |
| Percentage of Noncapital Expenditures | 5.31%                | 5.07%                | 5.37%               | 5.20%                 | 4.68%                 | 4.76%               | 3.92%                 | 4.09%                | 4.11%               | 4.23%               |

**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>  |
|---------------------|---|------------------|---|----------------------------------|------------------|---------------|
| 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    |
| 2013                | 23,515,138                                    | 31,807,317       | 9,833,158                                 | 5,382,248                        | 3,769,995        | 74,307,856    |
| Change<br>2004-2013 | 60.13%  | 168.19%          | 13.00%                                    | 380.31%                          | 308.73%          | 99.27%        |

**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> |
|--------------------|-----------------------------|----------------------------|----------------------------|----------------------------------|-------------------------------------|------------------------------|
| 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                       |
| 2013               | 3,519,827,156               | 2,290,039,855              | 134,944,500                | 1,455,997,639                    | 4,488,813,872                       | 0.5128                       |

**Source:** Ector County Appraisal District (ECAD) and Midland Central Appraisal District (MCAD)

**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 |                        |                                 |
| 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                          | 0.5227            | 0.3563            | 0.0552            | 1.1350          | 0.1584         | 1.7049                 | 2.2276                          |
| 2012        | 0.4501            | 0.0726                          | 0.5228            | 0.3564            | 0.0521            | 1.1320          | 0.1948         | 1.7352                 | 2.2580                          |
| 2013        | 0.4481            | 0.0646                          | 0.5128            | 0.3183            | 0.0498            | 1.1195          | 0.1872         | 1.6747                 | 2.1875                          |

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

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

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

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| <u>TAXPAYER</u>                     | 2013                          |             |  | 2004                          |             |  |
|-------------------------------------|-------------------------------|-------------|--|-------------------------------|-------------|--|
|                                     | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Odessa Regional Hospital            | \$ 57,992,455                 | 1           | 1.29%  | \$ 16,221,999                 | 6           | 0.77%  |
| Midland Investors LLC               | 49,693,676                    | 2           | 1.11%  | *                             |             | -  |
| BJ Services Company USA             | 37,153,004                    | 3           | 0.83%  | *                             |             | -  |
| Archer Pressure Pumping LLC         | 34,939,487                    | 4           | 0.78%  | *                             |             | -  |
| Oncor Electric Delivery Co.         | 33,829,927                    | 5           | 0.75%  | 30,501,621                    | 2           | 1.45%  |
| MCM Properties LTD                  | 27,115,683                    | 6           | 0.60%  | 23,264,766                    | 4           | 1.10%  |
| Brixxmor Winwood Town Center        | 22,661,589                    | 7           | 0.50%  | *                             |             | -  |
| Faudree LLC                         | 20,000,000                    | 8           | 0.45%  | *                             |             | -  |
| Automotive Rentals Inc.             | 19,979,424                    | 9           | 0.45%  | *                             |             | -  |
| Lithia Real Estate Inc.             | 15,315,108                    | 10          | 0.34%  | *                             |             | -  |
| Southwestern Bell Telephone Company | *                             |             | -  | 20,794,897                    | 5           | 0.99%  |
| Four Star Oil & Gas                 | *                             |             | -  | 53,410,123                    | 1           | 2.53%  |
| G E Oil & Gas-Odessa                | *                             |             | -  | 23,692,651                    | 3           | 1.12%  |
| Centeramerica Venture Fund          | *                             |             | -  | 14,868,326                    | 7           | 0.71%  |
| Albertson's Inc                     | *                             |             | -  | 11,691,382                    | 8           | 0.55%  |
| ICA Properties                      | *                             |             | -  | 8,611,811                     | 9           | 0.41%  |
| Houston Endowment Inc.              | *                             |             | -  | 7,421,261                     | 10          | 0.35%  |
|                                     | <u>\$ 318,680,353</u>         |             | <u>7.10%</u>   | <u>\$ 210,478,837</u>         |             | <u>9.98%</u>   |

**Source:** Ector County Appraisal District

\* Taxpayer was not in top ten that year.

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

| Fiscal<br>Year<br>Ended<br>September 30, | Taxes Levied<br>For The<br>Fiscal Year | Collected Within The<br>Fiscal Year Of The Levy |                       | Collections<br>In Subsequent<br>Years | Total Collections To Date |                       |
|--|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|  |  | Amount  | Percentage<br>Of Levy |                                       | Amount                    | Percentage<br>Of Levy |
| 2004                                     | \$ 14,540,648                          | \$ 14,030,588                                   | 96.49%                | \$ 450,214                            | \$ 14,480,802             | 99.59%                |
| 2005                                     | 15,609,681                             | 14,888,541                                      | 95.38%                | 668,160                               | 15,556,701                | 99.66%                |
| 2006                                     | 16,519,696                             | 15,889,843                                      | 96.19%                | 576,000                               | 16,465,843                | 99.67%                |
| 2007                                     | 17,078,393                             | 16,455,427                                      | 96.35%                | 570,463                               | 17,025,890                | 99.69%                |
| 2008                                     | 18,166,797                             | 17,607,299                                      | 96.92%                | 489,292                               | 18,096,591                | 99.61%                |
| 2009                                     | 19,936,310                             | 19,180,760                                      | 96.21%                | 670,568                               | 19,851,328                | 99.57%                |
| 2010                                     | 20,280,971                             | 19,419,554                                      | 95.75%                | 738,804                               | 20,158,358                | 99.40%                |
| 2011                                     | 20,454,919                             | 19,755,373                                      | 96.58%                | 505,324                               | 20,260,697                | 99.05%                |
| 2012                                     | 21,206,265                             | 20,745,059                                      | 97.83%                | 282,542                               | 21,027,601                | 99.16%                |
| 2013                                     | 23,026,161                             | 22,494,624                                      | 97.69%                | -                                     | 22,494,624                | 97.69%                |

**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)**

| <b>Fiscal Year</b> | <b>City Direct Rate</b> | <b>Odessa Development Corporation</b> | <b>Total</b> | <b>Hospital District</b> | <b>Midland County</b> |
|--------------------|-------------------------|---------------------------------------|--------------|--------------------------|-----------------------|
| 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                  |
| 2013               | 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 2013 AND 2004**  
(Unaudited)

|                          | FISCAL YEAR 2013    |                        |                      |                        | FISCAL YEAR 2004    |                        |                      |                        |
|--------------------------|---------------------|------------------------|----------------------|------------------------|---------------------|------------------------|----------------------|------------------------|
|                          | Number<br>Of Filers | Percentage<br>Of Total | Tax<br>Liability     | Percentage<br>Of Total | Number<br>Of Filers | Percentage<br>Of Total | Tax<br>Liability     | Percentage<br>Of Total |
| Agriculture/Forestry     | 152                 | 0.27%                  | \$ 101,578           | 0.25%                  | 72                  | 0.11%                  | \$ 32,933            | 0.22%                  |
| Mining                   | 1,170               | 2.09%                  | 3,254,755            | 8.05%                  | 260                 | 0.41%                  | 132,731              | 0.88%                  |
| Construction             | 2,047               | 3.66%                  | 658,804              | 1.63%                  | 187                 | 0.30%                  | 34,094               | 0.23%                  |
| Manufacturing            | 2,062               | 3.69%                  | 1,851,013            | 4.58%                  | 1,160               | 1.85%                  | 414,091              | 2.74%                  |
| Transportation/Utilities | 2,815               | 5.03%                  | 2,544,954            | 6.30%                  | 697                 | 1.11%                  | 141,624              | 0.94%                  |
| Wholesale Trade:         |                     |                        |                      |                        |                     |                        |                      |                        |
| Durable Goods            | 2,426               | 4.34%                  | 1,486,839            | 3.68%                  | 26,964              | 42.93%                 | 667,797              | 4.42%                  |
| Nondurable Goods         | 2,917               | 5.21%                  | 2,538,779            | 6.28%                  | 179                 | 0.28%                  | 26,545               | 0.18%                  |
| Total Wholesale Trade    | 5,343               | 9.55%                  | 4,025,618            | 9.96%                  | 27,143              | 43.21%                 | 694,342              | 4.59%                  |
| Retail Trade:            |                     |                        |                      |                        |                     |                        |                      |                        |
| Building Materials       | 563                 | 1.01%                  | 851,703              | 2.11%                  | 244                 | 0.39%                  | 158,534              | 1.05%                  |
| General Merchandise      | 2,543               | 4.55%                  | 3,022,656            | 7.48%                  | 220                 | 0.35%                  | 89,667               | 0.59%                  |
| Food Stores              | 146                 | 0.26%                  | 18,680               | 0.05%                  | 226                 | 0.36%                  | 6,424                | 0.04%                  |
| Automotive               | 1,511               | 2.70%                  | 1,839,829            | 4.55%                  | 127                 | 0.20%                  | 16,907               | 0.11%                  |
| Clothing                 | 2,202               | 3.94%                  | 4,016,287            | 9.94%                  | 469                 | 0.75%                  | 236,266              | 1.56%                  |
| Home Furnishings         | 571                 | 1.02%                  | 495,023              | 1.22%                  | 109                 | 0.17%                  | 27,059               | 0.18%                  |
| Restaurants              | 2,852               | 5.10%                  | 3,540,731            | 8.76%                  | 1,175               | 1.87%                  | 975,705              | 6.45%                  |
| Drug Stores              | 520                 | 0.93%                  | 269,770              | 0.67%                  | 145                 | 0.23%                  | 108,028              | 0.71%                  |
| Liquor Stores            | 735                 | 1.31%                  | 303,390              | 0.75%                  | 254                 | 0.40%                  | 140,197              | 0.93%                  |
| Miscellaneous Retail     | 7,775               | 13.90%                 | 3,934,333            | 9.73%                  | 12,470              | 19.85%                 | 6,583,913            | 43.54%                 |
| Total Retail Trade       | 19,418              | 34.71%                 | 18,292,403           | 45.25%                 | 15,439              | 24.58%                 | 8,342,700            | 55.17%                 |
| Financial Services       | 2,993               | 5.35%                  | 472,953              | 1.17%                  | 262                 | 0.42%                  | 37,703               | 0.25%                  |
| Services                 | 8,032               | 14.36%                 | 1,898,107            | 4.70%                  | 9,081               | 14.46%                 | 2,028,890            | 13.42%                 |
| Special Trade            | 2,194               | 3.92%                  | 790,261              | 1.95%                  | 152                 | 0.24%                  | 150,567              | 1.00%                  |
| Other                    | 9,711               | 17.36%                 | 6,533,983            | 16.16%                 | 8,363               | 13.31%                 | 3,112,984            | 20.58%                 |
| <b>Total</b>             | <b>55,937</b>       | <b>100.00%</b>         | <b>\$ 40,424,430</b> | <b>100%</b>            | <b>62,816</b>       | <b>100.00%</b>         | <b>\$ 15,122,659</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)

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| Fiscal Year | Governmental Activities           |                          |                | Business-Type Activities                |               |                | Total Primary Government | Percentage Of Personal Income <sup>a</sup> | Per Capita |
|-------------|-----------------------------------|--------------------------|----------------|---|---------------|----------------|--------------------------|--|------------|
|             | Certification of Obligation Bonds | General Obligation Bonds | Capital Leases | General Obligation Certificates & Bonds | Revenue Bonds | Capital Leases |                          |  |            |
| 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      | -                                       | 36,555,078    | 672,537        | 64,341,895               | 3.55%                                      | 685        |
| 2006        | 34,495,000                        | -                        | 5,884,344      | -                                       | 33,658,438    | 343,635        | 74,381,417               | 3.96%                                      | 767        |
| 2007        | 27,745,000                        | 5,905,000                | 5,083,365      | 13,007,563                              | 17,854,700    | -              | 69,595,628               | 3.57%                                      | 700        |
| 2008        | 31,156,145                        | 5,865,000                | 3,739,018      | 78,610,108                              | 14,681,459    | -              | 134,051,730              | 6.46%                                      | 1,365      |
| 2009        | 26,622,664                        | 9,108,128                | 3,231,226      | 82,464,786                              | 7,207,624     | -              | 128,634,428              | 5.46%                                      | 1,326      |
| 2010        | 25,549,183                        | 8,777,565                | 2,823,250      | 82,156,376                              | 3,695,146     | -              | 123,001,520              | 5.08%                                      | 1,274      |
| 2011        | 24,845,702                        | 8,012,280                | 2,398,584      | 81,847,964                              | -             | -              | 117,104,530              | 4.65%                                      | 1,154      |
| 2012        | 17,182,221                        | 14,402,940               | 3,517,014      | 77,670,315                              | -             | -              | 112,772,490              | 4.35%                                      | 1,052      |
| 2013        | 70,809,248                        | 13,378,288               | 2,754,603      | 73,350,687                              | -             | -              | 160,292,826              | 5.97%                                      | 1,441      |

**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 | Per Capita |
|-------------|---------------------------------|--------------------------|--------------------------|---|---------------|---|------------|
|             | Governmental Activities         |                          | Business-Type            | Less: Amounts Available in Debt Service |               |   |            |
|             | Certificate of Obligation Bonds | General Obligation Bonds | General Obligation Bonds | Fund                                    |               |   |            |
| 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                | 13,007,563               | 378,704                                 | 46,278,859    | 1.7045%   | 465        |
| 2008        | 31,156,145                      | 5,865,000                | 78,610,108               | 406,646                                 | 115,224,607   | 3.6753%   | 1,173      |
| 2009        | 26,622,664                      | 9,108,128                | 82,464,786               | 517,217                                 | 117,678,361   | 3.3163%   | 1,213      |
| 2010        | 25,549,183                      | 8,777,565                | 82,156,376               | 541,064                                 | 115,942,060   | 2.9896%   | 1,201      |
| 2011        | 24,845,702                      | 8,012,280                | 81,847,964               | 545,365                                 | 114,160,581   | 2.9220%   | 1,125      |
| 2012        | 17,182,221                      | 14,402,940               | 77,670,315               | 644,531                                 | 108,610,945   | 2.6774%   | 1,014      |
| 2013        | 70,809,248                      | 13,378,288               | 73,350,687               | 661,216                                 | 156,877,007   | 3.4948%   | 1,410      |

**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, 2013**  
(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                             | \$ 13,772,417,959             | \$ 10,500,000           | 30.71%                                 | \$ 3,224,550  |
| Ector County Independent School District | 11,598,844,880                | 190,288,719             | 36.47%                                 | 69,398,296  |
| Odessa Jr. College District              | 11,988,311,035                | 68,470,000              | 35.28%                                 | 24,156,216  |
| Midland County                           | 18,584,228,929                | 26,495,000              | 1.40%                                  | 370,930   |
| Midland County Hospital District         | 16,623,204,960                | 108,550,000             | 1.56%                                  | 1,693,380   |
| Midland Independent School District      | 16,596,808,856                | 179,870,936             | 1.56%                                  | 2,805,987   |
| Midland Jr. College District             | 15,657,636,549                | 30,576,549              | 1.66%                                  | 507,571   |
| Subtotal, Overlapping Debt               |                               |                         |  | <u>102,156,929</u>                                    |
| <b>CITY DIRECT DEBT</b>                  |                               |                         |  | <u>86,280,923</u>                                     |
| <b>TOTAL DIRECT AND OVERLAPPING DEBT</b> |                               |                         |  | <u><u>\$ 188,437,852</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>2013</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>          |
| Debt Limit  | \$ 89,776,277       | \$ 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        |
| Total Net Debt Applicable to Limit                                      | <u>80,008,784</u>   | <u>30,375,469</u>    | <u>32,134,635</u>    | <u>33,611,801</u>    | <u>35,002,783</u>    | <u>36,454,055</u>    | <u>33,274,297</u>    | <u>34,183,021</u>    | <u>24,952,447</u>    | <u>20,532,133</u>    |
| Legal Debt Margin   | <u>\$ 9,767,494</u> | <u>\$ 50,756,238</u> | <u>\$ 46,004,371</u> | <u>\$ 43,952,776</u> | <u>\$ 35,967,245</u> | <u>\$ 26,248,831</u> | <u>\$ 21,027,889</u> | <u>\$ 14,456,506</u> | <u>\$ 20,373,662</u> | <u>\$ 21,637,616</u> |
| Total Net Debt Applicable to the Limit<br>As a Percentage of Debt Limit | 89.12%              | 37.44%               | 41.12%               | 43.33%               | 49.32%               | 58.14%               | 61.28%               | 70.28%               | 55.05%               | 48.69%               |

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 2013**

|  |                     |
|--|---------------------|
| Assessed Value   | \$ 4,488,813,872    |
| Debt Limit (2% of Assessed Value)                                | 89,776,277          |
| Debt Applicable to Limit:  |                     |
| Certificates of Obligation                                       | 67,690,000          |
| <i>General Obligation Bonds</i>                                  | 12,980,000          |
| Less: Amount Set Aside for Repayment<br>of GO Bonds and CO Bonds | <u>661,216</u>      |
| Total Net Debt Applicable to Limit                               | 80,008,784          |
| Legal Debt Margin  | <u>\$ 9,767,494</u> |

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

| Fiscal Year | WATERWORKS AND SEWER SYSTEM BONDS |                          |                                   |                         |             |                                    |                           |              |          |
|-------------|-----------------------------------|--------------------------|-----------------------------------|-------------------------|-------------|------------------------------------|---------------------------|--------------|----------|
|             | 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     |          |
| 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     |
| 2013        | 48,351,897                        | 43,292,930               | 6,566,193                         | 98,998                  | -           | 11,724,158                         | 4,220,000                 | 3,391,850    | 1.54     |

**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)

| <u>Fiscal Year</u> | <u>Population</u> | <u>Personal Income</u><br><i>(in thousand of dollars)</i> | <u>Per Capita Personal Income</u> | <u>Median Age</u> | <u>Education Level</u> | <u>School Enrollment</u> | <u>Unemployment Rate%</u> |
|--------------------|-------------------|---|-----------------------------------|-------------------|------------------------|--------------------------|---------------------------|
| 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                       |
| 2013               | 111,270           | 2,685,643   | 36,163                            | 30.9              | 12.4                   | 28,566                   | 3.9                       |

**Source:** Odessa Chamber of Commerce  
U.S. Census Bureau of Economic Analysis  
City of Odessa, Finance Department

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

| Employer                    | 2013          |      |                         | 2004          |      |                         |
|-----------------------------|---------------|------|-------------------------|---------------|------|-------------------------|
|                             | Employees     | Rank | Total City Employment % | Employees     | Rank | % Total City Employment |
| ECISD                       | 3,413         | 1    | 4.06                    | 3,153         | 1    | 5.27                    |
| Medical Center Hospital     | 1,899         | 2    | 2.26                    | 1,692         | 2    | 2.83                    |
| Saulsbury Companies         | 1,628         | 3    | 1.94                    | 491           | 6    | 0.82                    |
| Halliburton Services        | 1,200         | 4    | 1.43                    | -             | *    | N/A                     |
| Weatherford                 | 1,100         | 5    | 1.31                    | -             | *    | N/A                     |
| Walmart                     | 889           | 6    | 1.06                    | 476           | 7    | 0.80                    |
| City of Odessa              | 868           | 7    | 1.03                    | 858           | 3    | 1.44                    |
| ORMC                        | 816           | 8    | 0.97                    | -             | *    | N/A                     |
| Ector County                | 639           | 9    | 0.76                    | 602           | 5    | 1.01                    |
| Holloman Construction       | 550           | 10   | 0.65                    | -             | *    | N/A                     |
| Odessa College              | -             | *    | N/A                     | 680           | 4    | 1.14                    |
| Huntsman Corp               | -             | *    | N/A                     | 475           | 9    | 0.79                    |
| Walmart #2                  | -             | *    | N/A                     | 476           | 8    | 0.80                    |
| Family Dollar               | -             | *    | N/A                     | 454           | 10   | 0.76                    |
| Invest Corp of America      | -             | *    | N/A                     | 448           | *    | 0.75                    |
| Total Employment Population | <u>84,084</u> |      | <u>15.46</u>            | <u>59,787</u> |      | <u>16.40</u>            |

**Sources:** Odessa Chamber of Commerce (2001 to present)  
Individual Employers  
U. S. 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)

| FUNCTION/PROGRAM      | FULL -TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30, 2010 |      |      |      |      |      |      |      |      |      |
|-----------------------|--|------|------|------|------|------|------|------|------|------|
|                       | 2013   | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| General Government    | 43   | 42   | 39   | 39   | 36   | 36   | 36   | 34   | 33   | 33   |
| Finance               | 55   | 52   | 56   | 57   | 60   | 58   | 56   | 55   | 54   | 51   |
| Public Works          | 88   | 89   | 81   | 87   | 90   | 83   | 81   | 83   | 79   | 77   |
| Planning & Inspection | 14   | 13   | 14   | 13   | 13   | 12   | 11   | 12   | 12   | 12   |
| Public Safety         | 383  | 399  | 394  | 405  | 392  | 372  | 381  | 396  | 394  | 403  |
| Welfare               | 4  | 5    | 4    | 6    | 5    | 5    | 5    | 5    | 6    | 7    |
| Culture & Recreation  | 37   | 37   | 35   | 35   | 38   | 37   | 33   | 46   | 35   | 35   |
| Golf Course           | 10   | 10   | 10   | 10   | 10   | 8    | 6    | 10   | NA   | NA   |
| Water & Sewer         | 96   | 95   | 105  | 108  | 122  | 109  | 106  | 110  | 114  | 118  |
| Solid Waste           | 45   | 47   | 45   | 46   | 46   | 46   | 43   | 44   | 42   | 42   |
| Liquid Waste          | 0  | 0    | 0    | 0    | 1    | 1    | 1    | 1    | 1    | 1    |
| Equipment Services    | 18   | 19   | 22   | 18   | 22   | 21   | 22   | 23   | 23   | 23   |
| Risk Management       | 15   | 13   | 15   | 15   | 14   | 14   | 14   | 14   | 14   | 5    |
| Total                 | 808  | 821  | 820  | 839  | 849  | 802  | 795  | 833  | 807  | 807  |

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

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

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

| FUNCTION/PROGRAM  | FISCAL YEAR |             |             |             |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <u>2013</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> |
| <b>PUBLIC SAFETY</b>                                    |             |             |             |             |             |             |             |             |             |             |
| Police  |             |             |             |             |             |             |             |             |             |             |
| Physical Arrests  | 6,723       | 6,065       | 7,600       | 9,489       | 8,711       | 7,469       | 7,711       | 8,791       | 8,418       | 7,932       |
| Parking Violations                                      | 1,297       | 661         | 683         | 696         | 4,215       | 3,231       | 7,098       | 10,837      | 7,938       | 6,466       |
| Traffic Violations                                      | 25,777      | 19,191      | 22,354      | 31,984      | 12,821      | 29,382      | 40,816      | 32,195      | 35,402      | 36,352      |
| Fire  |             |             |             |             |             |             |             |             |             |             |
| Number Of Calls Answered                                | 18,172      | 17,300      | 16,357      | 14,406      | 15,511      | 15,248      | 14,229      | 12,640      | 10,363      | 10,374      |
| Inspections   | 3,237       | 3,682       | 2,678       | 2,165       | 2,236       | 1,831       | 1,937       | 1,620       | 133         | 127         |
| <b>PUBLIC WORKS</b>                                     |             |             |             |             |             |             |             |             |             |             |
| Street Resurfacing (miles)                              | 4.82        | 13          | 29          | 30          | 56          | 7           | 41          | 32          | 35          | 74          |
| Potholes Repaired                                       | 15          | 17          | 21          | 53          | 25          | 33          | 36          | 50          | 176         | 57          |
| New Construction Permits Issued                         | 886         | 691         | 382         | 358         | 230         | 337         | 284         | 238         | 197         | 228         |
| <b>SOLID WASTE</b>                                      |             |             |             |             |             |             |             |             |             |             |
| Refuse Collected (tons)                                 | 104,833     | 103,334     | 100,606     | 86,841      | 90,800      | 93,000      | 93,500      | 88,000      | 81,000      | 80,000      |
| Recyclables Collected (tons)                            | 1,042       | 1,410       | 1,327       | 1,210       | 1,365       | 812         | 2,595       | 2,088       | 1,328       | 1,900       |
| <b>CULTURE &amp; RECREATION</b>                         |             |             |             |             |             |             |             |             |             |             |
| Community Center Rentals                                | 1,013       | 961         | 684         | 797         | 928         | 875         | 839         | 761         | 730         | 706         |
| <b>GOLF COURSE</b>                                      |             |             |             |             |             |             |             |             |             |             |
| Number Of Paid Rounds Played                            | 41,209      | 40,272      | 41,080      | 36,471      | 36,863      | 7,002       | -           | 23,885      | -           | -           |
| <b>WATER &amp; SEWER</b>                                |             |             |             |             |             |             |             |             |             |             |
| Customer Connections                                    | 19,227      | 17,871      | 16,459      | 16,384      | 14,601      | 15,358      | 15,227      | 15,604      | 16,341      | 16,760      |
| New Connections-Fire Hydrants                           | 76          | 46          | 16          | 35          | 72          | 28          | 20          | 26          | 45          | 50          |
| Water Main Breaks                                       | 88          | 92          | 185         | 124         | 83          | 105         | 144         | 95          | 112         | 77          |
| Average Daily Consumption<br>(million gallons day)      | 15.78       | 14.12       | 19.72       | 18.60       | 19.81       | 18.42       | 12.58       | 19.63       | 18.31       | 18.71       |
| <b>LIQUID WASTE</b>                                     |             |             |             |             |             |             |             |             |             |             |
| Average Daily Sewage Treatment<br>(millions of gallons) | 6.08        | 7.02        | 6.56        | 6.61        | 6.46        | 6.34        | 6.22        | 5.56        | 6.11        | 6.02        |

**Source:** City of Odessa, Texas

**Notes:** The City purchased the Golf Course in January 1, 2006.  
The Golf Course has been closed since 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)

| FUNCTION/PROGRAM   | FISCAL YEAR |       |       |       |       |       |       |       |       |       |
|--|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|  | 2013        | 2012  | 2011  | 2010  | 2009  | 2008  | 2007  | 2006  | 2005  | 2004  |
| <b>PUBLIC WORKS</b>  |             |       |       |       |       |       |       |       |       |       |
| Streets (miles)  | 461         | 441   | 441   | 441   | 428   | 410   | 412   | 409   | 410   | 395   |
| Streetlights   | 6,178       | 6,095 | 6,038 | 6,033 | 5,930 | 5,872 | 5,832 | 5,796 | 5,650 | 5,615 |
| Metered sectors  | 12          | 12    | 12    | 12    | 12    | 12    | 12    | 12    | 12    | 12    |
| Traffic signals  | 570         | 569   | 569   | 567   | 567   | 562   | 562   | 555   | 559   | 587   |
| <b>PUBLIC SAFETY</b>                                       |             |       |       |       |       |       |       |       |       |       |
| Police:  |             |       |       |       |       |       |       |       |       |       |
| Stations/Storefronts                                       | 1           | 1     | 1     | 1     | 1     | 1     | 2     | 2     | 2     | 2     |
| Patrol Units   | 59          | 58    | 42    | 48    | 49    | 43    | 43    | 45    | 46    | 48    |
| Fire Stations  | 8           | 8     | 8     | 8     | 8     | 8     | 9     | 8     | 8     | 8     |
| <b>CULTURE AND RECREATION</b>                              |             |       |       |       |       |       |       |       |       |       |
| Parks Acreage  | 756         | 756   | 756   | 756   | 756   | 756   | 756   | 756   | 756   | 682   |
| Parks  | 37          | 37    | 37    | 37    | 37    | 36    | 36    | 36    | 35    | 35    |
| Swimming Pools   | 3           | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 4     | 4     |
| Tennis Courts  | 16          | 16    | 16    | 16    | 16    | 16    | 16    | 16    | 16    | 16    |
| Community Centers  | 5           | 5     | 5     | 5     | 5     | 5     | 5     | 4     | 4     | 4     |
| <b>GOLF COURSE</b>   |             |       |       |       |       |       |       |       |       |       |
| Golf Course Acreage  | 125         | 125   | 125   | 125   | 125   | 125   | 135   | 135   | -     | -     |
| <b>WATER &amp; SEWER</b>                                   |             |       |       |       |       |       |       |       |       |       |
| Water Mains (miles)  | 656         | 656   | 645   | 642   | 634   | 618   | 612   | 609   | 598   | 730   |
| Fire Hydrants  | 2,623       | 2,290 | 2,244 | 2,228 | 2,194 | 2,106 | 2,090 | 2,073 | 2,047 | 1,996 |
| Maximum Daily Capacity<br>(millions of gallons)            | 50          | 50    | 50    | 50    | 50    | 50    | 50    | 50    | 50    | 50    |
| <b>SOLID WASTE</b>   |             |       |       |       |       |       |       |       |       |       |
| Collection Trucks  | 39          | 39    | 39    | 32    | 32    | 32    | 36    | 50    | 42    | 32    |
| Sanitary Sewers (miles)                                    | 519         | 512   | 506   | 504   | 495   | 489   | 487   | 486   | 481   | 479   |
| 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<br>(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     | 1     | -     |
| Health & Wellness Center                                   | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | -     |

Source: City of Odessa, Texas