

City of Odessa, Texas



Comprehensive Annual Financial Report For Fiscal Year Ended September 30, 2015 “Proactive & Progressive”



CITY OF ODESSA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Prepared by:

The Finance Department

Terri Gayhart
Director of Finance

Cindy Muncy
Financial Reporting Accountant

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INTRODUCTORY SECTION



City of Odessa

March 28, 2016

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 (the City) for fiscal year ended September 30, 2015. This report was prepared by both the Departments of Finance and the Office of the City Manager, in order to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City in accordance with governing State law.

This report consists of management's representations concerning the finances of the City. 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'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 for the fiscal year ended September 30, 2015, 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 presented by management; and evaluating the overall financial statement presentation. Weaver and Tidwell, LLP., concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("*clean*") opinion that the City's financial statements for fiscal year ended September 30, 2015, 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 was also part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires 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 independent auditors' report.

PROFILE OF THE GOVERNMENT

Location/Entity Structure

The City is located in a thriving community along the western range of the Permian region which is comprised of various counties in western Texas and a portion of adjacent areas in southeastern New Mexico. The Odessa community boasts a longstanding reputation for its geological fields which consist of mostly flat terrain and an astonishing supply of oil and natural gas reserves. In many instances, Odessa is often referred to as one of the largest oil producing areas of Texas and the United States. Odessa is uniquely positioned within Ector County, along the Interstate 20 corridor, between Dallas-Fort Worth and El Paso and consists of approximately 45 square miles of area land which is about 86% developed. Odessa has a current population of approximately 124,981 residents.

Incorporated in April 1927, the City is empowered by State statute to extend its corporate limits by annexation, and such events occur at various periods throughout the year when deemed appropriate by the governing City Council. The City is further 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. Presently, the City operates under a home rule charter with a Council-Manager form of government. Policy-making and legislative authority are vested in the governing council which 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 geographical district. The governing City Council is responsible for passing ordinances; determining policies; adopting the budget; and appointing its staff including the City Manager. The City Manager is responsible for implementing City Council policies and governing ordinances; overseeing the daily operations of the government; and appointing the various Department Directors.

City Services Provided

The City provides a full range of services including water utilities; waste management; police and fire protection; emergency medical support; street and infrastructure maintenance; planning and zoning assistance; parks and recreation facilities; and general administrative support services. The water utilities and waste management services are provided by 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.

Financial Accounting System & Budgetary Accounting Controls

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 generally accepted accounting principles 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. Therefore, we believe the City's policies for financial recordkeeping and its internal accounting controls provide reasonable assurance for proper recording of financial activities.

Each year, the annually adopted budget serves as the foundation for the City's budgetary accounting controls. All City departments are required to submit requests for appropriations to the City Manager on or before May 31st of each year. The City Manager uses 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 31st. City Council is required to hold public hearings on the proposed City budget and to adopt a final budget by September 30th of each fiscal year.

The City Manager prepares the annual budget by fund (e.g., Water & Sewer), function, and department (e.g., Billing & Collection). Department directors can make transfers of appropriations within their respective departmental 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. Budgetary reviews and analysis are also conducted.

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 and Convention and Visitors Fund comparisons are presented on pages 29 and 30, as part of the basic financial statements for the governmental funds. For governmental funds, other than these two funds, with appropriated annual budgets, this comparison is presented in the governmental funds subsection of this report and begins on page 105.

ECONOMIC OUTLOOK AND FINANCIAL 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. While other communities across our nation may have seen moderate economic growth during fiscal year 2014-2015, the economic gains within the Permian region have started to decline due to the oil and natural gas issues. The Permian region was named one of the top seven oil-producing regions in the United States and was specifically recognized for its massive petroleum production by the US Energy Information Administration. This extraordinary regional performance primarily resulted from technological advances which supported horizontal drilling and hydraulic fracturing in the area. Many observers across the nation noted the region's promising performance. In fact, one analyst for Oilprice.com stated, "the Permian is king", and described the region as "the nation's most productive" in its September 2014 article entitled *West Texas Now the Heart of America's Oil Boom*. Nevertheless, due to geo-political and over production reasons, the oil drilling and production activities have dramatically slowed down.

The area's expanding production activities have slowed to a crawl. The presence of this slowing activity is temporarily changing the label of "continued dominance for the region" in the Wall Street Daily's July 2014 article entitled, *Permian Basin Exhibits Unstoppable Growth*. Performance trends have slowed and/or stopped for both large and small energy sector companies within the Permian community. The Permian region was producing about 1.7 million barrels per day (bpd) by the third quarter of 2014 and clearly held the lead in the industry. Soon thereafter things began to drop. Energy production activities revealed the total US rig count has decreased by 33.9%, from approximately 1,930 rigs at September 2014 to approximately 656 rigs, while

the West Texas rig count has decreased by 43.7% from approximately 464 rigs to 203 in September 2015. The average price of oil registered around \$93 per barrel for the month ending September 2014. This decreased to \$45.48 in September 2015. Overall, the economic fall of the energy sector facilitated a weaker, but still stable performance base for the local community.

During fiscal year 2014-2015, the local economy began to slow down quickly. The slower level of energy service and production activities within the Odessa community, still bring benefits to the area. This position was best described by stating that in the Oil and Gas industry, we have ongoing booms and busts. Unfortunately, we are unable to scientifically or otherwise predict for certain the length of these issues. Significant employment losses have been evident in the energy sector, as well as, the employment base for the retail, manufacturing, construction, and financial services sectors. By the end of the fiscal year, Odessa's employment activities revealed an unemployment rate of approximately 4.3%. The weakened performance of the local economy was best evidenced by the City's sales tax revenue collections which continued to represent the City's largest source of revenue and reflected an increase of \$17.3 million dollars, or nearly 93%, over the past five (5) fiscal years. The City has now begun to realize a significant decline in sales tax revenue collections as consumers begin to tighten their belts and watch closely their incomes being spent on goods and services in the community. For four of the final five months of fiscal year-end 2015 total sales tax receipts were below prior year numbers. However, the final fiscal year totals of \$36,738,255 exceeded budget by \$4,262,000 or 13.12%.

With unfavorable economic conditions present in the area, assessed property values are starting to decrease. Assessed property values for fiscal year end 2015 reflected an increase over the previous fiscal year end's property valuations, but not by a lot. The 2014-15 property tax rate for the City reflected a small change from the past fiscal year and was adopted as a decrease of approximately four cents to the rate of .475845 cents per \$100 of valuation. Odessa's housing market activities also continued to support the area's economic environment. Sales activities for new and existing homes continued to be moderate while the demand for affordable housing remained constant. When comparing single-family housing permit activity for fiscal year end 2015 and 2014, the number of permits issued for such purposes decreased by approximately 12 % for the most current period. However, about 53 permits were issued during September 2015 and those permits represented a solid value of approximately \$10.5 million in additions to the community.

As mentioned earlier, the local community continued to slow down, however, there still continues to be development projects and construction activities underway throughout the city. The declining energy sector performance generated an economic downturn within many business market segments including hoteliers and retail/restaurant owners. Several mixed-use/retail commercial and residential developments were noted as future additions for the community. For example, in northeast Odessa along the intersection of Eastridge Road and Parks Legado Road, still plan for new townhouse residential and office developments were introduced by area developers. A large single family residential development was planned for 100th Street and Rainbow Drive, and an industrial development project was initiated for an area along the intersection of IH-20 and Lufkin Road. The community also welcomed new construction of a mixed used/retail center on 87th Street, as well as, a new 71-unit hotel located in the Legado Estates area.

During this past fiscal year, area slowing productivity was also evident amidst the efforts of the Corporation which coordinated opportunities for job creation and the continued development of a skilled and educated workforce. These job creation and workforce readiness efforts were primarily made possible by the Corporation via their exercise of industry-luring incentive strategies and other enhancement activities which are funded by designated sales tax collections. The Corporation also continued to work to assist our community with the retention of the proposed clean coal power plant (Summit Texas Clean Energy) which was previously identified as a potential community partnership project with the U.S. Department of Energy. To date, the proposal for the power plant is still being reviewed and considered a potential partnership effort for the respective entities involved.

By the end of the fiscal year, the slowing economic impact of energy sector gains and the community growth factors were expected to remain present within the area. City Management continued to work diligently to identify, prioritize, and address the community's needs, as well as, its available resources. For example, the need for an alternative water supply source continues to be high priority for the City and business community leaders of Odessa. There is an ample supply of raw water for many years for the Odessa community. Planning efforts for water supply alternatives are in place and continue to be promising. In addition, City management has focused on developing initiatives and strategies that provide the foundation for many other community improvements including traffic safety, downtown revitalization, affordable housing, and parkland development. City Management remains committed to work diligently to secure solutions for every challenge that lies ahead. With sound planning and successful economic development partnerships in place for each of these efforts, Odessa residents will continue to realize many benefits.

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 and strategies. For example, the City's Capital Improvement Program (CIP) for fiscal year end 2015 revealed great progress in the areas of park improvements, public works improvements, street infrastructure, and information technology infrastructure improvements. This past fiscal year brought the completion of several street infrastructure and park improvements projects. The City also recognized the completion of network information technology infrastructure and several other infrastructure projects. 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 will also continue to focus on improvements necessary for the successful operation of both state and federal mandated programs for water conservation, water quality reporting, and water treatment. Generally, all planned initiatives will reflect the collaborative efforts necessary to effectively enhance and improve the Odessa community with top priority for projects based upon City Council directives.

The economy demonstrated few measures that supported recovery in 2015 and slower growth trends are expected to continue in 2016. However, changes in the economic environment could bring hope to the local community in 2016 as oil prices potentially increase. City Officials are quite mindful of the primary source of the community's extraordinary economic trends and they are actively engaged in planning activities to guide the City's financial affairs. Therefore, when considering long-term financial planning, City management remains committed to implementing action plans that continually provide quality municipal services for the citizens of Odessa while demonstrating financial resilience. It is anticipated City operations for the coming fiscal year will continue to reflect financial management strategies that are designed to offset potential downdrafts in the economic environment, yet provide the financial stability necessary to address the priorities and policies of the governing City Council. 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 for its comprehensive annual financial report for the fiscal year ended September 30, 2014. This was the twenty-ninth 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.

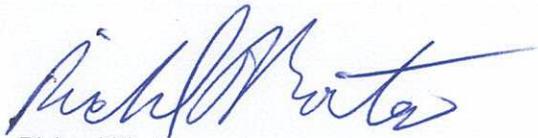
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2014. 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 staff in the Departments of Finance, Office of the City Manager, and Purchasing. 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



Konrad Hildebrandt Assistant City Manager
Of Administrative Services



Government Finance Officers Association

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

Presented to

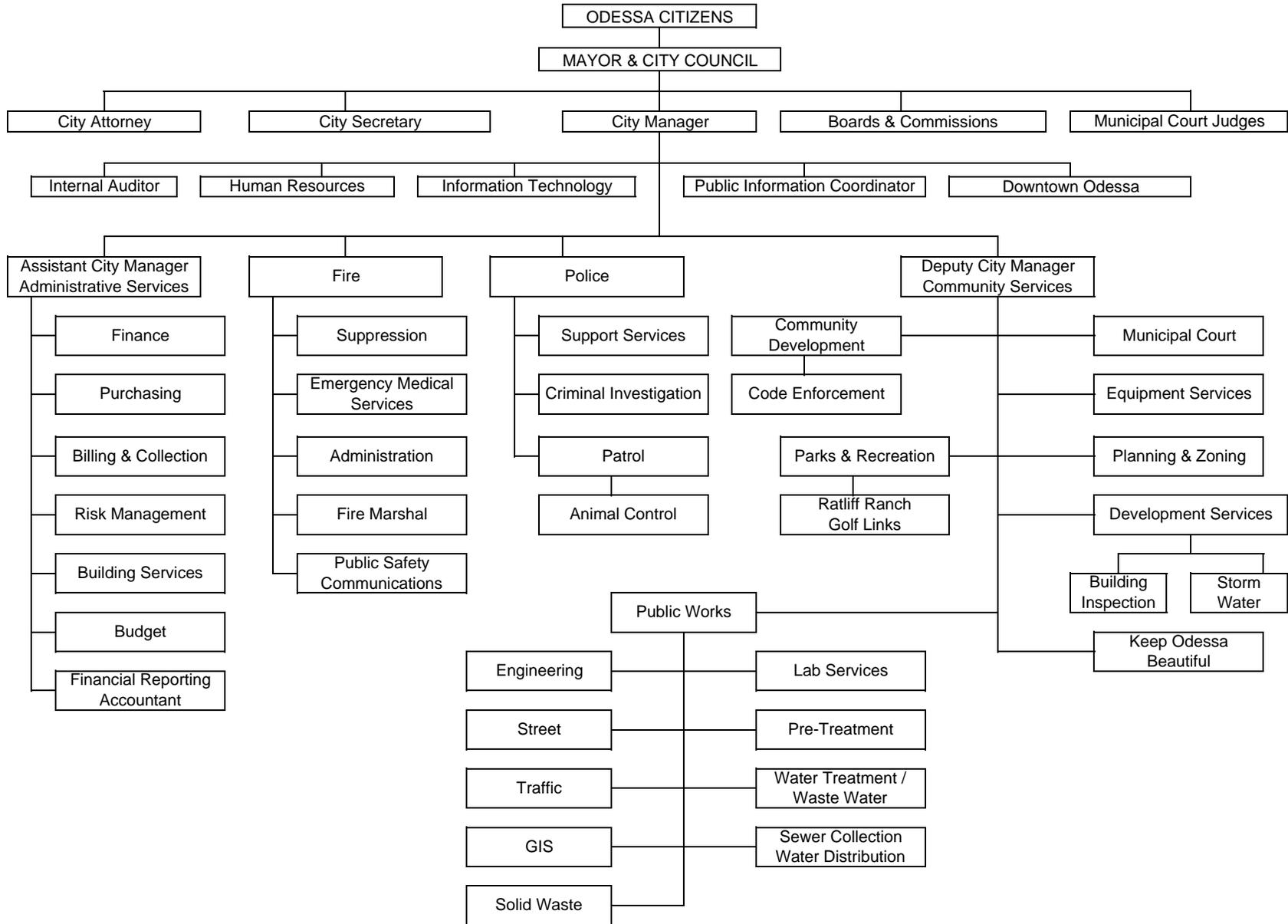
**City of Odessa
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

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

MIKE GARDNER

DISTRICT 5

FILIBERTO GONZALES

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, 2015, 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

The City's 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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

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, 2015, and the respective changes in financial position, cash flows, and, where applicable, the budgetary (GAAP basis) and actual comparison for the general fund and convention and visitors fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 in the notes to the financial statements, the City Implemented Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* as of September 30, 2015. Beginning net position has been restated to reflect the change in accounting principle resulting from these statements. Our opinions are 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 – 19 and schedules of changes in net pension liability and related ratios, the schedules of contributions, and the schedule of funding progress on pages 94 – 98 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.

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

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, schedules of capital assets used in operation of governmental funds, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, 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 28, 2016 on our consideration of the 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 the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
March 28, 2016

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

As management of the City of Odessa, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. The purpose of the Management's Discussion and Analysis (MD&A) is to provide the readers with an objective and easily understood analysis of the government's activities. 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 (pages i-vi of this report), as well as, the annual budget and other information found on the City's website at www.odessa-tx.gov. All amounts, unless otherwise indicated, are expressed in millions of dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$180.5 million (net position), of which \$(10.4) million was unrestricted net position. The government's total net position increased \$23.2 million during the 2015 fiscal year. However, due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27", there was a prior period adjustment of \$(94.9) million resulting in a net decrease in total net position of \$71.7 million.
- The City's governmental funds reported a decrease in fund balances of \$2.1 million under the previous year with combined ending fund balances of \$119.2 million as of the close of the current fiscal year. Approximately 32.2%, or \$38.4 million, of this total amount is available for spending at the government's discretion (unassigned fund balances). Within the remaining \$80.8 million, \$704,006 has been restricted for specific debt service requirements, \$64.9 million is restricted or nonspendable, and \$15.2 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 \$38.4 million, or 47.6%, of total general fund expenditures and is available for spending at the government's discretion for any lawful purpose.
- The City's capital projects fund balance totaled \$47.9 million and decreased by \$7.0 million at the close of the current fiscal year.
- Economic factors indicated the most current fiscal year ended with some favorable trends in many areas especially sales tax revenues.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

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. Accordingly, 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 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 include general government, finance, public works, planning and inspection, public safety, welfare, and culture and recreation. The business-type activities of the City include water and sewer, solid waste, municipal golf course, liquid waste and storm water.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally, separate economic development corporation for which the City 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

Fund financial statements provide more detailed information about the City's funds and primarily focus on funds that are classified as major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for most of the City's basic services and are 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.

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.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Refer to both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes In Fund Balances for a reconciliation that facilitates comparison between governmental funds and governmental activities.

The City 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, the Capital Projects Fund and the Convention and Visitors Fund which are each considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, the majority of its Special Revenue Funds and its Debt Service Fund. Budgetary comparisons are provided in this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds (one type of proprietary fund) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its operations in water and sewer, solid waste, golf course, liquid waste and storm water funds. Internal service funds (another type of proprietary fund) are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City 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 greater detail. The proprietary fund financial statements provide separate information for operations in the Water and Sewer Fund and the Solid Waste Fund, with each being considered a major fund of the City. Although they do not meet the criteria of 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.

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's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is necessary to obtain a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found in the last section of the basic 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's progress in funding its obligation to provide pension benefits and other post-employment benefits.

The General Fund and Convention and Visitors Fund budgetary comparison schedules are presented as part of the basic financial statements. In addition, the combining statements referred to earlier regarding nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions and retiree health benefits for its employees.

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, assets and deferred outflows of resources exceeded liabilities by \$180.5 million at the close of the fiscal year. As a result of operations, total net position increased by \$23.2 million during the period. However, due to the adoption of GASB Statement No. 68, there was a restatement of previously reported net position of \$(94.9) million resulting in a total decrease in net position of \$71.7 million.

By far, the largest portion of the City's net position, \$189.1 million, 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

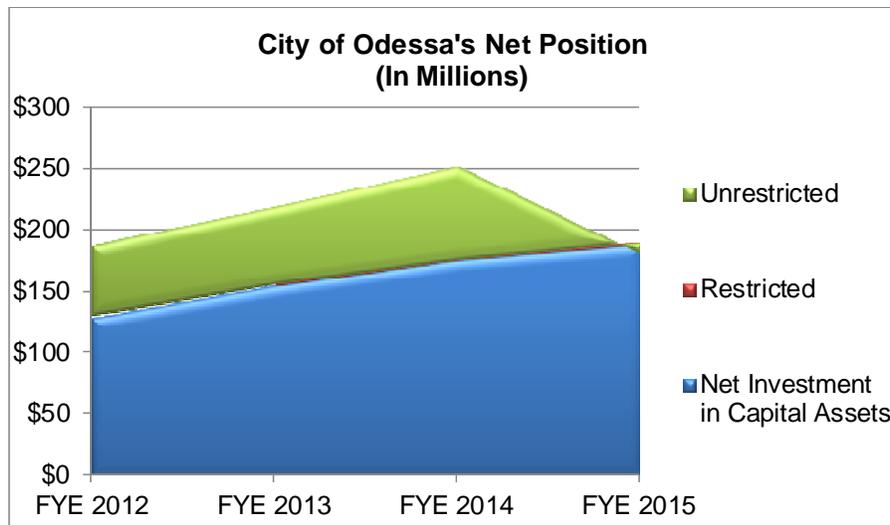
CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current & Other Assets	\$ 147	\$ 143	\$ 51	\$ 55	\$ 198	\$ 198
Capital Assets	133	121	140	135	273	256
Total Assets	<u>280</u>	<u>264</u>	<u>191</u>	<u>190</u>	<u>471</u>	<u>454</u>
Deferred Outflows of Resources	10	1	5	-	15	1
Long-Term Liabilities						
Outstanding	201	104	71	68	272	172
Other Liabilities	19	17	14	14	33	31
Total Liabilities	<u>220</u>	<u>121</u>	<u>85</u>	<u>82</u>	<u>305</u>	<u>203</u>
Net Investment in Capital Assets	102	91	87	85	189	176
Restricted	1	-	1	1	2	1
Unrestricted	(33)	53	23	22	(10)	75
Total Net Position	<u>\$ 70</u>	<u>\$ 144</u>	<u>\$ 111</u>	<u>\$ 108</u>	<u>\$ 181</u>	<u>\$ 252</u>

As of September 30, 2015, positive balances were reflected in the total net position for the government as a whole, as well as, for its separate governmental and business-type activities. An additional portion of the City's net position (\$2 million) represents resources that are subject to external restrictions on how they may be used. Due to the implementation of GASB 68, unrestricted net position went negative.

* The cumulative effect of applying GASB Statement No. 68 – "Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27" resulted in beginning statement of net position being restated. FY 2014 was not restated.



CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

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

	Governmental Activites		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Program Revenues:						
Charges for Services	\$ 10,304	\$ 9,462	\$ 63,166	\$ 64,241	\$ 73,470	\$ 73,703
Operating Grants						
Contributions	7,696	6,326	-	-	7,696	6,326
Capital Grants & Contributions	3,915	5,331	4,835	8,947	8,750	14,278
General Revenues:						
Property Taxes	29,176	27,754	-	-	29,176	27,754
Sales Taxes	36,738	35,967	-	-	36,738	35,967
Other Taxes	16,447	16,260	-	-	16,447	16,260
Other Revenues	5,021	4,770	95	63	5,116	4,833
Total Revenues	109,297	105,870	68,096	73,251	177,393	179,121
General Government	5,396	5,118	-	-	5,396	5,118
Finance	1,554	1,198	-	-	1,554	1,198
Public Works	20,251	19,151	-	-	20,251	19,151
Planning & Inspection	1,529	1,568	-	-	1,529	1,568
Public Safety	47,963	47,043	-	-	47,963	47,043
Welfare	1,420	1,102	-	-	1,420	1,102
Culture & Recreation	9,851	9,137	-	-	9,851	9,137
Interest on Long-Term Debt	3,528	3,694	-	-	3,528	3,694
Water & Sewer	-	-	45,881	43,253	45,881	43,253
Solid Waste	-	-	13,674	12,220	13,674	12,220
Ratliff Golf Course	-	-	2,128	1,979	2,128	1,979
Liquid Waste	-	-	7	9	7	9
Storm Water	-	-	998	822	998	822
Total Expenses	91,492	88,011	62,688	58,283	154,180	146,294
Increase(Decrease) in Net Position Before Transfers	17,805	17,859	5,408	14,968	23,213	32,827
Transfers	(200)	(471)	200	471	-	-
Increase in Net Position	17,605	17,388	5,608	15,439	23,213	32,827
Net Position-Beginning, as previously reported	144,305	126,917	107,797	92,358	252,102	219,275
Prior Period Adjustment	(92,159)	-	(2,703)	-	(94,862)	-
Net Position-Beginning, as restated	52,146	126,917	105,094	92,358	157,240	219,275
Net Position-Ending	\$ 69,751	\$ 144,305	\$ 110,702	\$ 107,797	\$ 180,453	\$ 252,102

* The cumulative effect of applying GASB Statement No. 68 – "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" resulted in beginning statement of net position being restated. FY 2014 was not restated.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

The previous page displayed a comparative summary of the City's operations for fiscal years ended 2015 and 2014. During the current fiscal year, the City's total net position increased by approximately \$23.2 million. Governmental type activities had an increase of \$17.6 million; and the business-type activities had a \$5.6 million increase. The total revenues decreased slightly to \$177.4 million, which was less than 1% down from the previous year. Total expenses increased to \$154.2 million, which was an increase of \$7.9 million or 5.4%. The net increase to the government's net position of \$23.2 million was \$9.6 million less than the previous year's amount of \$32.8 million.

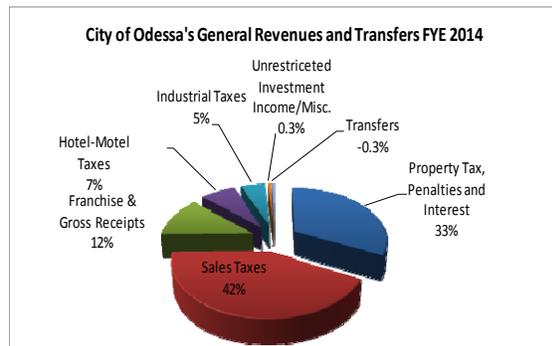
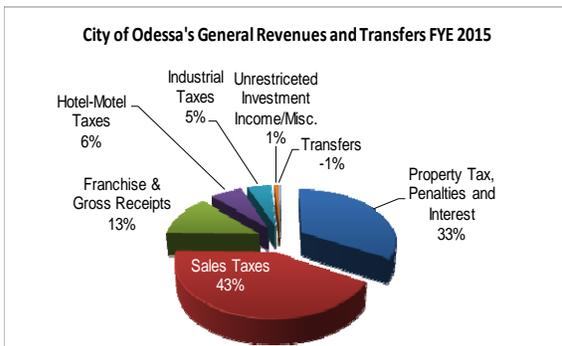
Governmental Activities

Program revenues for governmental activities were \$21.9 million and were used to pay expenses associated with governmental activities of \$91 million.

The City's general revenues and transfers provided \$87.2 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.

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

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Property Tax, Penalties and Interest	\$ 29,176	\$ 27,754	\$ 1,422
Sales Taxes	36,738	35,967	771
Franchise & Gross Receipts	10,875	10,247	628
Hotel-Motel Taxes	5,573	6,013	(440)
Industrial Taxes	4,244	4,259	(15)
Unrestricted Investment Income/Misc.	776	511	265
Transfers	(200)	(471)	271
Total General Revenues and Transfers	\$ 87,182	\$ 84,280	\$ 2,902



CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

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 2015, property taxes generated \$29.2 million, or 33% of the City's total revenues, and reflected an increase of \$1.4 million over the previous year. Property tax collections were derived from growth in the property tax base that increased to \$6.1 billion during the year and was combined with a property tax rate of \$0.475845 per hundred dollars valuation, a slightly lower rate than the previous year. Sales taxes revenues generated \$36.7 million, which represented the largest share of the City's revenues at 42%, and exceeded budget by approximately \$4.3 million. Franchise and gross receipts taxes contributed \$10.9 million to operations, which was an increase from last year by \$628,000. As depicted on Table 2, the total charges for services came in at \$10.3 million with the majority coming from public safety in the amount of \$8.4 million. Hotel-motel taxes income provided an additional \$5.6 million, which is a decrease from the prior year of \$.4 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 \$48.0 million represents 52.4% of all combined governmental activities expenses. Refer to Table 2 for additional details.

Business-Type Activities

Net position from business-type activities totaled \$110.7 million at the close of the fiscal year and reflected a 2.7% increase from the prior year. Revenues of business-type activities contributed \$68.1 million to the operations of the City. Expenses associated with these activities totaled \$62.7 million. This resulted in an increase to the City's net position of \$5.6 million from business-type activities.

The major components of the revenue stream for business-type activities represent Water and Sewer revenues of \$48.1 million and Solid Waste revenues of \$12.6 million. Investment earnings were higher in the current fiscal year, and represented \$0.1 million of the revenue component of business-type activities for the City. Meanwhile, grants and contributions revenue totaled \$4.8 million as compared to \$8.9 million during the prior year. The Ratliff Golf Course depicted revenues of \$1.6 million.

Water and Sewer had \$45.9 million in expenses coupled with a positive position of \$7 million net revenues over expenses for the current fiscal year end. Solid Waste expenses were \$13.7 million and resulted in a deficit of revenues over expenses totaling \$(1,049,804). The Ratliff Ranch Golf Course had expenses of \$2.1 million and a transfer-in of \$0.2 million and then resulted in a deficit of revenues over expenses totaling \$(303,186).

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

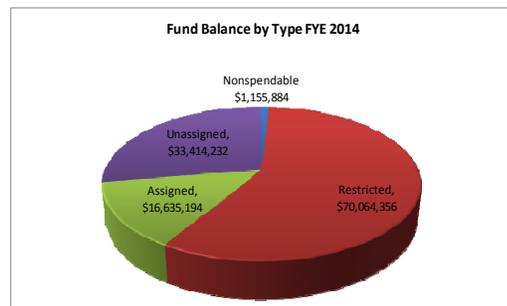
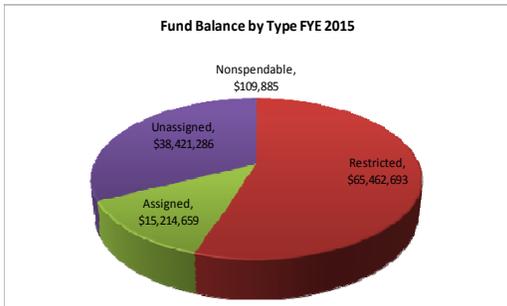
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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, 2015, the City's governmental funds reported combined ending fund balance of \$119.2 million, a decrease of \$2.1 million in comparison with the prior year. Approximately 32.2% of this total amount, \$38.4 million, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is 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. At the end of the current year, unassigned fund balance of the General Fund was \$38.4 million, while total fund balance reached \$53.1 million. Within the General Fund's unassigned fund balance, the City maintains a 60-day contingency balance of \$14,007,127 and a 25-day budget stabilization balance of \$5,836,303. 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.

Unassigned fund balance represents 47.6% of total General Fund expenditures, while total fund balance represents 65.9% of that same amount. Fund balance of the City's General Fund increased by \$2.5 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 revenue and property tax revenue and monies not spent in the capital outlay area.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

The Capital Projects Fund has a total fund balance of \$47.9 million. Of that amount, \$47.3 million is restricted for capital outlay and construction; and \$0.6 million is reported as assigned. The net decrease in fund balance during the current year for the Capital Projects Fund was \$(7.0) million.

The Convention and Visitors Fund has a total fund balance of \$16.1 million, of which all of it is restricted. There was an increase in fund balance during the current year of \$2.2 million.

Proprietary Funds

The City'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 \$101.1 million. The total change in net position was an increase of \$5.7 million. Major factors impacting this change include operating income of \$4.0 million, \$4.8 million in capital contributions, and \$(2.9) million in interest expense. Operating income was \$5.0 million lower in 2015 than it was in 2014. This decrease is attributable to \$1.0 million decreased water and reuse water sales, \$1.0 million in increased depreciation expense, and \$2.7 million increase in water purchases and related service charges.

Unrestricted net position of the Solid Waste Fund at the end of the year totaled \$(.67) million. The change in net position from the previous fiscal year was a \$1.0 million decrease. This decrease is attributable to increased cost of purchasing and maintaining garbage trucks.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

At the beginning of the fiscal year, a balanced budget for the General Fund was adopted. The City had very minimal changes in budgeted revenues for the year. Actual revenues exceeded the final revenue budget by \$6.8 million during the fiscal year as depicted below.

	Final Budget	Actual	Variance Over (Under)
Property Tax, Penalties & Interest	\$ 22,049,992	\$ 22,138,445	\$ 88,453
City Sales Tax	32,476,255	36,738,255	4,262,000
Franchise & Gross Receipts	10,226,016	10,874,639	648,623
Fines & Forfeitures	3,041,100	3,176,950	135,850
Permits & Licenses	1,116,700	1,259,348	142,648
Investment Income	100,000	165,218	65,218
Industrial Contracts	3,506,000	4,244,196	738,196
Other	3,188,408	3,874,480	686,072
Intergovernmental	998,863	1,065,506	66,643
Total Revenues	\$ 76,703,334	\$ 83,537,037	\$ 6,833,703

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

City sales tax made up 62.4% of this favorable variance as the economy in Odessa was still doing well. Property tax, gross receipts tax and building permits all showed favorable variances, again due to increased businesses, buildings, and commercial sales in our local economy for the fiscal year, and due to conservative budget practices.

Differences between the original budget and the final amended budget resulted in an increase in appropriations of \$18,369,390 and can be briefly summarized, in thousands of dollars, as follows:

\$ 103	increase in general government activities
\$ 130	increase in finances service activities
\$ 299	increase in public works activities
\$ 4,926	increase in public safety activities
\$ 375	increase in planning and inspection activities
\$ 538	increase in culture and recreation activities
\$ 11,998	increase in capital outlays

Approximately \$14.9 million of this increase relates to encumbrances and obligated projects carryover, and \$3.5 million is attributable to one-time supplemental requests approved by the governing body during the fiscal year.

With the adjustments made during fiscal year 2015, the actual expenditures were \$80.7 million as compared to the final budget amount of \$94.6 million causing a positive variance of \$13.9 million. The majority of this variance (73.1%) 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 2015 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's investment in capital assets for its governmental and business type activities as of September 30, 2015, amounts to \$273.5 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, 2015 was \$6.2 million in the governmental activities and \$2.6 million in the business type activities for a total of \$8.8 million. Additional information on the City's capital assets can be found in Note 6 of this report.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

Table 4
Capital Assets as of September 30, 2015
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 25,849	\$ 23,686	\$ 524	\$ 524	\$ 26,373	\$ 24,210
Buildings	9,046	9,699	3,155	3,414	12,201	13,113
Improvements other than Buildings	23,214	23,173	26,326	28,348	49,540	51,521
Infrastructure	47,348	40,897	103,750	87,365	151,098	128,262
Furniture & Office Equipment	33	47	1	2	34	49
Machinery & Equipment	1,809	1,058	3,973	345	5,782	1,403
Data Processing Equipment	1,512	1,265	10	6	1,522	1,271
Automotive Equipment	14,649	12,705	-	-	14,649	12,705
Radio & Communications Equipment	3,468	3,924	-	-	3,468	3,924
Works of Art	10	-	-	-	10	-
Construction in Progress	6,211	4,561	2,615	14,499	8,826	19,060
Totals	\$ 133,149	\$ 121,015	\$ 140,354	\$ 134,503	\$ 273,503	\$ 255,518

The following major capital projects were completed during fiscal year 2015:

Governmental Projects

- Jim Parker Park Renovations
- Noe Plaza Lighting Project
- Grandview Street Reconstruction
- Downtown Street Reconstruction
- Comanche Trail Park Improvements
- UTPB Park Improvements

Water and Sewer Projects

- Conoco-Phillips Waterline
- Water Line Replacements
- Sewer Line Replacements
- Small Meter Project - portions

Long Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$132.7 million. Of this amount, \$72.8 million is governmental-type tax supported debt. Water and Sewer system revenues support \$59.9 million of business-type activity debt.

CITY OF ODESSA, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

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

	Governmental Activites		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Certificates of Obligation Serviced	\$ 48,375	\$ 54,740	\$ 8,040	\$ 62,855	\$ 56,415	\$ 117,595
Refunding General Obligations Serviced	24,445	21,895	51,825	4,375	76,270	26,270
Totals	<u>\$ 72,820</u>	<u>\$ 76,635</u>	<u>\$ 59,865</u>	<u>\$ 67,230</u>	<u>\$ 132,685</u>	<u>\$ 143,865</u>

The City’s total bonded debt decreased \$11.2 million during the current fiscal year. Debt serviced by governmental activities decreased by \$3.8 million, while debt serviced by business-type activities decreased by \$7.4 million. Refunding debt in the amount of \$55.6 million was issued in 2015 to refund certain 2007 certificates of obligation for both governmental and business-type.

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’s long-term debt can be found in note 13 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

By the end of the fiscal year September 30, 2015, Odessa’s economy saw decreased sales tax revenues, and possibly lower local property valuations. With the continued decline in oil prices, our local economy could experience further decline. 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.

Additionally, area business prospects have continued to affect an influx of both residential and commercial opportunities. The City will likely continue to experience some development in both residential and commercial areas to the north, as well as, along Parks Legado and Eastridge Roads.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

The annual budget for the 2016 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 2016 fiscal year total \$196.4 million. This amount represents \$10.6 million, or 5.7%, increase above the 2015 fiscal year budget of \$185.8 million. Changes in expenditures reflected are noted as follows, in millions:

- \$ 3.5 increase in the General Fund
- \$ 4.6 increase in the Water and Sewer Fund
- \$ 0.5 increase in the Solid Waste Fund
- \$ 0.2 increase in the Information Technology Fund
- \$ 0.9 increase in the Risk Management Fund
- \$ 1.2 increase in the Equipment Service Fund
- \$ 0.2 increase in Convention and Visitors Fund
- \$ (0.5) decrease in Other Funds

Total revenues for the 2016 fiscal year are projected at \$197.6 million; an amount that exceeds last year's adopted budget by \$11.7 million, or 6.3%. The more significant revenue changes are derived from several sources including;

- \$ 3.5 increase in the General Fund
- \$ 4.7 increase in the Water and Sewer Fund
- \$ 0.6 increase in the Solid Waste Fund
- \$ 1.3 increase in the Equipment Service Fund
- \$ 0.5 increase in the Information Technology Fund
- \$ 1.0 increase in the Risk Management Fund
- \$ 0.1 increase in the Other Funds

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 9.7% increase in property taxes and a 2.3% increase in sales taxes over the prior year.

Because assessed values of property in Odessa continued to rise for 2015, the City was able to lower its tax rate from 47.5845 cents to 47.0590 cents per \$100 valuation. Sales taxes are projected slightly higher than the prior year as actual sales tax for 2015 came in \$4.3 million higher than budget. General Fund revenues for the 2016 fiscal year are budgeted at \$85.2 million.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2015

Expenditures projected for the 2016 General Fund total \$85.2 million. This amount yields a balanced budget for 2016, yet reflects a \$3.5 million, or 4.3% increase, over the previous adopted budget.

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

- 3% pay increase to personnel
- Increased capital outlay expenditures
- Addition of fifteen full-time positions
- Increased fleet maintenance and replacement cost

The combined balance of the assigned and unassigned fund balances of the General Fund of \$53.0 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 \$51.2 million and reflect an increase of \$4.7 million, or 10.1%, above revenues budgeted for 2015. There was an increase to the rates for 2016 and those rates 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 \$51.0 million with a \$4.6 million, or 9.9%, 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 cost of purchasing water.

In the Solid Waste Fund, budgeted revenues are projected at \$14.0 million and expenditures are estimated at \$14.0 million. Budgeted revenues reflect only a \$.6 million increase. A rate increase for commercial customers only was put into effect for the 2016 fiscal year. Budgeted expenditures reflected a \$.5 million increase as well.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant City Manager of Administrative Services, City of Odessa, P.O. Box 4398, Odessa, Texas, 79760-4398.

BASIC FINANCIAL STATEMENTS

CITY OF ODESSA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Odessa Development Corporation
ASSETS				
Cash and Investments	\$ 138,852,153	\$ 33,805,806	\$ 172,657,959	\$ 39,043,980
Receivables (Net of Allowance for Uncollectibles)	15,141,297	5,611,683	20,752,980	1,497,106
Internal Balances	(7,182,009)	7,182,009	-	-
Inventories	18,351	972,571	990,922	-
Restricted Assets:				
Cash and Investments	-	3,159,144	3,159,144	-
Property Held for Sale	91,534	-	91,534	-
Capital Assets (Net of Accumulated Depreciation):				
Land	25,848,368	524,396	26,372,764	-
Buildings	9,045,903	3,154,804	12,200,707	-
Improvements	23,213,843	26,325,546	49,539,389	-
Infrastructure	47,348,170	103,750,437	151,098,607	-
Furniture and Office Equipment	32,597	814	33,411	-
Machinery and Equipment	1,809,317	3,972,964	5,782,281	-
Data Processing Equipment	1,512,189	9,924	1,522,113	-
Automotive Equipment	14,649,204	-	14,649,204	-
Radio and Communication Equipment	3,468,361	-	3,468,361	-
Works of Art	10,000	-	10,000	-
Construction-in-Progress	6,210,586	2,615,139	8,825,725	-
TOTAL ASSETS	280,069,864	191,085,237	471,155,101	40,541,086
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pension Plans	8,184,456	1,661,849	9,846,305	-
Deferred Charge on Refunding	1,248,535	3,418,525	4,667,060	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,432,991	5,080,374	14,513,365	-
LIABILITIES				
Accounts Payable and Other Current Liabilities	10,975,929	6,255,445	17,231,374	1,506,171
Accrued Interest Payable	317,856	230,383	548,239	-
Unearned Revenue	-	3,336,709	3,336,709	-
Noncurrent Liabilities:				
Due Within One Year	7,691,046	4,271,480	11,962,526	-
Due in More Than One Year	200,766,774	71,369,710	272,136,484	-
TOTAL LIABILITIES	219,751,605	85,463,727	305,215,332	1,506,171
NET POSITION				
Net Investment in Capital Assets	102,119,951	87,004,397	189,124,348	-
Restricted for:				
Debt Service	704,006	-	704,006	-
Rate Stabilization	-	1,000,000	1,000,000	-
Unrestricted	(33,072,707)	22,697,487	(10,375,220)	39,034,915
TOTAL NET POSITION	\$ 69,751,250	\$ 110,701,884	\$ 180,453,134	\$ 39,034,915

The accompanying notes are an integral part
of these financial statements

**CITY OF ODESSA, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 5,396,483	\$ 512,936	\$ -	\$ -
Finance	1,553,528	473,807	-	-
Public Works	20,251,019	256,722	5,717,324	3,551,383
Planning and Inspection	1,528,807	612,662	-	-
Public Safety	47,963,111	8,356,373	548,048	353,259
Welfare	1,420,140	-	1,430,806	-
Culture and Recreation	9,851,026	91,356	-	10,000
Interest on Long-term Debt and Bond Costs	3,527,587	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	91,491,701	10,303,856	7,696,178	3,914,642
Business-Type Activities:				
Water and Sewer	45,880,448	48,055,908	-	4,835,300
Solid Waste	13,674,475	12,624,671	-	-
Ratliff Golf Course	2,128,333	1,625,147	-	-
Liquid Waste	6,820	101,256	-	-
Storm Water	998,091	758,475	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	62,688,167	63,165,457	-	4,835,300
TOTAL PRIMARY GOVERNMENT	\$ 154,179,868	\$ 73,469,313	\$ 7,696,178	\$ 8,749,942
Component Unit:				
Odessa Development Corporation	\$ 3,835,065	\$ -	\$ -	\$ -
TOTAL COMPONENT UNIT	\$ 3,835,065	\$ -	\$ -	\$ -

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 Principles

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 Activities	Business-type Activities	Total	Odessa Development Corporation
\$ (4,883,547)	\$ -	\$ (4,883,547)	\$ -
(1,079,721)	-	(1,079,721)	-
(10,725,590)	-	(10,725,590)	-
(916,145)	-	(916,145)	-
(38,705,431)	-	(38,705,431)	-
10,666	-	10,666	-
(9,749,670)	-	(9,749,670)	-
(3,527,587)	-	(3,527,587)	-
<u>(69,577,025)</u>	<u>-</u>	<u>(69,577,025)</u>	<u>-</u>
-	7,010,760	7,010,760	-
-	(1,049,804)	(1,049,804)	-
-	(503,186)	(503,186)	-
-	94,436	94,436	-
-	(239,616)	(239,616)	-
<u>-</u>	<u>5,312,590</u>	<u>5,312,590</u>	<u>-</u>
<u>(69,577,025)</u>	<u>5,312,590</u>	<u>(64,264,435)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,835,065)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,835,065)</u>
29,175,867	-	29,175,867	-
36,738,255	-	36,738,255	9,329,338
10,874,639	-	10,874,639	-
5,572,738	-	5,572,738	-
4,244,196	-	4,244,196	-
702,957	95,225	798,182	145,421
73,285	-	73,285	-
(200,000)	200,000	-	-
<u>87,181,937</u>	<u>295,225</u>	<u>87,477,162</u>	<u>9,474,759</u>
<u>17,604,912</u>	<u>5,607,815</u>	<u>23,212,727</u>	<u>5,639,694</u>
144,305,030	107,797,011	252,102,041	33,395,221
(92,158,692)	(2,702,942)	(94,861,634)	-
<u>52,146,338</u>	<u>105,094,069</u>	<u>157,240,407</u>	<u>33,395,221</u>
<u>\$ 69,751,250</u>	<u>\$ 110,701,884</u>	<u>\$ 180,453,134</u>	<u>\$ 39,034,915</u>

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

**CITY OF ODESSA, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2015**

	<u>General Fund</u>
ASSETS	
Cash and Investments	\$ 51,846,087
Receivables, net of Allowance for Uncollectibles	
Property Taxes	1,639,314
Accounts Receivable	11,413,281
Interfund Receivables	372,714
Inventories	18,351
Property Held for Sale	<u>91,534</u>
 TOTAL ASSETS	 <u><u>\$ 65,381,281</u></u>
LIABILITIES	
Accounts Payable	\$ 2,466,934
Accrued Payroll	2,191,013
Interfund Payable	165,352
Other	<u>675,064</u>
 TOTAL LIABILITIES	 <u>5,498,363</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Tax	1,529,404
Unavailable Revenue - Other Revenues	<u>5,223,962</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>6,753,366</u>
FUND BALANCES	
Nonspendable	109,885
Restricted	-
Assigned	14,598,381
Unassigned	<u>38,421,286</u>
 TOTAL FUND BALANCES	 <u>53,129,552</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 <u><u>\$ 65,381,281</u></u>

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.

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

Deferred Outflows of Resources not reported in the funds.

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.

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

Net Position of Governmental Activities

Capital Projects Fund	Convention & Visitors Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 49,374,028	\$ 15,335,023	\$ 2,182,812	\$ 118,737,950
-	-	-	1,639,314
-	1,103,998	265,679	12,782,958
-	-	-	372,714
-	-	-	18,351
-	-	-	91,534
<u>\$ 49,374,028</u>	<u>\$ 16,439,021</u>	<u>\$ 2,448,491</u>	<u>\$ 133,642,821</u>
\$ 1,475,548	\$ 336,047	\$ 38,259	\$ 4,316,788
-	6,131	19,778	2,216,922
-	-	279,075	444,427
27,731	-	-	702,795
<u>1,503,279</u>	<u>342,178</u>	<u>337,112</u>	<u>7,680,932</u>
-	-	-	1,529,404
-	-	-	5,223,962
-	-	-	6,753,366
-	-	-	109,885
47,254,471	16,096,843	2,111,379	65,462,693
616,278	-	-	15,214,659
-	-	-	38,421,286
<u>47,870,749</u>	<u>16,096,843</u>	<u>2,111,379</u>	<u>119,208,523</u>
<u>\$ 49,374,028</u>	<u>\$ 16,439,021</u>	<u>\$ 2,448,491</u>	
			115,524,864
			6,753,366
			7,825,280
			25,914,354
			<u>(205,475,137)</u>
			<u>\$ 69,751,250</u>

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

**CITY OF ODESSA, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Capital Projects Fund	Convention & Visitors Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property Tax, Penalties and Interest	\$ 22,138,445	\$ -	\$ -	\$ 6,872,905	\$ 29,011,350
City Sales Tax	36,738,255	-	-	-	36,738,255
Franchise and Gross Receipts	10,874,639	-	-	-	10,874,639
Fines and Forfeitures	3,176,950	-	-	154,337	3,331,287
Permits and Licenses	1,259,348	-	-	-	1,259,348
Grants and Entitlements	-	-	-	7,391,496	7,391,496
Hotel and Motel Occupancy Tax	-	-	5,572,738	-	5,572,738
Investment Income	165,218	148,204	35,637	7,342	356,401
Donations	-	-	-	89,327	89,327
Industrial Contracts	4,244,196	-	-	-	4,244,196
Other	3,874,480	7,202	-	61,018	3,942,700
Intergovernmental	1,065,506	-	-	-	1,065,506
Sale of Confiscated Property	-	-	-	50,999	50,999
TOTAL REVENUES	83,537,037	155,406	5,608,375	14,627,424	103,928,242
EXPENDITURES					
Current					
General Government	5,261,659	-	-	-	5,261,659
Finance	1,597,044	-	-	242,471	1,839,515
Public Works	12,154,413	80,755	-	5,631,361	17,866,529
Planning and Inspection	1,562,735	-	-	-	1,562,735
Public Safety	49,351,588	-	-	338,292	49,689,880
Welfare	-	-	-	1,430,806	1,430,806
Culture and Recreation	5,619,723	-	3,387,943	-	9,007,666
TOTAL CURRENT	75,547,162	80,755	3,387,943	7,642,930	86,658,790
Debt Service					
Principal Retirement	1,195,264	-	-	3,545,000	4,740,264
Bond Issuance Costs	-	-	-	39,276	39,276
Interest and Fiscal Charges	137,466	-	-	3,261,573	3,399,039
TOTAL DEBT SERVICE	1,332,730	-	-	6,845,849	8,178,579
Capital Outlay	3,785,450	7,096,970	-	45,904	10,928,324
TOTAL EXPENDITURES	80,665,342	7,177,725	3,387,943	14,534,683	105,765,693
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (Carried Forward)	2,871,695	(7,022,319)	2,220,432	92,741	(1,837,451)

(Continued)

**CITY OF ODESSA, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Capital Projects Fund	Convention & Visitors Fund	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (Brought Forward)	\$ 2,871,695	\$ (7,022,319)	\$ 2,220,432	\$ 92,741	\$ (1,837,451)
OTHER FINANCING SOURCES (USES)					
Refunding Bonds Issued	-	-	-	3,740,000	3,740,000
Premium on Refunding Bonds Issued	-	-	-	602,681	602,681
Payment to Escrow	-	-	-	(4,366,373)	(4,366,373)
Transfers In	-	-	-	139,912	139,912
Transfers (Out)	(339,912)	-	-	-	(339,912)
TOTAL OTHER FINANCING SOURCES (USES)	(339,912)	-	-	116,220	(223,692)
NET CHANGE IN FUND BALANCES	2,531,783	(7,022,319)	2,220,432	208,961	(2,061,143)
FUND BALANCE - BEGINNING OF YEAR	50,597,769	54,893,068	13,876,411	1,902,418	121,269,666
FUND BALANCE - END OF YEAR	\$ 53,129,552	\$ 47,870,749	\$ 16,096,843	\$ 2,111,379	\$ 119,208,523

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

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**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, 2015**

Amounts reported for governmental activities in the statement of activities (page 22) are different because:

Net change in fund balances-total governmental funds (page 26)	\$ (2,061,143)
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.	5,502,558
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	4,101,845
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).	1,107,783
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.	4,940,696
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.	(1,311,470)
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.	<u>5,324,643</u>
Change in net position of governmental activities (page 22)	<u>\$ 17,604,912</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, 2015

	Budgeted Amount		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Property Tax, Penalties and Interest	\$ 22,049,992	\$ 22,049,992	\$ 22,138,445	\$ 88,453
City Sales Tax	32,476,255	32,476,255	36,738,255	4,262,000
Franchise and Gross Receipts	10,226,016	10,226,016	10,874,639	648,623
Fines and Forfeitures	3,041,100	3,041,100	3,176,950	135,850
Permits and Licenses	1,116,700	1,116,700	1,259,348	142,648
Investment Income	100,000	100,000	165,218	65,218
Industrial Contracts	3,506,000	3,506,000	4,244,196	738,196
Other	3,166,650	3,188,408	3,874,480	686,072
Intergovernmental	998,863	998,863	1,065,506	66,643
TOTAL REVENUES	76,681,576	76,703,334	83,537,037	6,833,703
EXPENDITURES				
Current				
General Government	5,173,968	5,276,548	5,261,659	(14,889)
Finance	3,799,553	3,929,491	1,597,044	(2,332,447)
Public Works	12,275,265	12,574,277	12,154,413	(419,864)
Planning and Inspection	1,559,349	1,934,643	1,562,735	(371,908)
Public Safety	44,970,503	49,698,614	49,351,588	(347,026)
Culture and Recreation	5,348,099	5,886,116	5,619,723	(266,393)
Landfill closure and postclosure care (\$(24,636) [total amount determined for the year under GASB-18] plus \$24,636 change in general long-term debt account group liability)	-	-	-	-
TOTAL CURRENT	73,126,737	79,299,689	75,547,162	(3,752,527)
Debt Service				
Principal Retirement	997,285	1,195,264	1,195,264	-
Interest	137,466	137,466	137,466	-
Capital Outlay	1,981,609	13,980,068	3,785,450	(10,194,618)
TOTAL EXPENDITURES	76,243,097	94,612,487	80,665,342	(13,947,145)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	438,479	(17,909,153)	2,871,695	20,780,848
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(438,479)	(438,479)	(339,912)	(98,567)
TOTAL OTHER FINANCING SOURCES (USES)	(438,479)	(438,479)	(339,912)	(98,567)
NET CHANGE IN FUND BALANCE	-	(18,347,632)	2,531,783	20,879,415
FUND BALANCE - BEGINNING OF YEAR	50,597,769	50,597,769	50,597,769	-
FUND BALANCE - END OF YEAR	\$ 50,597,769	\$ 32,250,137	\$ 53,129,552	\$ 20,879,415

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

**CITY OF ODESSA, TEXAS
CONVENTION AND VISITORS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Hotel and Motel Occupancy Tax	\$ 3,800,000	\$ 3,800,000	\$ 5,572,738	\$ 1,772,738
Investment Income	-	-	35,637	35,637
	<u>3,800,000</u>	<u>3,800,000</u>	<u>5,608,375</u>	<u>1,808,375</u>
TOTAL REVENUES	<u>3,800,000</u>	<u>3,800,000</u>	<u>5,608,375</u>	<u>1,808,375</u>
EXPENDITURES				
Current				
Culture and Recreation	<u>3,553,474</u>	<u>3,713,445</u>	<u>3,387,943</u>	<u>(325,502)</u>
TOTAL EXPENDITURES	<u>3,553,474</u>	<u>3,713,445</u>	<u>3,387,943</u>	<u>(325,502)</u>
NET CHANGE IN FUND BALANCE	246,526	86,555	2,220,432	2,133,877
FUND BALANCE - BEGINNING OF YEAR	<u>13,876,411</u>	<u>13,876,411</u>	<u>13,876,411</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 14,122,937</u>	<u>\$ 13,962,966</u>	<u>\$ 16,096,843</u>	<u>\$ 2,133,877</u>

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

**CITY OF ODESSA, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2015**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
ASSETS		
CURRENT ASSETS:		
Cash and Investments	\$ 32,605,857	\$ 539,501
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	4,466,943	1,080,535
Interfund Receivable	-	-
Inventories	894,645	-
RESTRICTED ASSETS:		
Cash and Investments	3,159,144	-
	<u>41,126,589</u>	<u>1,620,036</u>
TOTAL CURRENT ASSETS		
	<u>41,126,589</u>	<u>1,620,036</u>
NONCURRENT ASSETS:		
CAPITAL ASSETS:		
Land	503,878	-
Buildings	9,120,631	-
Improvements	78,305,947	-
Infrastructure	183,240,011	-
Furniture and Office Equipment	99,145	-
Machinery and Equipment	6,680,956	39,082
Data Processing Equipment	835,949	46
Automotive Equipment	-	-
Radio and Electronic Equipment	3,750	-
Construction-In-Progress	2,615,139	-
Less Accumulated Depreciation	(144,010,791)	(39,128)
	<u>137,394,615</u>	<u>-</u>
TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation)		
	<u>137,394,615</u>	<u>-</u>
TOTAL ASSETS	<u>178,521,204</u>	<u>1,620,036</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Charge on Refunding	3,418,525	-
Deferred Outflows - Pension Plans	1,063,975	454,052
	<u>4,482,500</u>	<u>454,052</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES		
	<u>4,482,500</u>	<u>454,052</u>

Business-Type Activities - Enterprise Funds				Governmental
Ratliff				Activities -
Golf	Liquid	Storm	Totals	Internal
Course	Waste	Water		Service
Fund	Fund	Fund		Funds
\$ 5,467	\$ 385,653	\$ 269,328	\$ 33,805,806	\$ 20,114,203
-	-	64,205	5,611,683	719,024
-	-	-	-	165,352
77,926	-	-	972,571	-
-	-	-	3,159,144	-
<u>83,393</u>	<u>385,653</u>	<u>333,533</u>	<u>43,549,204</u>	<u>20,998,579</u>
20,518	-	-	524,396	89,531
206,604	-	-	9,327,235	1,356,554
3,883,791	-	-	82,189,738	466,874
-	-	-	183,240,011	-
-	-	-	99,145	88,595
61,231	-	-	6,781,269	2,083,411
7,000	-	-	842,995	4,873,061
-	-	-	-	38,703,565
-	-	-	3,750	81,624
-	-	-	2,615,139	-
<u>(1,219,735)</u>	<u>-</u>	<u>-</u>	<u>(145,269,654)</u>	<u>(30,119,540)</u>
<u>2,959,409</u>	<u>-</u>	<u>-</u>	<u>140,354,024</u>	<u>17,623,675</u>
<u>3,042,802</u>	<u>385,653</u>	<u>333,533</u>	<u>183,903,228</u>	<u>38,622,254</u>
-	-	-	3,418,525	-
<u>88,854</u>	<u>-</u>	<u>54,968</u>	<u>1,661,849</u>	<u>359,176</u>
<u>88,854</u>	<u>-</u>	<u>54,968</u>	<u>5,080,374</u>	<u>359,176</u>

(Continued)

**CITY OF ODESSA, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION (CONTINUED)
 SEPTEMBER 30, 2015**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable	\$ 4,901,986	\$ 283,780
Compensated Absences	227,931	99,591
Accrued Payroll	352,153	134,081
Contracts Payable	228,366	-
Interfund Payable	-	-
Deposits and Billings Payable	3,336,709	-
Current Portion of Bonds Payable	3,920,000	-
Accrued Interest	230,383	-
Other Liabilities	222,375	74,608
	<u>13,419,903</u>	<u>592,060</u>
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES:		
Compensated Absences	568,665	256,946
Other Post Employment Benefits Payable	1,364,918	529,214
Net Pension Liability	3,214,722	1,368,086
Bonds Payable (Net of Current Maturities)	63,290,214	-
	<u>68,438,519</u>	<u>2,154,246</u>
TOTAL NONCURRENT LIABILITIES		
TOTAL LIABILITIES		
	<u>81,858,422</u>	<u>2,746,306</u>
NET POSITION		
Net Investment in Capital Assets	84,044,988	-
Restricted for Rate Stabilization	1,000,000	-
Unrestricted	16,100,294	(672,218)
	<u>101,145,282</u>	<u>(672,218)</u>
TOTAL NET POSITION		
	<u>\$ 101,145,282</u>	<u>\$ (672,218)</u>

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				Activities -
Golf	Liquid	Storm	Totals	Internal
Course	Waste	Water		Service
Fund	Fund	Fund		Funds
\$ 10,664	\$ 1,341	\$ 1,083	\$ 5,198,854	\$ 3,589,233
22,923	-	1,035	351,480	143,537
28,823	-	16,187	531,244	150,191
-	-	-	228,366	-
93,639	-	-	93,639	-
-	-	-	3,336,709	-
-	-	-	3,920,000	-
-	-	-	230,383	-
-	-	-	296,983	-
<u>156,049</u>	<u>1,341</u>	<u>18,305</u>	<u>14,187,658</u>	<u>3,882,961</u>
106,929	-	76,921	1,009,461	371,792
107,392	6,375	40,980	2,048,879	451,451
268,463	3,803	166,082	5,021,156	1,085,224
-	-	-	63,290,214	-
<u>482,784</u>	<u>10,178</u>	<u>283,983</u>	<u>71,369,710</u>	<u>1,908,467</u>
<u>638,833</u>	<u>11,519</u>	<u>302,288</u>	<u>85,557,368</u>	<u>5,791,428</u>
2,959,409	-	-	87,004,397	17,623,675
-	-	-	1,000,000	-
<u>(466,586)</u>	<u>374,134</u>	<u>86,213</u>	<u>15,421,837</u>	<u>15,566,327</u>
<u>\$ 2,492,823</u>	<u>\$ 374,134</u>	<u>\$ 86,213</u>	103,426,234	<u>\$ 33,190,002</u>
			<u>7,275,650</u>	
			<u>\$ 110,701,884</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, 2015**

	<u>Business-Type Activities - Enterprise Funds</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
OPERATING REVENUES		
Water	\$ 32,710,828	\$ -
Sewer	13,846,953	-
Other	1,498,127	58,917
User Fees	-	12,565,754
	<u>48,055,908</u>	<u>12,624,671</u>
TOTAL OPERATING REVENUES		
	<u>48,055,908</u>	<u>12,624,671</u>
OPERATING EXPENSES		
Personal Services	7,381,198	3,375,015
Supplies and Materials	16,848,330	91,453
Other Services	10,923,680	9,350,369
Maintenance	1,691,695	355,511
Depreciation	7,253,247	-
Other	-	502,127
	<u>44,098,150</u>	<u>13,674,475</u>
TOTAL OPERATING EXPENSES		
	<u>44,098,150</u>	<u>13,674,475</u>
OPERATING INCOME (LOSS)	<u>3,957,758</u>	<u>(1,049,804)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	91,103	2,373
Gain on Sale of City Property	-	-
Interest Expense and Fiscal Charges	(2,896,701)	-
Other Non-Operating Expense	(302,269)	-
	<u>(3,107,867)</u>	<u>2,373</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)		
	<u>(3,107,867)</u>	<u>2,373</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	849,891	(1,047,431)
CAPITAL CONTRIBUTIONS	4,835,300	-
TRANSFERS IN	-	-
CHANGE IN NET POSITION	<u>5,685,191</u>	<u>(1,047,431)</u>
NET POSITION - BEGINNING OF YEAR, as previously reported	97,147,161	1,134,136
Prior Period Adjustment - Change in Accounting Principles	(1,687,070)	(758,923)
NET POSITION - BEGINNING OF YEAR, as restated	<u>95,460,091</u>	<u>375,213</u>
NET POSITION - END OF YEAR	<u>\$ 101,145,282</u>	<u>\$ (672,218)</u>

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 Golf Course Fund	Liquid Waste Fund	Storm Water Fund	Totals	Activities - Internal Service Funds
\$ -	\$ -	\$ -	\$ 32,710,828	\$ -
-	-	-	13,846,953	-
-	-	-	1,557,044	2,010,066
<u>1,625,147</u>	<u>101,256</u>	<u>758,475</u>	<u>15,050,632</u>	<u>29,965,109</u>
<u>1,625,147</u>	<u>101,256</u>	<u>758,475</u>	<u>63,165,457</u>	<u>31,975,175</u>
837,448	-	378,567	11,972,228	3,801,193
407,832	3,671	2,152	17,353,438	2,507,383
645,897	3,149	512,970	21,436,065	10,875,965
94,849	-	63,711	2,205,766	5,946,992
142,307	-	-	7,395,554	4,890,527
-	-	15,711	517,838	1,016,944
<u>2,128,333</u>	<u>6,820</u>	<u>973,111</u>	<u>60,880,889</u>	<u>29,039,004</u>
<u>(503,186)</u>	<u>94,436</u>	<u>(214,636)</u>	<u>2,284,568</u>	<u>2,936,171</u>
-	837	912	95,225	53,353
-	-	-	-	554,750
-	-	-	(2,896,701)	-
-	-	(24,980)	(327,249)	(751,298)
<u>-</u>	<u>837</u>	<u>(24,068)</u>	<u>(3,128,725)</u>	<u>(143,195)</u>
(503,186)	95,273	(238,704)	(844,157)	2,792,976
-	-	-	4,835,300	3,948,339
<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
<u>(303,186)</u>	<u>95,273</u>	<u>(238,704)</u>	<u>4,191,143</u>	<u>6,741,315</u>
2,941,769	278,861	436,106	101,938,033	27,014,243
<u>(145,760)</u>	<u>-</u>	<u>(111,189)</u>	<u>(2,702,942)</u>	<u>(565,556)</u>
<u>2,796,009</u>	<u>278,861</u>	<u>324,917</u>	<u>99,235,091</u>	<u>26,448,687</u>
<u>\$ 2,492,823</u>	<u>\$ 374,134</u>	<u>\$ 86,213</u>	<u>\$ 103,426,234</u>	<u>\$ 33,190,002</u>
			\$ 4,191,143	
			1,416,672	
			<u>\$ 5,607,815</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, 2015**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 46,496,706	\$ 12,712,711
Cash Received from Other Funds for Services	1,505,237	-
Cash Paid to Employees	(7,502,158)	(3,428,133)
Cash Paid for Goods and Services	(20,660,573)	(3,745,223)
Cash Paid to Other Funds for Services	(8,197,135)	(6,595,995)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	11,642,077	(1,056,640)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Capital Contributions Out	(302,269)	-
Transfer from(to) General Fund	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(302,269)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Debt	(4,776,908)	-
Interest Paid on Debt	(2,308,373)	-
Refunding Bonds Issued	59,308,929	-
Payments to Escrow	(56,185,540)	-
Deferred Loss on Refunding	(3,508,089)	-
Bond Issuance Costs Paid	(527,563)	-
Acquisition and Construction of Capital Assets	(8,411,674)	-
Proceeds from Sale of Capital Assets	-	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCIAL ACTIVITIES	(16,409,218)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Received on Investments	91,103	2,373
NET CASH PROVIDED BY INVESTING ACTIVITIES	91,103	2,373
NET INCREASE (DECREASE) IN CASH	(4,978,307)	(1,054,267)
CASH - AT BEGINNING OF YEAR		
(Included in Cash and Investments of Business-Type Activities \$40,037,955 and \$3,159,399 in Restricted Accounts)	40,743,308	1,593,768
CASH - AT END OF YEAR		
(Included in Cash and Investments of Business-Type Activities of \$33,805,806 and \$3,159,144 in Restricted Accounts)	\$ 35,765,001	\$ 539,501

Business-Type Activities - Enterprise Funds				Governmental
Ratliff Golf Course Fund	Liquid Waste Fund	Storm Water Fund	Totals	Activities - Internal Service Funds
\$ 1,635,014	\$ 101,256	\$ 758,584	\$ 61,704,271	\$ 29,345,057
-	-	-	1,505,237	1,918,305
(831,740)	-	(379,234)	(12,141,265)	(3,895,180)
(778,347)	(5,479)	(97,856)	(25,287,478)	(19,092,464)
(283,192)	-	(495,605)	(15,571,927)	(1,377,560)
<u>(258,265)</u>	<u>95,777</u>	<u>(214,111)</u>	<u>10,208,838</u>	<u>6,898,158</u>
-	-	-	(302,269)	(751,299)
200,000	-	-	200,000	-
<u>200,000</u>	<u>-</u>	<u>-</u>	<u>(102,269)</u>	<u>(751,299)</u>
-	-	-	(4,776,908)	-
-	-	-	(2,308,373)	-
-	-	-	59,308,929	-
-	-	-	(56,185,540)	-
-	-	-	(3,508,089)	-
-	-	-	(527,563)	-
-	-	(24,980)	(8,436,654)	(3,471,041)
-	-	-	-	554,750
<u>-</u>	<u>-</u>	<u>(24,980)</u>	<u>(16,434,198)</u>	<u>(2,916,291)</u>
-	837	912	95,225	53,353
<u>-</u>	<u>837</u>	<u>912</u>	<u>95,225</u>	<u>53,353</u>
<u>(58,265)</u>	<u>96,614</u>	<u>(238,179)</u>	<u>(6,232,404)</u>	<u>3,283,921</u>
<u>63,732</u>	<u>289,039</u>	<u>507,507</u>	<u>43,197,354</u>	<u>16,830,282</u>
<u>\$ 5,467</u>	<u>\$ 385,653</u>	<u>\$ 269,328</u>	<u>\$ 36,964,950</u>	<u>\$ 20,114,203</u>

(Continued)

**CITY OF ODESSA, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED SEPTEMBER 30, 2015**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	\$ 3,957,758	\$ (1,049,804)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities		
Depreciation	7,253,247	-
(Increase) Decrease in Accounts Receivable	(257,244)	88,040
(Increase) Decrease in Inventories	(366,335)	-
(Increase) Decrease in Interfund Receivable	-	-
(Increase) Decrease in Deferred Outflows	(424,164)	(181,012)
(Decrease) Increase in Accounts Payable	1,234,126	(39,223)
(Decrease) Increase in Accrued Employee Benefits Payable	45,419	20,135
(Decrease) Increase in Accrued Payroll	15,972	1,240
(Decrease) Increase in Contracts Payable	(242,735)	-
(Decrease) Increase in Deposits and Billings Payable	211,928	-
(Decrease) Increase in Other Post Employment Payable	53,612	26,205
(Decrease) Increase in TMRS Net Pension Liability	188,201	80,315
(Decrease) Increase in Interfund Payable	-	-
(Decrease) Increase in Other Liabilities	(27,708)	(2,536)
	7,684,319	(6,836)
TOTAL ADJUSTMENTS		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 11,642,077	\$ (1,056,640)

NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES

During the fiscal year ended September 30, 2015, the Water and Sewer Fund acquired capital assets of \$4,835,000 through contributed capital.

During the fiscal year ended September 30, 2015, the Internal Service Funds acquired capital assets of \$3,948,339 through contributed capital.

Business-Type Activities - Enterprise Funds				Governmental
Ratliff Golf Course Fund	Liquid Waste Fund	Storm Water Fund	Totals	Activities - Internal Service Funds
\$ (503,186)	\$ 94,436	\$ (214,636)	\$ 2,284,568	\$ 2,936,171
142,307	-	-	7,395,554	4,890,527
9,867	-	109	(159,228)	(711,813)
(16,473)	-	-	(382,808)	-
-	-	-	-	269,226
(35,422)	-	(21,913)	(662,511)	(143,189)
9,875	1,341	1,083	1,207,202	(391,031)
22,200	-	6,411	94,165	(45,214)
(1,989)	-	2,312	17,535	6,480
-	-	-	(242,735)	-
-	-	-	211,928	-
5,201	-	2,801	87,819	24,404
15,717	-	9,722	293,955	63,532
93,638	-	-	93,638	-
-	-	-	(30,244)	(935)
244,921	1,341	525	7,924,270	3,961,987
\$ (258,265)	\$ 95,777	\$ (214,111)	\$ 10,208,838	\$ 6,898,158

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, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and Investments	\$ 1,433,087
Accounts Receivable	<u>195,349</u>
TOTAL ASSETS	<u><u>\$ 1,628,436</u></u>
LIABILITIES	
Accounts Payable	\$ 1,284,859
Deposits and Billings Payable	<u>343,577</u>
TOTAL LIABILITIES	<u><u>\$ 1,628,436</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 and any major governmental 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 – “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 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.

The Corporation 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. The Corporation 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 the Corporation 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, 2015, 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, 2014, 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.

The Odessa Health Facilities Development Corporation does 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, 2015, the two Cities made a \$700,000 contribution into the MOUTD. Further information concerning MOUTD may be found in Note 9 of this financial report.

B. Government-Wide and Fund Financial Statements

As previously discussed, the basic financial statements of the City are presented at two basic levels, the government-wide level and the fund level. These statements focus on the City as a whole at the government-wide level and on major funds at the fund level. 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

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 Government, Finance, Public Works, Planning and Inspection, Public Safety, Welfare, and Cultural and Recreation) or segments (Water and Sewer, Solid Waste, Liquid Waste, Ratliff 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.

Fund level financial statements are presented for governmental funds and proprietary funds with a focus on major funds. 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements - Continued

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.

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 at 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.

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

Governmental fund 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 position 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.

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).

Convention and Visitors Fund – The Convention and Visitors Fund is used to account for funds received from a special tax on local hotel/motels to be used to attract conventions and tourists to Odessa in accordance with the Texas Hotel Occupancy Tax Act.

**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 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).

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

In addition to the investments in external pools, the City also held investments in U.S. Government securities at September 30, 2015, recorded at fair value based on quoted market price.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2015, represents the final unpaid billings issued prior to September 30, 2015, and includes an amount for unbilled September 2015 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 residual 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 have now been released from grant requirements and are being sold by the City to the public.

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Capital Assets – Continued

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 & Equipment	5 - 20 Years
Improvements	25 - 40 Years	Data Processing Equipment	5 - 20 Years
Infrastructure	25 Years	Automotive Equipment	3 - 20 Years
Furniture & Office Equipment	7 - 10 Years	Radio & Comm. Equipment	5 - 10 Years

J. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, information about fiduciary net position of the City's pension plans (Texas Municipal Retirement System (TMRS) and the Odessa Firefighters Relief and Retirement Fund (OFRRF) and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. 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 has the following items that qualifies for reporting in this category:

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Deferred Outflows/Inflows of Resources - Continued

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.

L. 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. 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 position. Revenue Bonds 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.

N. 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, 2015.
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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Fund Equity - Continued

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 (\$14,007,127 at September 30, 2015) and for budget stabilization equal to 25 days of subsequent year budgeted General Fund expenditures (\$5,836,303 at September 30, 2015). 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.

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 fund balance classifications as of September 30, 2015..

O. 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, 2015 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, 2015, was \$.475845 per \$100 of assessed valuation, therefore leaving a tax margin of \$1.524155 per \$100 which represented approximate potential property tax revenue of \$92,869,387.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. Revenue Recognition - Property Taxes - Continued

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.

P. 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.

Q. 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.

R. Implementation of New Pronouncements/Restatement of Net Position

In the fiscal year 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The effects of implementing this statement had a material effect on net position. The City recognized the net pension liability on the statement of net position. The net pension liability totaled \$114,987,086 as of September 30, 2015 and is based on the total pension liability minus the fiduciary net position of the plans – Texas Municipal Retirement System (TMRS) and Odessa Firefighters' Relief and Retirement Fund (OFRRF). The City also recognized a new measure of the pension expense in the amount of \$7,763,096, which was different from the City's actuarially determined contributions (annual required contributions). Note disclosures and required supplementary information are now based on the new standard.

In conjunction with GASB No. 68, the City also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This statement required that the City record a beginning deferred outflow of resources for contributions made between the measurement date of December 31, 2014 and our fiscal year-end of September 30, 2015.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

R. Implementation of New Pronouncements/Restatement of Net Position - Continued

As a result of the implementation of GASB Statement No. 68, the City recorded a prior period adjustment to beginning net position in proprietary fund financial statement and government-wide governmental activities. In addition, the City was required to eliminate the net pension obligation that was previously reported in the proprietary fund financial statements and government-wide statements with a prior period adjustment.

The restatement of previously reported net position is as follows:

	Governmental Activities	Business-type Activities	Total
Government-wide Net Position - Beginning of Year, as previously reported	\$ 144,305,030	\$ 107,797,011	\$ 252,102,041
Implementation of new pronouncement:			
Governmental Activities			
Governmental Funds			
TMRS	(8,758,491)	-	(8,758,491)
OFRRF	(82,834,645)	-	(82,834,645)
Internal Service Funds	(565,556)	-	(565,556)
Business-type Activities			
Water and Sewer	-	(1,687,070)	(1,687,070)
Solid Waste	-	(758,923)	(758,923)
Ratliff Golf Course	-	(145,760)	(145,760)
Storm Water	-	(111,189)	(111,189)
Total implementation of new pronouncement	(92,158,692)	(2,702,942)	(94,861,634)
Government-wide Net Position - Beginning of Year, as restated	\$ 52,146,338	\$ 105,094,069	\$ 157,240,407

**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 \$(205,475,137) difference are as follows:

Bonds, Certification of Obligations and Notes Payable	\$ (72,820,000)
Plus Bond Premiums	(4,686,633)
Less Deferred Loss	1,248,535
Accrued Interest Payable	(317,856)
Landfill Payable	(1,584,605)
Compensated Absences	(8,029,982)
Capital Lease Payable	(3,502,850)
Other Post Employment Benefits Obligation	(6,901,040)
OFRRF Net Pension Liability	(92,193,703)
TMRS Net Pension Liability	<u>(16,687,003)</u>
 Net adjustment to reduce Fund balance - Total	
Governmental Funds to arrive at net position - Governmental Activities	<u>\$ (205,475,137)</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 \$6,753,366 difference are as follows:

Deferred Property Tax Revenue	\$ 1,529,404
Deferred Municipal Court Fines Revenue	2,588,757
Deferred Other Miscellaneous Revenue	<u>2,635,205</u>
 Net adjustment to increase Fund Balance - Total	
Governmental Funds to arrive at net position - Governmental Activities	<u>\$ 6,753,366</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 \$5,502,558 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	\$ 10,928,324
Depreciation Expense	<u>(5,425,766)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 5,502,558</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 \$4,101,845 difference are as follows:

Donated land, paving and drainage from developers	\$ 3,551,383
Other miscellaneous transactions of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not uses of financial resources	<u>550,462</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 4,101,845</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 \$4,940,696 difference are as follows:

Refunding Bonds Issued	\$ (3,740,000)
Premium on Refunding Bonds Issued	(602,681)
Payments to Escrow	4,366,373
Principal repayments on Bonds, Certificates of Obligation and Capital Leases	4,740,265
Amortization of Premium	293,203
Amortization of Deferred Loss	<u>(116,464)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 4,940,696</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 \$(1,311,470) difference are as follows:

Accrued Interest	\$ 27,190
Compensated Absences	(549,387)
Landfill	24,636
Other Post Employment Benefit	(287,850)
OFRRF Net Pension	(1,705,446)
TMRS Net Pension	<u>1,179,387</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,311,470)</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, 2015, supplemental appropriations in the amount of \$14.88 million for rollover encumbrances were necessary in the General Fund.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2015, expenditures exceeded appropriations in the Debt Service Fund Bond Issuance Costs by \$39,276. The over expenditures in the Debt Services Fund was funded by interest savings on the refunding.

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, 2015, 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, 2015. At year-end, the carrying amount of the City's deposits was \$177,250,190 (\$175,817,103 in the Primary Government and \$1,433,087 in the Agency Funds). Of the total, \$46,847,425 was in deposits (including \$28,158,645 in CD's, \$11,109,224 in CDARS CD's and \$4,538,507 in savings) and \$130,402,765 was in investments, and the respective bank balances totaled \$46,995,710. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$3,000,000 and \$43,995,710 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, 2015, are:

	Fair Value	Effective Duration or Weighted Average Maturity	Credit Risk
Investment Pools:			
U.S. Government Securities	\$ 30,597,504	N/A	N/A
LOGIC	3,752,865	41 Days	AAAm - S&P
TEXPOOL	61,926,495	40 Days	AAAm - S&P
TexStar	34,125,901	40 Days	AAAm - S&P
Total Fair Value:	<u>\$ 130,402,765</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, 2015, 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, 2015, 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	Convention & Visitors	Water and Sewer	Solid Waste	Storm Water	Nonmajor and Other Funds	Total
Receivables:							
Property Taxes	\$ 1,707,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,707,619
Sales Taxes	5,905,362	-	-	-	-	-	5,905,362
Accounts	14,749,723	-	4,813,503	1,174,642	69,890	720,197	21,527,955
Hotel/Motel Tax	-	1,103,998	-	-	-	-	1,103,998
Intergovernmental	-	-	-	-	-	264,506	264,506
Gross Receivables	22,362,704	1,103,998	4,813,503	1,174,642	69,890	984,703	30,509,440
Less: Allowance for							
Uncollectible	(9,310,108)	-	(346,560)	(94,107)	(5,685)	-	(9,756,460)
Net Total Receivables	<u>\$ 13,052,596</u>	<u>\$ 1,103,998</u>	<u>\$ 4,466,943</u>	<u>\$ 1,080,535</u>	<u>\$ 64,205</u>	<u>\$ 984,703</u>	<u>\$ 20,752,980</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, 2015, deferred inflows of resources in the amount of \$6,753,366 were 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, 2015, was as follows:

Primary Government

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 23,686,412	\$ 2,161,956	\$ -	\$ 25,848,368
Construction in Progress	4,561,341	5,851,571	4,202,326	6,210,586
Works of Art	-	10,000	-	10,000
Total Capital Assets, not being depreciated	<u>28,247,753</u>	<u>8,023,527</u>	<u>4,202,326</u>	<u>32,068,954</u>
Capital Assets, being depreciated				
Buildings	28,928,274	108,970	-	29,037,244
Improvements other than buildings	39,395,484	1,184,055	-	40,579,539
Infrastructure	97,714,728	9,244,652	-	106,959,380
Furniture and Office Equipment	400,883	-	12,946	387,937
Machinery and Equipment	4,897,408	1,254,249	278,335	5,873,322
Data Processing Equipment	6,239,463	793,032	92,919	6,939,576
Automotive Equipment	34,339,609	6,098,951	1,734,995	38,703,565
Radio and Communication Equipment	9,381,995	-	-	9,381,995
Total Capital Assets, being depreciated	<u>221,297,844</u>	<u>18,683,909</u>	<u>2,119,195</u>	<u>237,862,558</u>
Less Accumulated Depreciation for				
Buildings	19,228,942	762,399	-	19,991,341
Improvements other than buildings	16,223,029	1,142,667	-	17,365,696
Infrastructure	56,817,317	2,793,893	-	59,611,210
Furniture and Office Equipment	354,080	14,206	12,946	355,340
Machinery and Equipment	3,839,678	502,662	278,335	4,064,005
Data Processing Equipment	4,974,331	545,975	92,919	5,427,387
Automotive Equipment	21,634,711	4,099,082	1,679,432	24,054,361
Radio and Communication Equipment	5,458,225	455,409	-	5,913,634
Total Accumulated Depreciation	<u>128,530,313</u>	<u>10,316,293</u>	<u>2,063,632</u>	<u>136,782,974</u>
Total Capital Assets, being depreciated, net	<u>92,767,531</u>	<u>8,367,616</u>	<u>55,563</u>	<u>101,079,584</u>
Governmental Activities Capital Assets, net	<u>\$ 121,015,284</u>	<u>\$ 16,391,143</u>	<u>\$ 4,257,889</u>	<u>\$ 133,148,538</u>

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

NOTE 6: CAPITAL ASSETS – CONTINUED

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 524,396	\$ -	\$ -	\$ 524,396
Construction in Progress	14,499,361	2,225,359	14,109,581	2,615,139
Total Capital Assets, not being depreciated	<u>\$ 15,023,757</u>	<u>2,225,359</u>	<u>14,109,581</u>	<u>3,139,535</u>
Capital Assets, being depreciated				
Buildings	9,327,235	-	-	9,327,235
Improvements other than buildings	82,189,738	-	-	82,189,738
Infrastructure	162,084,597	21,155,414	-	183,240,011
Furniture and Office Equipment	99,670	-	525	99,145
Machinery and Equipment	2,920,560	3,968,654	107,945	6,781,269
Radio Equipment	3,750	-	-	3,750
Data Processing Equipment	842,005	8,905	7,915	842,995
Total Capital Assets, being depreciated	<u>257,467,555</u>	<u>25,132,973</u>	<u>116,385</u>	<u>282,484,143</u>
Less Accumulated Depreciation for				
Buildings	5,913,599	258,832	-	6,172,431
Improvements other than buildings	53,841,565	2,022,627	-	55,864,192
Infrastructure	74,719,941	4,769,633	-	79,489,574
Furniture and Office Equipment	98,040	816	525	98,331
Machinery and Equipment	2,575,408	339,065	106,168	2,808,305
Radio Equipment	3,750	-	-	3,750
Data Processing Equipment	836,405	4,581	7,915	833,071
Total Accumulated Depreciation	<u>137,988,708</u>	<u>7,395,554</u>	<u>114,608</u>	<u>145,269,654</u>
Total Capital Assets, being depreciated, net	<u>119,478,847</u>	<u>17,737,419</u>	<u>1,777</u>	<u>137,214,489</u>
Business-type Activities Capital Assets, net	<u>\$ 134,502,604</u>	<u>\$ 19,962,778</u>	<u>\$ 14,111,358</u>	<u>\$ 140,354,024</u>

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

NOTE 6: CAPITAL ASSETS – CONTINUED

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

Governmental Activities	
General Government	\$ 260,742
Finance	14,648
Public Works	2,897,122
Public Safety	1,265,830
Cultural and Recreation	987,424
Capital Assets held by government's Internal Service	
Funds are charged to the various functions based on their usage of assets	4,890,527
 Total Depreciation Expense - Governmental Activities	 \$ 10,316,293
 Business-type Activities	
Water and Sewer	\$ 7,253,247
Ratliff Golf Course	142,307
 Total Depreciation Expense - Business-type Activities	 \$ 7,395,554

NOTE 7: RETIREMENT COMMITMENTS

Texas Municipal Retirement System

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City except firefighters are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution is an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

**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:

	<u>Plan Year 2015</u>	<u>Plan Year 2014</u>
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20

At December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	482
Inactive employees entitled to but not yet receiving benefits	392
Active Employees	<u>662</u>
Total	<u><u>1,536</u></u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2015, the City made contributions of \$5,713,920, which were in excess of the required contributions as follows:

	<u>Required Rate</u>	<u>Contributed Rate</u>	<u>Excess</u>
2015	14.01%	14.82%	0.81%
2014	14.56%	16.17%	1.61%

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2014, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Texas Municipal Retirement System – Continued

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Those assumptions were first used in the December 31, 2013 valuation, along with a change to Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	<u>100.0%</u>	

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Texas Municipal Retirement System – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Pension (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2014	\$ 213,565,320	\$ 192,146,207	\$ 21,419,113
Changes for the year:			
Service Cost	4,344,664	-	4,344,664
Interest	14,685,355	-	14,685,355
Difference between expected and actual experience	1,824,017	-	1,824,017
Contributions - employer	-	5,994,571	(5,994,571)
Contributions - employee	-	2,618,626	(2,618,626)
Net investment income	-	10,990,765	(10,990,765)
Benefit payments, including refunds of employee contributions	(11,893,727)	(11,893,727)	-
Administrative expense	-	(114,761)	114,761
Other changes	-	(9,435)	9,435
Net changes	<u>8,960,309</u>	<u>7,586,039</u>	<u>1,374,270</u>
Balance at September 30, 2015	<u>\$ 222,525,629</u>	<u>\$ 199,732,246</u>	<u>\$ 22,793,383</u>

Sensitivity of the net pension liability to changes in the discount rate

The following represents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	\$ 53,200,287	\$ 22,793,383	\$ (2,113,149)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$4,112,795.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Texas Municipal Retirement System – Continued

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 1,288,471	\$ -
Difference between projected and actual investment earnings	1,967,575	-
Contributions subsequent to the measurement date	4,273,858	-
Total	<u>\$ 7,529,904</u>	<u>\$ -</u>

\$4,273,858 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability as of September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2016	\$	1,027,440
2017		1,027,440
2018		709,273
2019		491,893
Total	<u>\$</u>	<u>3,256,046</u>

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 2015, 2014 and 2013 were \$68,810, \$69,126, and \$62,865, respectively, which equaled the required contributions each year.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Texas Municipal Retirement System – Continued

Supplemental Death Benefits Fund (SDBF) - Continued

Schedule of Contribution Rates: (RETIREE-only portion of the rate)			
Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.04%	0.04%	100%
2014	0.06%	0.06%	100%
2013	0.05%	0.05%	100%

Other Postemployment Health Care Benefits (OPEB)

Plan Description

The City offers postemployment health care and dental benefits to all employees who retire from the City and meet certain age and service-related requirements. Health care benefits are offered directly by the City. For all retirees except firemen, eligibility for benefits for either option begins upon retirement with 20 years of service or upon retirement at age 60 with at least 5 years of service. For firemen, eligibility for benefits begins upon retirement with 20 years of service at age 50. Medical coverage continues past a members' age 65, but Medicare becomes primary. Eligible retired employees participating in the Plan pay their premiums directly to the City. The City of Odessa paid benefits of \$1,536,818 for fiscal year 2015.

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

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 61.2% of the postretirement healthcare and other benefit costs, which totaled \$1,536,818 for fiscal year ended September 30, 2015. The retirees were responsible for funding approximately 38.8% of the healthcare and other benefit costs. Retiree contribution rates for fiscal year 2015 were \$2,587 to \$7,315 per year depending on coverage levels and if they had primary eligibility elsewhere. The City accrued an additional \$400,073 in retiree healthcare expenses during fiscal year 2015.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Other Postemployment Health Care Benefits (OPEB) – Continued

The required schedule of funding progress 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, 2015:

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
9/30/15	\$ -	\$ 10,581,501	\$ 10,581,501	0%	\$ 50,488,510	21.0%

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

Cost Element	Fiscal Year Ending September 30, 2015	
	Amount	Percent of Payroll ¹
1. Unfunded actuarial accrued liability at September 30, 2015	\$ 10,581,502	21.0%
<u>Annual Required Contribution (ARC)</u>		
2. Normal Cost	\$ 659,842	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	559,655	
4. Annual Required Contribution (ARC = 2 + 3)	\$ 1,219,497	2.4%
<u>Annual OPEB Cost (Expenses)</u>		
5. ARC	\$ 1,219,497	
6. Interest on beginning of year CAFR accrual	270,039	
7. Amortization of beginning of year CAFR accrual	(459,240)	
8. Fiscal 2013 OPEB cost (5 + 6 - 7)	\$ 1,030,296	2.0%
<u>End of Year CAFR Accrual (Net OPEB Obligation)</u>		
9. Beginning of year CAFR accrual	\$ 9,001,297	
10. Annual OPEB cost	1,030,296	
11. Employer contribution (benefit payments) ²	(630,223)	
12. End of year CAFR accrual (9 + 10 - 11)	\$ 9,401,370	18.6%

¹ Annual payroll for the 810 active plan participants for the year ended September 30, 2015 was \$50,488,210.

² Actual benefits and administrative fees paid in fiscal year 2015 of \$1,536,818 less participant contributions of \$906,595. Employer contributed 61.2% of annual OPEB cost during fiscal year 2015.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Other Postemployment Health Care Benefits (OPEB) – Continued

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contributions	Actual Contributions ³	Percentage Contributed
September 30, 2015	\$ 1,219,497	\$ 630,223	51.7%
September 30, 2014	1,342,000	201,593	15.0
September 30, 2013	1,185,071	414,948	35.0

³ Since there is no funding, these are actual benefit payments of \$1,536,818 less retiree contributions of \$906,595 for 2015. For 2014, actual benefit payments were \$1,087,125 and retiree contributions were \$885,532. For 2013, actual benefit payments were \$1,249,693 and retiree contributions were \$834,745.

The annual required contribution (ARC) of \$1,219,497 for fiscal year 2015 and the City's accrual of \$9,401,370 as of September 30, 2015, are based on a current decision not to fund in a segregated GASB qualified trust.

Three-Year Schedule of Percentage of OPEB cost contributed

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
September 30, 2015	\$ 1,030,296	61.2%	\$ 9,401,370
September 30, 2014	1,173,222	17.2	9,001,297
September 30, 2013	1,029,128	40.3	8,029,668

Summary of Key Actuarial Methods and Assumptions

Valuation Year	October 1, 2014 – September 30, 2015
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	30 years, level dollar open amortization ⁴
Asset Valuation Method	N/A
Mortality	RP-2014 Mortality Table with improvement scale MP-2015

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

Actuarial assumptions:

Discount Rate	3.0%
Inflation Rate	2.5%
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.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Other Postemployment Health Care Benefits (OPEB) – Continued

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The City provided actual claims for 2009-2014.

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. 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. 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.

Firefighters' Relief and Retirement Fund

Plan Description

The Board of Trustees of the Odessa Firefighters' Relief and Retirement Fund ("OFRRF") is the administrator of a single-employer defined benefit pension plan. This pension fund is a trust fund. It is reported by the City as a related organization and is not considered to be a part of the City financial reporting entity. Firefighters in the Odessa Fire Department are covered by the OFRRF.

Benefits Provided

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

This plan of benefits, which is described as the "New Plan", became effective October 1, 2000. Firefighters retiring after age 50 with 20 years of service are eligible for a supplemental benefit of \$500 per month for life of member/eligible surviving spouse. Also, a change in the Cost of Living Adjustment (COLA) was made to increase the COLA to one percent with a minimum of \$37. The plan also provides for an optional "DROP" benefit. A partially vested benefit is provided for employees who terminate employment with at least 10, but less than 20 years of service. These partially vested employees are permitted to draw a reduced, but actuarially equivalent benefit prior to the date the member would have had 20 years of service or the member reached age 50, whichever occurs later. A member drawing a benefit under this proposal is not eligible for supplemental benefits or for COLA benefits.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Firefighters’ Relief and Retirement Fund – Continued

The benefit provisions of this plan are authorized by the Texas Local Fire Fighters Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. Amending the plan requires approval of any proposed changes by: a) an eligible actuary and b) a majority of the participating members of the fund.

At December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	169
Inactive employees entitled to but not yet receiving benefits	17
Active Employees	163
Total	349

Contributions

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City. While the actual contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by OFRRF be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, OFRRF’s service cost contribution rate is determined as a percentage of payrolls. The excess of the total contribution rate over the service cost contribution is used to amortize OFRRF’s net pension liability, if any, and the number of years needed to amortize OFRRF’s net pension liability, if any, is determined using a level percentage of payroll method. The costs of administering the plan are financed by OFRRF.

Employees were required to contribute 15.00% of their annual gross earnings during the fiscal year. The City made contributions equal to the effective matching rate paid to TMRS. The contribution rates for the City were 16.36% and 15.00% in calendar years 2014 and 2015, respectively, and totaled \$1,860,461.

Net Pension Liability

The OFRRF’s net pension liability (NPL) was measured as of December 31, 2014, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	4.5% per year
Investment Rate of Return	8.25%, compounded annually

Mortality rates for active member, retirees, and beneficiaries were based on RP-2000 projected to 2015 using Scale AA – Sex Distinct.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investments expenses and inflation) are developed for each major asset class. These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Firefighters' Relief and Retirement Fund – Continued

Best estimate ranges of arithmetic real rates of return for each major asset class included in the Pensions Plan's target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	43%	7.00%
International Equity	14%	6.00%
Investment Grade Fied	20%	3.00%
High Yield Fixed	8%	4.00%
International Fixed	3%	3.00%
REIT	3%	5.00%
MLP	4%	5.00%
Convertibles	5%	5.00%
Total	<u>100.0%</u>	

Discount Rate:

The projection of cash flows used to determine the Discount Rate assumed that current Plan Member and Sponsor contributions will be made at the current contribution rate. Future Member's contributions in excess of their normal cost were also included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to provide future benefits for 24 years. These payments were discounted using a discount rate of 8.25%. Future benefits payments beyond 24 years were discounted using a high quality municipal bond rate of 4%. The single equivalent discount rate was 5.14%.

Changes in the Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Pension	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at September 30, 2014	\$ 134,375,706	\$ 44,825,482	\$ 89,550,224
Changes for the year:			
Service Cost	3,785,084	-	3,785,084
Interest	6,960,820	-	6,960,820
Difference between expected and actual experience	-	-	-
Contributions - employer	-	1,941,250	(1,941,250)
Contributions - employee	-	1,793,009	(1,793,009)
Net investment income	-	2,454,391	(2,454,391)
Benefit payments, including refunds of employee contributions	(5,472,566)	(5,472,566)	-
Administrative expense	-	(96,214)	96,214
Other changes	-	2,009,989	(2,009,989)
Net changes	<u>5,273,338</u>	<u>2,629,859</u>	<u>2,643,479</u>
Balance at September 30, 2015	<u>\$ 139,649,044</u>	<u>\$ 47,455,341</u>	<u>92,193,703</u>

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Firefighters’ Relief and Retirement Fund – Continued

Sensitivity of the net pension liability to changes in the discount rate

The following represents the net pension liability of the City, calculated using the discount rate of 5.14%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.14%) or 1-percentage-point higher (6.14%) than the current rate:

	1% Decrease in Discount Rate 4.14%	Discount Rate 5.14%	1% Increase in Discount Rate 6.14%
Sponsor’s Net Pension Liability	\$ 112,550,668	\$ 92,193,703	\$ 75,616,140

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately-issued OFRRF financial report. That report can be obtained by contacting the Odessa Firefighters’ Relief and Retirement Board of Trustees, P.O. Box 4398, Odessa, Texas 79760.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended September 30, 2015, the City recognized pension expense of \$3,650,300.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to this pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ -
Difference between projected and actual investment earnings	934,429	-
Contributions subsequent to the measurement date	1,381,972	-
Total	\$ 2,316,401	\$ -

\$1,381,972 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability as of September 30, 2016. Other amounts reported as deferred outflow and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2016	\$ 233,608
2017	233,607
2018	233,607
2019	233,607
Total	\$ 934,429

**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, as amended by GASB No. 61, *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 2015 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 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. Non-exchange 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. The treatment of Non-exchange 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, 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 receivables and revenues in the period when the exchange transaction imposed occurs on the accrual basis and when measureable 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

In the fund financial statements, 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, 2015.

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, 2015.

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 and training grants.

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, 2015.

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 \$39,043,980, of which \$17,403,627 was held in investments in TexPool, and \$22,593 was held in an internal cash holding account, and \$7,412,950 was held in certificates of deposit, and \$14,204,810 was held in U.S. Government securities. The fair value amount (\$17,403,627) held in Texpool had a weighted average maturity of 40 days and was rated AAAM by Standards & Poor.

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, 2015, 45% of the Corporation's investments were in an external investment pool, TexPool, 36% were invested in U.S. securities, 19% were invested in certificates of deposit and in an internal cash holding account.

D. Receivables

Receivables of \$1,497,106 as of year-end for the government's individual major fund were from sales tax in the amount of \$1,476,339 and \$20,767 from interest receivable. The Corporation does not anticipate any uncollectible accounts as of September 30, 2015.

**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 \$39,043,980 at September 30, 2015, are held at TexPool, Lone Star State Bank, AIM Bank, and Frost 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 also prepares and provides space and information for the Corporation's board meetings. Fees charged under this agreement, are \$6,260 per month and for the period ended September 30, 2015, the Corporation paid the City \$75,115.

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 \$740,391 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 \$10,558 refund in the current year for the 2013-2014 contract. The contract period began October 1, 2014 and terminated on September 30, 2015, 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 \$79,500 for the current year, paid in equal quarterly installments. The Corporation received a \$2,176 refund from MOTRAN in the current year for the 2013-2014 contract period. The contract period began October 1, 2014 and terminated September 30, 2015, 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 \$115,150 for the current year, paid throughout the year. The contract period began October 1, 2014 and terminated September 30, 2015, whereby a new annual contract began with essentially the same provisions.

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

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

H. Contingencies

The Corporation has entered into 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, 2015, the Corporation was committed for \$13,791,451, for incentive agreements signed but not yet completed on the part of the entities.

NOTE 9: JOINT VENTURE

The Midland-Odessa Urban Transit District (MOUTD), 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 MOUTD 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, 2015, and can be obtained from the MOUTD. For the year ended September 30, 2015, the cities had contributed money to the MOUTD in the amount of \$700,000. Both cities have budgeted contributions to the MOUTD, but do not have an equity interest. As of September 30, 2015, the MOUTD had net position of \$11,725,871 of which \$12,018,220 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.

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

NOTE 11: FLEXIBLE BENEFITS PLAN

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

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

NOTE 12: INTERFUND TRANSACTIONS

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

Individual fund interfund receivable and payable balances at September 30, 2015, arising from these transactions were as follows:

	Interfund	
	Receivables	Payables
Governmental Funds		
General Fund	\$ 372,714	\$ 165,352
Non-Major Government Funds		
Housing and Community Development	-	221,491
Other	-	57,584
Enterprise Funds		
Ratliff Golf Course Fund	-	93,639
Internal Service Funds		
Equipment Service Fund	165,352	-
	\$ 538,066	\$ 538,066

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

NOTE 12: INTERFUND TRANSACTIONS – CONTINUED

Interfund transfers for the year ended September 30, 2015, are as follows:

	Interfund	
	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ -	\$ 339,112
Non-Major Governmental Funds		
Housing and Community Development Fund	12,479	-
Special Revenue Funds-Other	127,433	-
Enterprise Funds		
Ratliff Golf Course Fund	200,000	-
	<u>\$ 339,912</u>	<u>\$ 339,112</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, 2015:

	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Due Within One Year
Certificates of Obligation :					
Series 2005	\$ 145,000	\$ -	\$ 145,000	\$ -	\$ -
Series 2006	940,000	-	460,000	480,000	480,000
Series 2007	4,140,000	-	4,050,000	90,000	45,000
Series 2013	49,515,000	-	1,710,000	47,805,000	1,760,000
General Refunding Bond:					
Series 2006	3,750,000	-	565,000	3,185,000	595,000
General Obligation Refunding:					
Series 2009	1,765,000	-	325,000	1,440,000	335,000
Series 2012	6,320,000	-	300,000	6,020,000	395,000
Series 2014	10,060,000	-	-	10,060,000	155,000
Series 2015	-	3,740,000	-	3,740,000	-
Unamortized Premiums:					
Series 2007	110,259	-	108,642	1,617	-
Series 2009	26,425	-	5,285	21,140	-
Series 2012	332,211	-	34,367	297,844	-
Series 2013	2,850,479	-	150,029	2,700,450	-
Series 2014	1,165,613	-	91,123	1,074,490	-
Series 2015	-	602,682	11,590	591,092	-
Capital Lease Payable	4,698,115	-	1,195,265	3,502,850	1,234,827
Compensated Absences	8,041,139	3,095,391	2,591,219	8,545,311	2,591,219
Landfill Closure/Post-Closure	1,609,240	15,689	40,324	1,584,605	100,000
Other Post Employment					
Benefits Obligation	7,040,237	312,254	-	7,352,491	-
OFFRF Net Pension Liability	89,550,224 *	5,273,338	2,629,859	92,193,703	-
TMRS Net Pension Liability	16,691,915 *	6,982,769	5,902,457	17,772,227	-
	<u>\$ 208,750,857</u>	<u>\$ 20,022,123</u>	<u>\$ 20,315,160</u>	<u>\$ 208,457,820</u>	<u>\$ 7,691,046</u>

* Beginning balances restated due to prior period adjustment - see note 1 .

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

NOTE 13: LONG-TERM DEBT – CONTINUED

CERTIFICATES OF OBLIGATION

September 30, 2015

\$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. This issues partially defeased in 2014. \$ 480,000

\$4,345,000 Certificates of Obligation Bonds due in annual installments from September 30, 2008 through September 30, 2027; interest rates 4.0 - 5.0% – Developing park facilities; constructing and installing traffic signals; constructing drainage, cubs, gutters and paving streets. 90,000

\$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. 47,805,000

BONDS

\$5,905,000 General Obligation Refunding Bonds, Series 2006 due in annual installments beginning March 1, 2008 through March 1, 2020; effective interest at 4.00% 3,185,000

\$3,280,000 General Obligation Refunding Bonds, Series 2009 due in annual installments beginning March 1, 2009 through March 1, 2019; effective interest at 3.39% 1,440,000

\$6,780,000 General Obligation Refunding Bonds, Series 2012 due in annual installments beginning March 1, 2013 through March 1, 2024; effective interest at 3.22% 6,020,000

\$10,060,000 General Obligation Refunding Bonds, Series 2014 due in annual installments beginning September 1, 2014 through March 1, 2026; effective interest at 2.51%. 10,060,000

\$3,740,000 General Obligation Refunding Bonds, Series 2015 due in annual installments beginning September 1, 2015 through March 1, 2027: effective interest at 2.87%. 3,740,000

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

At September 30, 2015, the City held unspent bond proceeds of \$48,732,361.

**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, 2015, are as follows:

<u>Year Ending September 30</u>	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,285,000	\$ 2,252,515	\$ 4,537,515
2017	1,850,000	2,195,975	4,045,975
2018	1,865,000	2,130,175	3,995,175
2019	1,965,000	2,034,425	3,999,425
2020	2,065,000	1,933,675	3,998,675
2021-2025	11,980,000	8,005,676	19,985,676
2026-2030	15,225,000	4,763,875	19,988,875
2031-2033	11,140,000	854,000	11,994,000
	<u>\$ 48,375,000</u>	<u>\$ 24,170,316</u>	<u>\$ 72,545,316</u>

<u>Year Ending September 30</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,480,000	\$ 939,700	\$ 2,419,700
2017	2,070,000	885,100	2,955,100
2018	2,355,000	812,350	3,167,350
2019	2,500,000	722,700	3,222,700
2020	2,375,000	631,275	3,006,275
2021-2015	11,665,000	1,673,000	13,338,000
2026-2027	2,000,000	80,025	2,080,025
	<u>\$ 24,445,000</u>	<u>\$ 5,744,150</u>	<u>\$ 30,189,150</u>

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

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

NOTE 13: LONG-TERM DEBT – CONTINUED

Business-type Activities:

	Balance October 1, 2014	Additions	Reductions	Due Balance September 30, 2015	Within One Year
\$12,830,000 General Obligation Refunding Bonds - Series 2006 (Water & Sewer Fund portion) due in annual installments beginning March 1, 2008 through March 1, 2020; effective interest at 4.00%	\$ 3,330,000	\$ -	\$ 3,330,000	\$ -	\$ -
Unamortized Premium on General Obligation Refunding Bonds Series 2006 (W&S portion)	46,086	-	46,086	-	-
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	-	54,815,000	8,040,000	3,920,000
Unamortized Premium on Certificate of Obligations - 2007	1,571,565	-	1,534,024	37,541	-
\$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%	1,045,000	-	1,045,000	-	-
Unamortized Premium on General Obligation Refunding Bonds Series 2009 (W&S portion)	16,080	-	16,080	-	-
\$51,825,000 General Obligation Refunding Bonds - Series 2015 (Water & Sewer Portion) due in annual installments beginning September 1, 2015 through March 1, 2027; effective interest 2.87%	-	51,825,000	-	51,825,000	-
Unamortized Premium on General Obligation Refunding Bonds Series 2015 (W&S portion)	-	7,483,930	176,257	7,307,673	-
Compensated Absences	1,266,776	445,645	351,480	1,360,941	351,480
Other Post Employment Benefits Obligation	1,961,060	87,819	-	2,048,879	-
TMRS Net Pension Liability	4,727,198	1,977,540	1,683,582	5,021,156	-
	<u>\$ 76,818,765</u>	<u>\$61,819,934</u>	<u>\$62,997,509</u>	<u>\$ 75,641,190</u>	<u>\$ 4,271,480</u>

* Beginning balance has been restated due to prior period adjustment - see note .

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, 2015, the City still held unspent bond proceeds of \$10,442,062 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, 2015, are as follows:

<u>Year Ending September 30</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 2,460,600	\$ 2,460,600
2017	-	2,460,600	2,460,600
2018	4,180,000	2,377,000	6,557,000
2019	4,355,000	2,206,300	6,561,300
2020	4,530,000	2,028,600	6,558,600
2021-2025	26,270,000	6,537,750	32,807,750
2026-2027	12,490,000	632,250	13,122,250
	<u>\$ 51,825,000</u>	<u>\$ 18,703,100</u>	<u>\$ 70,528,100</u>

<u>Year Ending September 30</u>	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,920,000	\$ 304,000	\$ 4,224,000
2017	4,120,000	103,000	4,223,000
	<u>\$ 8,040,000</u>	<u>\$ 407,000</u>	<u>\$ 8,447,000</u>

REFUNDING

During the fiscal year ended September 30, 2015, the City issued \$55,565,000 in General Obligation Refunding Bonds, Series 2015 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 \$4,010,000 Certificates of Obligation, Series 2007 – Governmental portion and \$54,815,000 Certificates of Obligation, Series 2007 – Water/Sewer portion. As a result, these certificates have been considered defeased and the liability has been removed from the Governmental Activities statement of net assets. The new bonds were issued at a premium which is being amortized over the life of the bonds. The amount required to refund the old debt exceeded its book value, resulting in a deferred loss of \$3,749,519. The loss is being amortized over the life of the new debt which is the same as the remaining life of the old debt. The refunding was undertaken to reduce future total debt service payments over the next 12 years by approximately \$5,960,679 and resulted in an economic gain of \$4,140,130.

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

NOTE 13: LONG-TERM DEBT – CONTINUED

Defeasance of Debt

In addition to the refunding this year, the City had issued \$10,060,000 in General Obligation Refunding Bonds, Series 2014; \$6,780,000 in General Obligation Refunding Bonds, Series 2012; \$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, 3) \$1,810,000 Certificates of Obligation, Series 2001, 4) \$5,085,000 Certificates of Obligation, Series 2004, 5) \$4,225,000 Certificates of Obligation, Series 2005, and 6) \$6,285,000 Certificates of Obligations, Series 2006. As a result, these certificates and bonds have been considered defeased and the liability has been removed from the Governmental Activities statement of net assets, and from the Water and Sewer Enterprise Fund statement of net assets.

At September 30, 2015, outstanding issues are considered to be defeased. They are analyzed as follows:

Issue	Amount Defeased	Defeased Debt Outstanding
Certificates of Obligation, Series 1998	\$ 3,280,000	\$ 1,480,000
Certificates of Obligation, Series 2000	5,580,000	3,165,000
Certificates of Obligation, Series 2001	1,810,000	1,395,000
Certificates of Obligation, Series 2004	5,085,000	4,845,000
Certificates of Obligation, Series 2005	4,225,000	4,225,000
Certificates of Obligation, Series 2006	6,285,000	6,285,000
Certificates of Obligation, Series 2007	58,825,000	58,825,000
		<u>\$ 80,220,000</u>

NOTE 14: CAPITAL LEASE OBLIGATIONS

The City is obligated under a capital lease for equipment which cost \$13,328,605 and is included in governmental activities' assets.

Future minimum lease payments as of September 30, 2015 are as follows:

Year ending September 30,	<u>General Fund</u>
2016	\$ 1,332,730
2017	797,979
2018	797,979
2019	797,980
Total minimum lease payments	<u>3,726,668</u>
Less amounts representing interest	<u>(223,818)</u>
Present value of net minimum capital lease payments	3,502,850
Less current obligations under capital lease	<u>(1,234,827)</u>
Obligations Under Capital Leases Less Current Portion	<u>\$ 2,268,023</u>

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

NOTE 15: LANDFILL CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its Johnson Ranch landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Johnson Ranch landfill site reached its operating capacity during the 1996 fiscal year. The site received approval to enter the post-closure care period during that fiscal year. During the year ended September 30, 2015, \$40,325 was expended for the post-closure care costs for the landfill, and \$15,689 was added to the liability to reflect inflated estimated costs. The City's post-closure liability as of September 30, 2015 was \$1,584,605. The post-closure care costs are based on prior estimates and have been adjusted for inflation. Actual costs may vary due to changes in inflation, changes in technology or changes in regulations

Although closure and post-closure care costs has been paid only near or after the date that the landfill stopped accepting waste, the City reported a portion of these estimated closure and post-closure care costs as an operating expense in the prior periods based on landfill capacity used in those prior periods. At September 30, 2015, 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, 2015.

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 \$300,000 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 2015, 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 (Incurred but not Reported) claims are reported as current liabilities in accounts payable.

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

NOTE 16: RISK MANAGEMENT – CONTINUED

Changes in the balances of claims liabilities during the fiscal years 2015 and 2014 were as follows:

Fiscal Year	Liability at Beginning	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End
2015	\$ 1,969,475	\$ 7,888,528	\$ 8,348,771	\$ 1,509,232
2014	1,305,409	7,632,779	6,968,713	1,969,475

The City is a defendant in a significant number of lawsuits pertaining to material matters. As stated in Note 19 - Litigation, the City has accrued and recorded potential losses that are determinable at this time within accounts payable in the Internal Service Funds.

NOTE 17: FUND BALANCE

In accordance with GASB Statement 54, the City classifies its fund balances at September 30, 2015, as follows:

	General	Capital Projects	Convention & Visitors	NonMajor			Total NonMajor	Total Governmental
				Housing & Comm. Dev.	Other	Debt Service		
NONSPENDABLE:								
Inventories	\$ 18,351	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,351
Property Held for Sale	91,534	-	-	-	-	-	-	91,534
RESTRICTED FOR:								
Parks Improvements	-	13,043,409	-	-	-	-	-	13,043,409
Streets, Drainage, Curbs, etc. Improvements	-	34,211,062	-	-	-	-	-	34,211,062
Culture & Recreation	-	-	16,096,843	-	-	-	-	16,096,843
Public Safety	-	-	-	-	878,193	-	878,193	878,193
Municipal Court	-	-	-	-	178,490	-	178,490	178,490
Debt Service	-	-	-	-	-	704,006	704,006	704,006
Welfare	-	-	-	17,391	-	-	17,391	17,391
Other Purposes	-	-	-	-	333,299	-	333,299	333,299
ASSIGNED TO:								
Compensated Absences	1,143,523	-	-	-	-	-	-	1,143,523
Parks Improvements/Development	1,397,653	-	-	-	-	-	-	1,397,653
Other Capital Projects	-	616,278	-	-	-	-	-	616,278
Police Vehicle Storage Facility	2,000,000	-	-	-	-	-	-	2,000,000
Radio System	2,208,760	-	-	-	-	-	-	2,208,760
Other Public Safety Projects	649,116	-	-	-	-	-	-	649,116
Public Works Drainage Project	1,533,103	-	-	-	-	-	-	1,533,103
Other Public Works Projects	502,873	-	-	-	-	-	-	502,873
Information Technology	3,813,296	-	-	-	-	-	-	3,813,296
Other Purposes	1,054,304	-	-	-	-	-	-	1,054,304
Welfare	295,753	-	-	-	-	-	-	295,753
UNASSIGNED:								
	38,421,286	-	-	-	-	-	-	38,421,286
	<u>\$53,129,552</u>	<u>\$ 47,870,749</u>	<u>\$ 16,096,843</u>	<u>\$ 17,391</u>	<u>\$ 1,389,982</u>	<u>\$ 704,006</u>	<u>\$ 2,111,379</u>	<u>\$ 119,208,523</u>

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

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.

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. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” – This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibility funding the benefits over time to a point-in-time liability that is reflected on the employer’s financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018.

GASB issued Statement No. 77 “Tax Abatement Disclosures” – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the City in fiscal year 2017.

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
Required Supplementary Information
Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 4,344,664
Interest (on the total pension liability)	14,685,355
Difference between expected and actual experience	1,824,017
Benefit payments, including refunds of employee contributions	<u>(11,893,727)</u>
Net Change in Total Pension Liability	8,960,309
Total Pension Liability - Beginning	<u>213,565,320</u>
Total Pension Liability - Ending (a)	<u><u>\$ 222,525,629</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 5,994,571
Contributions - Employee	2,618,626
Net Investment Income	10,990,765
Benefit payments, including refunds of employee contributions	(11,893,727)
Administrative Expense	(114,761)
Other	<u>(9,435)</u>
Net Change in Plan Fiduciary Net Position	7,586,039
Plan Fiduciary Net Position - Beginning	<u>192,146,207</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 199,732,246</u></u>
Net Pension Liability - Ending (a) - (b)	\$ 22,793,383
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.76%
Covered Employee Payroll	\$ 36,900,523
Net Pension Liability as a Percentage of Covered Employee Payroll	61.77%

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31, 2014) of the net pension liability and will ultimately contain information for 10 years.

CITY OF ODESSA, TEXAS
Required Supplementary Information
Texas Municipal Retirement System
Schedule of Contributions

	<u>2015</u>
Actuarially Determined Contribution	\$ 5,334,643
Contributions in relation to the actuarially determined contribution	<u>5,713,920</u>
Contribution deficiency (excess)	(379,277)
Covered employee payroll	37,715,321
Contributions as a percentage of covered employee payroll	14.14%

Notes to Schedule

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 12 months and one day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 year smoothed, 15% soft corridor
Inflation	3%
Salary Increases	3.5 % to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's Plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Contributed Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information

Notes

There were no benefit changes during the year.

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31, 2014) of the net pension liability and will ultimately contain information for 10 years.

CITY OF ODESSA, TEXAS
Required Supplementary Information
Odessa Firefighters' Relief and Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 3,785,084
Interest (on the total pension liability)	6,960,820
Difference between expected and actual experience	-
Benefit payments, including refunds of employee contributions	<u>(5,472,566)</u>
Net Change in Total Pension Liability	5,273,338
Total Pension Liability - Beginning	<u>134,375,706</u>
Total Pension Liability - Ending (a)	<u><u>\$ 139,649,044</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,941,250
Contributions - Employee	1,793,009
Net Investment Income	2,454,391
Benefit payments, including refunds of employee contributions	(5,472,566)
Administrative Expense	(96,214)
Other	<u>2,009,989</u>
Net Change in Plan Fiduciary Net Position	2,629,859
Plan Fiduciary Net Position - Beginning	<u>44,825,482</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 47,455,341</u></u>
Net Pension Liability - Ending (a) - (b)	\$ 92,193,703
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	33.98%
Covered Employee Payroll	\$ 11,774,395
Net Pension Liability as a Percentage of Covered Employee Payroll	783.00%

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31, 2014) of the net pension liability and will ultimately contain information for 10 years.

CITY OF ODESSA, TEXAS
Required Supplementary Information
Odessa Firefighters' Relief and Retirement Fund
Schedule of Contributions

	<u>2015</u>
Actuarially Determined Contribution	\$ 1,860,461
Contributions in relation to the actuarially determined contribution	<u>1,860,461</u>
Contribution deficiency (excess)	-
Covered employee payroll	12,137,897
Contributions as a percentage of covered employee payroll	15.33%

Notes to Schedule

Valuation Date:

Notes

Contractually required contributions rates are calculated as of January 1, two years prior to the end of the year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Funding Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	Will not amortize
Mortality Rates	RP-2000 projected to 2015 using Scale AA - Sex Distinct
Retirement Age	Members are assumed to retire at the later of age 56 or 20 years of service.
Termination Rates	Table T-1 from the Actuary's Pension Handbook
Disability Rates	Rates developed from the 1985 Society of Actuaries Disability Table Study using Class 1 male rates with a 90-day elimination period.
Interest Rate	8.25% per year compounded annually, net of expenses
Inflation	3.00% per year
Salary Increases	4.50% per year
Payroll Growth	4.50% per year for amortization of the Unfunded Actuarial Accrued Liability
Marital Status	100% of actives are assumed to be married at time of benefit commencement. Males are assumed to be two years older than their spouses.
Dependent Children	Each Member is assumed to have two children. The first child is assumed to have been born when the member was age 25. The second child is assumed to be two years younger. It is also assumed that benefits will be paid until each child reached the age of 20.
Payment Form	Members eligible for the Option 1 DROP are assumed to receive the Option 1 DROP upon retirement. Other Members are assumed to receive straight service retirement benefits.
COLA	Actives and retired Members are assumed to receive the cost-of-living adjustments to which they are entitled in accordance with the plan document. The specific COLA provisions are illustrated in the summary of plan provisions section of the 01/01/2013 Valuation report.
Asset Valuation Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Other Information	
Notes	There were no benefit changes during the year.

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31, 2014) of the net pension liability and will ultimately contain information for 10 years.

CITY OF ODESSA, TEXAS
Required Supplementary Information
Retiree Health Plan
Schedule of Funding Progress
Last Three Fiscal Years

<u>Fiscal Year Ending</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded/ Overfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
9/30/2015	\$ -	\$ 10,581,501	\$ 10,581,501	0%	\$ 50,488,510	21.0%
9/30/2014	-	12,502,677	12,502,677	0%	47,663,822	26.2%
9/30/2013	-	11,880,732	11,880,732	0%	44,387,012	26.8%

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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.

MOUFD - 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, 2015**

	<u>Special Revenue Funds</u> Housing and Community <u>Development</u>
ASSETS	
Cash and Investments	\$ -
Accounts Receivable	250,249
	250,249
TOTAL ASSETS	\$ 250,249
LIABILITIES	
Accounts Payable	\$ 2,033
Accrued Payroll	9,334
Interfund Payable	221,491
	232,858
TOTAL LIABILITIES	232,858
FUND BALANCES	
Restricted	17,391
	17,391
TOTAL FUND BALANCES	17,391
TOTAL LIABILITIES AND FUND BALANCES	\$ 250,249

<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total NonMajor Governmental Funds</u>
<u>MOUTD</u>	<u>Other</u>		
\$ 893	\$ 1,479,086	\$ 702,833	\$ 2,182,812
-	14,257	1,173	265,679
<u>\$ 893</u>	<u>\$ 1,493,343</u>	<u>\$ 704,006</u>	<u>\$ 2,448,491</u>
\$ 893	\$ 35,333	\$ -	\$ 38,259
-	10,444	-	19,778
-	57,584	-	279,075
<u>893</u>	<u>103,361</u>	<u>-</u>	<u>337,112</u>
<u>-</u>	<u>1,389,982</u>	<u>704,006</u>	<u>2,111,379</u>
<u>-</u>	<u>1,389,982</u>	<u>704,006</u>	<u>2,111,379</u>
<u>\$ 893</u>	<u>\$ 1,493,343</u>	<u>\$ 704,006</u>	<u>\$ 2,448,491</u>

**CITY OF ODESSA, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue Funds <u>Housing and Community Development</u>
REVENUES	
Property Tax, Penalties and Interest	\$ -
Fines and Forfeitures	-
Grants and Entitlements	1,369,788
Investment Income	-
Donations	-
Other	61,018
Sale of Confiscated Property	-
TOTAL REVENUES	<u>1,430,806</u>
EXPENDITURES	
Current	
Finance	-
Public Works	-
Public Safety	-
Welfare	1,430,806
TOTAL CURRENT	<u>1,430,806</u>
Debt Service	
Principal Retirement	-
Bond Issuance Costs	-
Interest and Fiscal Charges	-
TOTAL DEBT SERVICE	<u>-</u>
Capital Outlay	-
TOTAL EXPENDITURES	<u>1,430,806</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>
OTHER FINANCING SOURCES (USES)	
Refunding Bonds Issued	-
Premium on Refunding Bonds Issued	-
Payments to Escrow	-
Transfer In	12,479
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,479</u>
NET CHANGE IN FUND BALANCES	12,479
FUND BALANCES - BEGINNING OF YEAR	<u>4,912</u>
FUND BALANCES - END OF YEAR	<u>\$ 17,391</u>

Special Revenue Funds		Debt Service Fund	Total NonMajor Governmental Funds
MOUTD	Other		
\$ -	\$ -	\$ 6,872,905	\$ 6,872,905
-	154,337	-	154,337
5,631,361	390,347	-	7,391,496
-	3,552	3,790	7,342
-	89,327	-	89,327
-	-	-	61,018
-	50,999	-	50,999
<u>5,631,361</u>	<u>688,562</u>	<u>6,876,695</u>	<u>14,627,424</u>
-	242,471	-	242,471
5,631,361	-	-	5,631,361
-	338,292	-	338,292
-	-	-	1,430,806
<u>5,631,361</u>	<u>580,763</u>	<u>-</u>	<u>7,642,930</u>
-	-	3,545,000	3,545,000
-	-	39,276	39,276
-	-	3,261,573	3,261,573
-	-	6,845,849	6,845,849
-	45,904	-	45,904
<u>5,631,361</u>	<u>626,667</u>	<u>6,845,849</u>	<u>14,534,683</u>
-	61,895	30,846	92,741
-	-	3,740,000	3,740,000
-	-	602,681	602,681
-	-	(4,366,373)	(4,366,373)
-	127,433	-	139,912
-	127,433	(23,692)	116,220
-	189,328	7,154	208,961
-	1,200,654	696,852	1,902,418
<u>\$ -</u>	<u>\$ 1,389,982</u>	<u>\$ 704,006</u>	<u>\$ 2,111,379</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, 2015**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Grants and Entitlements	\$ 1,173,125	\$ 1,173,125	\$ 1,369,788	\$ 196,663
Other	-	-	61,018	61,018
TOTAL REVENUES	<u>1,173,125</u>	<u>1,173,125</u>	<u>1,430,806</u>	<u>257,681</u>
EXPENDITURES				
Current				
Welfare	1,171,291	2,082,479	1,430,806	(651,673)
Capital Outlay	<u>14,313</u>	<u>139,563</u>	-	<u>(139,563)</u>
TOTAL EXPENDITURES	<u>1,185,604</u>	<u>2,222,042</u>	<u>1,430,806</u>	<u>(791,236)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(12,479)</u>	<u>(1,048,917)</u>	-	<u>1,048,917</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	<u>12,479</u>	<u>12,479</u>	<u>12,479</u>	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,479</u>	<u>12,479</u>	<u>12,479</u>	-
NET CHANGE IN FUND BALANCE	-	(1,036,438)	12,479	1,048,917
FUND BALANCE - BEGINNING OF YEAR	<u>4,912</u>	<u>4,912</u>	<u>4,912</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 4,912</u>	<u>\$ (1,031,526)</u>	<u>\$ 17,391</u>	<u>\$ 1,048,917</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, 2015**

	Budgeted Amount		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$ 135,000	\$ 135,000	\$ 154,337	\$ 19,337
Grants and Entitlements	195,553	234,301	390,347	156,046
Investment Income	-	-	3,552	3,552
Donations	-	58,156	89,327	31,171
Sale of Confiscated Property	-	-	50,999	50,999
TOTAL REVENUES	<u>330,553</u>	<u>427,457</u>	<u>688,562</u>	<u>261,105</u>
EXPENDITURES				
Current				
Finance	203,652	284,205	242,471	(41,734)
Public Safety	256,223	729,229	338,292	(390,937)
TOTAL CURRENT	<u>459,875</u>	<u>1,013,434</u>	<u>580,763</u>	<u>(432,671)</u>
Capital Outlay	<u>300,257</u>	<u>572,319</u>	<u>45,904</u>	<u>(526,415)</u>
TOTAL EXPENDITURES	<u>760,132</u>	<u>1,585,753</u>	<u>626,667</u>	<u>(959,086)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(429,579)</u>	<u>(1,158,296)</u>	<u>61,895</u>	<u>1,220,191</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	<u>97,000</u>	<u>117,500</u>	<u>127,433</u>	<u>9,933</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>97,000</u>	<u>117,500</u>	<u>127,433</u>	<u>9,933</u>
NET CHANGE IN FUND BALANCE	(332,579)	(1,040,796)	189,328	1,230,124
FUND BALANCE - BEGINNING OF YEAR	<u>1,200,654</u>	<u>1,200,654</u>	<u>1,200,654</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 868,075</u>	<u>\$ 159,858</u>	<u>\$ 1,389,982</u>	<u>\$ 1,230,124</u>

**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, 2015**

	Budgeted Amount		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Property Tax, Penalties and Interest	\$ 6,872,905	\$ 6,872,905	\$ 6,872,905	\$ -
Investment Income	-	-	3,790	3,790
Miscellaneous Income	-	-	-	-
TOTAL REVENUES	6,872,905	6,872,905	6,876,695	3,790
EXPENDITURES				
Debt Service				
Principal Retirement	3,545,000	3,545,000	3,545,000	-
Bond Issuance Costs	-	-	39,276	39,276
Interest and Fiscal Charges	3,327,905	3,327,905	3,261,573	(66,332)
TOTAL EXPENDITURES	6,872,905	6,872,905	6,845,849	(27,056)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	30,846	30,846
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issues	-	-	3,740,000	3,740,000
Premium on Refunding Bonds Issues	-	-	602,681	602,681
Payments to Escrow	-	-	(4,366,373)	(4,366,373)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(23,692)	(23,692)
NET CHANGE IN FUND BALANCE	-	-	7,154	7,154
FUND BALANCE - BEGINNING OF YEAR	696,852	696,852	696,852	-
FUND BALANCE - END OF YEAR	\$ 696,852	\$ 696,852	\$ 704,006	\$ 7,154

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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.

**CITY OF ODESSA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Equipment Service Fund	Risk Management Fund	Information Technology Fund	Total
ASSETS				
CURRENT ASSETS:				
Cash and Investments	\$ 13,128,743	\$ 4,877,352	\$ 2,108,108	\$ 20,114,203
Accounts Receivable	610,246	17,017	91,761	719,024
Interfund Receivable	165,352	-	-	165,352
TOTAL CURRENT ASSETS	<u>13,904,341</u>	<u>4,894,369</u>	<u>2,199,869</u>	<u>20,998,579</u>
NONCURRENT ASSETS:				
CAPITAL ASSETS				
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	734,520	268,772	1,080,119	2,083,411
Data Processing Equipment	254,401	34,662	4,583,998	4,873,061
Automotive Equipment	38,703,565	-	-	38,703,565
Radio and Electronic Equipment	77,874	3,750	-	81,624
Less Accumulated Depreciation	<u>(25,634,912)</u>	<u>(669,687)</u>	<u>(3,814,941)</u>	<u>(30,119,540)</u>
TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation)	<u>14,936,015</u>	<u>817,460</u>	<u>1,870,200</u>	<u>17,623,675</u>
TOTAL ASSETS	<u>28,840,356</u>	<u>5,711,829</u>	<u>4,070,069</u>	<u>38,622,254</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows for Pension Plan	198,036	117,467	43,673	359,176
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>198,036</u>	<u>117,467</u>	<u>43,673</u>	<u>359,176</u>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts Payable	1,849,971	1,678,829	60,433	3,589,233
Compensated Absences	47,196	44,990	51,351	143,537
Accrued Payroll	41,589	45,500	63,102	150,191
TOTAL CURRENT LIABILITIES	<u>1,938,756</u>	<u>1,769,319</u>	<u>174,886</u>	<u>3,882,961</u>
NONCURRENT LIABILITIES:				
Compensated Absences	154,567	217,225	-	371,792
Other Post Employment Benefits Payable	260,663	153,283	37,505	451,451
Net Pension Liability	598,352	354,917	131,955	1,085,224
TOTAL NONCURRENT LIABILITIES	<u>1,013,582</u>	<u>725,425</u>	<u>169,460</u>	<u>1,908,467</u>
TOTAL LIABILITIES	<u>2,952,338</u>	<u>2,494,744</u>	<u>344,346</u>	<u>5,791,428</u>
NET POSITION				
Net Investment in Capital Assets	14,936,015	817,460	1,870,200	17,623,675
Unrestricted	11,150,039	2,517,092	1,899,196	15,566,327
TOTAL NET POSITION	<u>\$ 26,086,054</u>	<u>\$ 3,334,552</u>	<u>\$ 3,769,396</u>	<u>\$ 33,190,002</u>

**CITY OF ODESSA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED SEPTEMBER 30, 2015**

	Equipment Service Fund	Risk Management Fund	Information Technology Fund	Total
OPERATING REVENUES				
Rental and Other Charges for Services	\$ 16,394,503	\$ 10,244,381	\$ 3,326,225	\$ 29,965,109
Other	94,909	1,811,511	103,646	2,010,066
TOTAL OPERATING REVENUES	16,489,412	12,055,892	3,429,871	31,975,175
OPERATING EXPENSES				
Personal Services	1,256,730	1,119,113	1,425,350	3,801,193
Supplies and Materials	2,027,767	202,368	277,248	2,507,383
Other Services	522,978	10,134,292	218,695	10,875,965
Maintenance	5,325,203	17,710	604,079	5,946,992
Depreciation and Amortization	4,155,482	51,997	683,048	4,890,527
Other	409,415	445,330	162,199	1,016,944
TOTAL OPERATING EXPENSES	13,697,575	11,970,810	3,370,619	29,039,004
OPERATING INCOME	2,791,837	85,082	59,252	2,936,171
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	35,292	13,717	4,344	53,353
Gain on Sale of City Property	554,750	-	-	554,750
Other Non-operating Expense	(751,298)	-	-	(751,298)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(161,256)	13,717	4,344	(143,195)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,630,581	98,799	63,596	2,792,976
CAPITAL CONTRIBUTIONS	2,803,142	-	1,145,197	3,948,339
CHANGE IN NET POSITION	5,433,723	98,799	1,208,793	6,741,315
NET POSITION - BEGINNING OF YEAR, as previously reported	20,953,655	3,402,017	2,658,571	27,014,243
Prior Period Adjustment - Change in Accounting Principles	(301,324)	(166,264)	(97,968)	(565,556)
NET POSITION - BEGINNING OF YEAR, as restated	20,652,331	3,235,753	2,560,603	26,448,687
NET POSITION - AT END OF YEAR	\$ 26,086,054	\$ 3,334,552	\$ 3,769,396	\$ 33,190,002

**CITY OF ODESSA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2015**

	Equipment Service Fund	Risk Management Fund	Information Technology Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Other Funds for Rental and Other Charges for Services	\$ 15,784,257	\$ 10,234,575	\$ 3,326,225	\$ 29,345,057
Cash Received from Employees and Others	94,909	1,811,511	11,885	1,918,305
Cash Paid to Employees	(1,390,657)	(1,112,972)	(1,391,551)	(3,895,180)
Cash Paid To Suppliers and Providers	(7,215,455)	(10,663,289)	(1,213,720)	(19,092,464)
Cash Paid to Other Funds for Services	(751,211)	(574,421)	(51,928)	(1,377,560)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>6,521,843</u>	 <u>(304,596)</u>	 <u>680,911</u>	 <u>6,898,158</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Capital Contributions Out	(751,299)	-	-	(751,299)
 NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	 <u>(751,299)</u>	 <u>-</u>	 <u>-</u>	 <u>(751,299)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(3,296,701)	(33,545)	(140,795)	(3,471,041)
Proceeds from Sale of Capital Assets	554,750	-	-	554,750
 NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(2,741,951)</u>	 <u>(33,545)</u>	 <u>(140,795)</u>	 <u>(2,916,291)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income Received on Investments	35,292	13,717	4,344	53,353
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>35,292</u>	 <u>13,717</u>	 <u>4,344</u>	 <u>53,353</u>
 NET INCREASE (DECREASE) IN CASH	 3,063,885	 (324,424)	 544,460	 3,283,921
 CASH - AT BEGINNING OF YEAR	 <u>10,064,858</u>	 <u>5,201,776</u>	 <u>1,563,648</u>	 <u>16,830,282</u>
 CASH - AT END OF YEAR	 <u>\$ 13,128,743</u>	 <u>\$ 4,877,352</u>	 <u>\$ 2,108,108</u>	 <u>\$ 20,114,203</u>

(Continued)

**CITY OF ODESSA, TEXAS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015**

	Equipment Service Fund	Risk Management Fund	Information Technology Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING INCOME	<u>\$ 2,791,837</u>	<u>\$ 85,082</u>	<u>\$ 59,252</u>	<u>\$ 2,936,171</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation and Amortization	4,155,482	51,997	683,048	4,890,527
(Increase) Decrease in Accounts Receivable	(610,246)	(9,806)	(91,761)	(711,813)
(Increase) Decrease in Interfund Receivable	269,226	-	-	269,226
(Increase)Decrease in Deferred Outflows	(78,949)	(46,830)	(17,410)	(143,189)
(Decrease) Increase in Accounts Payable	49,471	(437,075)	(3,427)	(391,031)
(Decrease) Increase in Accrued Employee Benefits	(91,408)	22,351	23,843	(45,214)
(Decrease) Increase in Accrued Payroll	(9,001)	3,840	11,641	6,480
(Decrease) Increase in Other Post Employment Benefit	10,402	6,001	8,001	24,404
(Decrease) Increase in TMRS Net Pension Liability	35,029	20,779	7,724	63,532
(Decrease) Increase in Other Liabilities	-	(935)	-	(935)
TOTAL ADJUSTMENTS	<u>3,730,006</u>	<u>(389,678)</u>	<u>621,659</u>	<u>3,961,987</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 6,521,843</u></u>	<u><u>\$ (304,596)</u></u>	<u><u>\$ 680,911</u></u>	<u><u>\$ 6,898,158</u></u>

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

The Equipment Service Fund acquired capital assets during the fiscal year ended September 30, 2015 in the amount of \$2,803,142 through contributed capital.

The Information Technology Fund acquired capital assets during the fiscal year ended September 30, 2015 in the amount of \$1,145,197 through contributed capital.

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AGENCY FUNDS

Agency funds are used to account for short-term custodial collections on resources on behalf of another individual, entity or government.

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 STATEMENT OF ASSETS AND LIABILITIES
 SEPTEMBER 30, 2015**

	Payroll	Ector County Utility District	Martin L. King Memorial	MOTOR MPO	Total
ASSETS					
Cash and Investments	\$ 1,221,037	\$ 211,591	\$ 459	\$ -	\$ 1,433,087
Accounts Receivable	-	195,349	-	-	195,349
TOTAL ASSETS	\$ 1,221,037	\$ 406,940	\$ 459	\$ -	\$ 1,628,436
LIABILITIES					
Accounts Payable	\$ 1,221,037	\$ 63,363	\$ 459	\$ -	\$ 1,284,859
Deposits and Billing Payable	-	343,577	-	-	343,577
TOTAL LIABILITIES	\$ 1,221,037	\$ 406,940	\$ 459	\$ -	\$ 1,628,436

**CITY OF ODESSA, TEXAS
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Balance October 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30</u>
PAYROLL FUND				
ASSETS				
Cash and Investments	\$ 1,204,524	\$ 62,180,464	\$ 62,163,951	\$ 1,221,037
TOTAL ASSETS	<u>\$ 1,204,524</u>	<u>\$ 62,180,464</u>	<u>\$ 62,163,951</u>	<u>\$ 1,221,037</u>
LIABILITIES				
Accounts Payable	\$ 1,204,524	\$ 30,541,676	\$ 30,525,163	\$ 1,221,037
TOTAL LIABILITIES	<u>\$ 1,204,524</u>	<u>\$ 30,541,676</u>	<u>\$ 30,525,163</u>	<u>\$ 1,221,037</u>
 ECTOR COUNTY UTILITY DISTRICT				
ASSETS				
Cash and Investments	\$ 184,670	\$ 3,994,094	\$ 3,967,173	\$ 211,591
Accounts Receivable	152,105	3,988,125	3,944,881	195,349
TOTAL ASSETS	<u>\$ 336,775</u>	<u>\$ 7,982,219</u>	<u>\$ 7,912,054</u>	<u>\$ 406,940</u>
LIABILITIES				
Accounts Payable	\$ 13,289	\$ 7,856,096	\$ 7,806,022	\$ 63,363
Deposits and Billings Payable	323,486	110,930	90,839	343,577
TOTAL LIABILITIES	<u>\$ 336,775</u>	<u>\$ 7,967,026</u>	<u>\$ 7,896,861</u>	<u>\$ 406,940</u>
 MARTIN L. KING MEMORIAL				
ASSETS				
Cash and Investments	\$ 458	\$ 1	\$ -	\$ 459
TOTAL ASSETS	<u>\$ 458</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 459</u>
LIABILITIES				
Accounts Payable	\$ 458	\$ 1	\$ -	\$ 459
TOTAL LIABILITIES	<u>\$ 458</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 459</u>

(Continued)

CITY OF ODESSA, TEXAS
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2015

	Balance October 1	Additions	Deletions	Balance September 30
MOTOR - MPO				
ASSETS				
Cash and Investments	\$ -	\$ 516,752	\$ 516,752	\$ -
TOTAL ASSETS	\$ -	\$ 516,752	\$ 516,752	\$ -
LIABILITIES				
Accounts Payable	\$ -	\$ 516,752	\$ 516,752	\$ -
TOTAL LIABILITIES	\$ -	\$ 516,752	\$ 516,752	\$ -
 ALL FUNDS				
ASSETS				
Cash and Investments	\$ 1,389,652	\$ 66,691,311	\$ 66,647,876	\$ 1,433,087
Accounts Receivable	152,105	3,988,125	3,944,881	195,349
TOTAL ASSETS	\$ 1,541,757	\$ 70,679,436	\$ 70,592,757	\$ 1,628,436
LIABILITIES				
Accounts Payable	\$ 1,218,271	\$ 38,914,525	\$ 38,847,937	\$ 1,284,859
Deposits and Billing Payable	323,486	110,930	90,839	343,577
TOTAL LIABILITIES	\$ 1,541,757	\$ 39,025,455	\$ 38,938,776	\$ 1,628,436

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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, 2015**

	2015
GOVERNMENTAL FUNDS CAPITAL ASSETS:	
Land	\$ 25,758,838
Buildings	27,680,689
Improvements	40,112,665
Infrastructure	103,484,310
Traffic Signals	3,475,070
Furniture and Office Equipment	299,342
Machinery and Equipment	3,789,911
Data Processing Equipment	2,066,514
Communication Equipment	9,300,371
Works of Art	10,000
Construction-In-Progress	6,210,586
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 222,188,296
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE	
General Fund	\$ 47,983,295
Capital Projects Fund	83,715,291
Special Revenue Funds	21,902,452
Other Funds	3,628,833
Donations	64,958,425
TOTAL INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 222,188,296

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, 2015

<u>Function</u>	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>
General Government	\$ 11,777,558	\$ 842,875	\$ 5,911,030	\$ 3,871,255
Finance	1,371,757	522,208	-	182,538
Public Works	124,531,046	15,017,419	687,001	1,942,236
Planning and Inspection	10,083	-	-	-
Public Safety	35,484,099	247,956	17,566,216	4,728,522
Culture and Recreation	42,793,167	9,128,380	3,516,442	29,388,114
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS BY FUNCTION	<u>\$ 215,967,710</u>	<u>\$ 25,758,838</u>	<u>\$ 27,680,689</u>	<u>\$ 40,112,665</u>
Works of Art	10,000			
Construction-In-Progress	<u>6,210,586</u>			
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 222,188,296</u>			

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

<u>Infrastructure</u>	<u>Traffic Signals</u>	<u>Furniture and Office Equipment</u>	<u>Machinery and Equipment</u>	<u>Data Processing Equipment</u>	<u>Communication Equipment</u>
\$ 908,938	\$ -	\$ 71,944	\$ 40,504	\$ 97,287	\$ 33,725
-	-	69,524	172,224	281,043	144,220
102,560,791	3,475,070	34,560	529,988	280,835	3,146
-	-	10,083	-	-	-
-	-	87,640	2,373,071	1,367,778	9,112,916
14,581	-	25,591	674,124	39,571	6,364
<u>\$103,484,310</u>	<u>\$ 3,475,070</u>	<u>\$ 299,342</u>	<u>\$ 3,789,911</u>	<u>\$ 2,066,514</u>	<u>\$ 9,300,371</u>

CITY OF ODESSA, TEXAS
SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN
THE OPERATIONS OF GOVERNMENTAL FUNDS AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2015

Function	Governmental Funds Capital Assets October 1, 2014	Additions	Transfers or Deductions	Governmental Funds Capital Assets September 30, 2015
General Government	\$ 11,696,399	\$ 108,970	\$ 27,811	\$ 11,777,558
Finance	1,378,977	-	7,220	1,371,757
Public Works	114,221,402	10,369,646	60,002	124,531,046
Planning and Inspection	10,083	-	-	10,083
Public Safety	34,906,528	613,653	36,082	35,484,099
Culture and Recreation	40,549,895	2,278,653	35,381	42,793,167
Works of Art	-	10,000	-	10,000
Construction-In-Progress	4,561,340	5,851,571	4,202,325	6,210,586
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 207,324,624	\$ 19,232,493	\$ 4,368,821	\$ 222,188,296

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

STATISTICAL SECTION

(Unaudited)

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

Contents	Page
Financial Trends	122-127
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time</i>	
Revenue Capacity	129-135
<i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	
Debt Capacity	136-140
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.</i>	
Demographic and Economic Information	141-143
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments</i>	
Operating Information	144-145
<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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
GOVERNMENTAL ACTIVITIES										
Net Investment In Capital Assets	\$ 102,119,951	\$ 90,884,767	\$ 78,928,482	\$ 57,826,941	\$ 57,809,053	\$ 60,031,983	\$ 60,097,708	\$ 64,711,923	\$ 54,747,465	\$ 38,194,475
Restricted	704,006	696,852	661,216	644,531	545,365	541,064	517,217	406,646	378,704	311,979
Unrestricted	(33,072,707)	52,723,411	47,327,526	45,994,633	33,526,485	23,979,513	22,362,740	23,008,977	33,935,504	39,560,529
Total Governmental Activities Net Position	<u>\$ 69,751,250</u>	<u>\$ 144,305,030</u>	<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>
BUSINESS-TYPE ACTIVITIES										
Net Investment In Capital Assets	\$ 87,004,397	\$ 85,059,979	\$ 76,417,777	\$ 71,527,087	\$ 65,408,661	\$ 64,507,840	\$ 62,825,071	\$ 57,575,123	\$ 50,458,234	\$ 47,269,444
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	22,697,487	21,737,032	14,940,478	9,791,782	15,617,347	14,970,722	14,834,570	18,236,777	20,181,896	19,595,139
Total Business-Type Activities Net Position	<u>\$ 110,701,884</u>	<u>\$ 107,797,011</u>	<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>
PRIMARY GOVERNMENT										
Net Investment In Capital Assets	\$ 189,124,348	\$ 175,944,746	\$ 155,346,259	\$ 129,354,028	\$ 123,217,714	\$ 124,539,823	\$ 122,922,779	\$ 122,287,046	\$ 105,205,699	\$ 85,463,919
Restricted	1,704,006	1,696,852	1,661,216	1,644,531	1,545,365	1,541,064	1,517,217	1,406,646	1,378,704	1,311,979
Unrestricted	(10,375,220)	74,460,443	62,268,004	55,786,415	49,143,832	38,950,235	37,197,310	41,245,754	54,117,400	59,155,668
Total Primary Government Net Position	<u>\$ 180,453,134</u>	<u>\$ 252,102,041</u>	<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>

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

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
EXPENSES										
Governmental Activities:										
General Government	\$ 5,396,483	\$ 5,117,636	\$ 4,956,868	\$ 4,279,814	\$ 4,171,431	\$ 4,219,813	\$ 4,469,668	\$ 3,726,808	\$ 3,509,104	\$ 3,420,627
Finance	1,553,528	1,197,677	1,505,331	985,369	1,143,460	821,498	978,331	824,208	1,608,949	1,424,160
Public Works	20,251,019	19,151,147	20,508,014	14,804,737	13,825,631	15,485,987	12,271,018	8,942,795	9,545,955	8,710,545
Planning & Inspection	1,528,807	1,568,135	852,050	785,512	726,735	734,271	608,961	518,135	544,824	988,344
Public Safety	47,963,111	47,043,017	42,924,590	39,051,055	38,688,978	37,843,822	38,383,034	33,650,031	29,607,065	31,209,706
Welfare	1,420,140	1,102,354	1,344,043	1,105,568	1,859,913	2,929,321	1,967,159	1,404,923	1,507,099	1,898,378
Culture & Recreation	9,851,026	9,136,826	8,146,726	7,039,829	7,011,306	7,052,105	7,006,832	6,395,924	5,192,067	5,424,420
Interest on Long-Term Debt	3,527,587	3,694,451	2,000,685	1,607,185	1,643,943	1,692,839	1,680,395	1,774,688	1,461,078	1,346,318
Total Governmental Activities Expenses	91,491,701	88,011,243	82,238,307	69,659,069	69,071,397	70,779,656	67,365,398	57,237,512	52,976,141	54,422,498
Business-type Activities:										
Water & Sewer	45,880,448	43,252,875	46,220,245	43,282,176	39,690,780	39,795,955	39,818,058	37,342,699	29,559,991	32,369,694
Solid Waste	13,674,475	12,220,037	10,567,831	10,495,612	9,695,444	9,806,223	9,877,745	9,202,271	8,837,002	7,579,974
Natural Gas	-	-	-	-	-	14,270,216	10,543,829	21,153,516	19,527,764	20,474,867
Ratliff Golf Course	2,128,333	1,979,473	1,717,376	1,679,188	1,738,122	1,585,941	1,908,251	1,377,420	981,938	685,745
Liquid Waste	6,820	9,233	10,997	12,608	16,601	50,634	58,564	46,926	22,020	41,525
Storm Water	998,091	821,485	714,340	559,034	551,492	523,047	-	-	-	-
Total Business-Type Activities Expenses	62,688,167	58,283,103	59,230,789	56,028,618	51,692,439	66,032,016	62,206,447	69,122,832	58,928,715	61,151,805
Total Primary Government Expenses	\$ 154,179,868	\$ 146,294,346	\$ 141,469,096	\$ 125,687,687	\$ 120,763,836	\$ 136,811,672	\$ 129,571,845	\$ 126,360,344	\$ 111,904,856	\$ 115,574,303
PROGRAM REVENUES										
Governmental Activities:										
Charges For Services:										
General Government	\$ 512,936	\$ 248,007	\$ 410,723	\$ 111,421	\$ 86,316	\$ 93,066	\$ 108,861	\$ 101,499	\$ 85,643	\$ 111,965
Finance	473,807	297,926	214,231	223,453	203,192	277,002	281,508	300,335	253,776	254,119
Public Works	256,722	269,175	270,278	277,745	412,002	174,435	383,690	471,067	372,293	799,676
Planning & Inspection	612,662	740,404	894,857	806,596	408,991	347,018	330,748	482,551	342,124	320,753
Public Safety	8,356,373	7,827,230	7,129,828	7,141,097	8,526,988	7,281,874	6,650,040	6,612,682	6,892,991	6,569,059
Culture & Recreation	91,356	79,445	111,833	102,663	86,201	85,400	69,363	157,782	175,891	58,540
Operating Grants & Contributions	7,696,178	6,325,620	9,769,911	5,297,270	5,835,502	8,798,461	2,643,119	1,067,393	742,622	564,205
Capital Grants & Contributions	3,914,642	5,331,478	12,036,440	2,368,036	1,424,548	2,181,310	2,135,521	3,104,028	3,240,351	3,769,274
Total Governmental Activities Program Revenues	21,914,676	21,119,285	30,838,101	16,328,281	16,983,740	19,238,566	12,602,850	12,297,337	12,105,691	12,447,591

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

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Business-Type Activities:										
Charges For Services:										
Water & Sewer	\$ 48,055,908	\$ 49,324,059	\$ 48,351,897	\$ 37,761,523	\$ 39,657,324	\$ 38,671,498	\$ 37,178,348	\$ 37,789,399	\$ 32,202,693	\$ 33,315,232
Solid Waste	12,624,671	12,570,275	10,618,107	10,376,680	10,219,496	9,932,349	9,321,872	9,304,565	8,582,356	7,722,144
Natural Gas *	-	-	-	-	-	14,263,383	10,559,184	21,148,085	19,508,935	20,465,037
Ratliff Golf Course	1,625,147	1,502,951	1,445,726	1,343,284	1,281,974	1,208,940	1,149,169	274,831	105,372	584,233
Liquid Waste	101,256	97,527	100,971	85,686	61,071	28,406	21,869	-	-	14,412
Storm Water	758,475	746,764	727,691	702,592	703,060	703,054	-	-	-	-
Operating Grants and Contributions	-	-	-	-	-	12,776	19,854	39,452	35,311	26,910
Capital Grants and Contributions	4,835,300	8,946,800	7,722,916	4,375,766	1,462,732	2,597,609	3,169,126	548,898	2,354,606	3,013,899
Total Business-Type Activities Program Revenues	68,000,757	73,188,376	68,967,308	54,645,531	53,385,657	67,418,015	61,419,422	69,105,230	62,789,273	65,141,867
Total Primary Government Program Revenues	\$ 89,915,433	\$ 94,307,661	\$ 99,805,409	\$ 70,973,812	\$ 70,369,397	\$ 86,656,581	\$ 74,022,272	\$ 81,402,567	\$ 74,894,964	\$ 77,589,458
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ (69,577,025)	\$ (66,891,958)	\$ (51,400,206)	\$ (53,330,788)	\$ (52,087,657)	\$ (51,541,090)	\$ (54,762,548)	\$ (44,940,175)	\$ (40,870,450)	\$ (41,974,907)
Business-Type Activities	5,312,590	14,905,273	9,736,519	(1,383,087)	1,693,218	1,385,999	(787,025)	(17,602)	3,860,558	3,990,062
Total Primary Government Net Expense	\$ (64,264,435)	\$ (51,986,685)	\$ (41,663,687)	\$ (54,713,875)	\$ (50,394,439)	\$ (50,155,091)	\$ (55,549,573)	\$ (44,957,777)	\$ (37,009,892)	\$ (37,984,845)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental Activities:										
Taxes										
Property Taxes	\$ 29,175,867	\$ 27,754,060	\$ 23,498,496	\$ 21,669,691	\$ 20,943,529	\$ 20,550,483	\$ 19,923,296	\$ 18,507,872	\$ 17,251,565	\$ 16,422,345
Sales Taxes	36,738,255	35,966,827	31,807,317	28,591,360	23,077,255	18,666,954	18,339,589	19,712,982	17,554,919	15,607,492
Gross Receipts Taxes	10,874,639	10,246,409	9,833,158	9,923,693	9,033,646	9,215,471	8,914,736	8,965,937	9,766,148	8,104,150
Hotel-Motel Taxes	5,572,738	6,013,374	5,382,248	5,244,625	3,342,560	2,028,217	2,230,089	2,784,886	2,085,405	1,610,471
Industrial Contracts	4,244,196	4,258,646	3,285,615	2,885,016	2,507,876	2,598,135	1,562,380	1,270,769	1,489,459	1,105,118
Unrestricted Investment Earnings	702,957	419,971	216,151	253,807	133,408	187,157	415,596	1,566,562	2,544,148	1,707,718
Miscellaneous	73,285	90,992	28,340	129,802	27,726	16,940	130,989	-	-	-
Contributed Capital	-	-	-	-	-	52,628	(1,704,008)	(2,389,601)	-	-
Transfers	(200,000)	(470,515)	(200,000)	(2,305,085)	350,000	(200,000)	(200,000)	(161,569)	1,173,496	1,156,854
Total Governmental Activities	87,181,937	84,279,764	73,851,325	66,392,909	59,416,000	53,115,985	49,612,667	50,257,838	51,865,140	45,714,148
Business-Type Activities:										
Investment Earnings	95,225	62,968	102,867	156,607	204,228	285,550	730,758	2,638,202	1,088,485	842,516
Contributed Capital	-	-	-	-	-	(52,628)	1,704,008	2,389,601	-	-
Transfers	200,000	470,515	200,000	2,305,085	(350,000)	200,000	200,000	161,569	(1,173,496)	(1,156,854)
Total Business-Type Activities	295,225	533,483	302,867	2,461,692	(145,772)	432,922	2,634,766	5,189,372	(85,011)	(314,338)
Total Primary Government	\$ 87,477,162	\$ 84,813,247	\$ 74,154,192	\$ 68,854,601	\$ 59,270,228	\$ 53,548,907	\$ 52,247,433	\$ 55,447,210	\$ 51,780,129	\$ 45,399,810
CHANGE IN NET POSITION										
Governmental Activities	\$ 17,604,912	\$ 17,387,806	\$ 22,451,119	\$ 13,062,121	\$ 7,328,343	\$ 1,574,895	\$ (5,149,881)	\$ 5,317,663	\$ 10,994,690	\$ 3,739,241
Business-Type Activities	5,607,815	15,438,756	10,039,386	1,078,605	1,547,446	1,818,921	1,847,741	5,171,770	3,775,547	3,675,724
Total Primary Government	\$ 23,212,727	\$ 32,826,562	\$ 32,490,505	\$ 14,140,726	\$ 8,875,789	\$ 3,393,816	\$ (3,302,140)	\$ 10,489,433	\$ 14,770,237	\$ 7,414,965

* 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)

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	PROGRAM REVENUES									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
FUNCTION/PROGRAM										
Governmental Activities:										
General Government	\$ 512,936	\$ 248,007	\$ 410,723	\$ 111,421	\$ 86,316	\$ 93,066	\$ 108,861	\$ 101,499	\$ 85,643	\$ 111,965
Finance	473,807	297,926	214,231	223,453	203,192	277,002	281,508	300,335	253,776	254,119
Public Works	9,525,429	10,304,639	20,114,326	5,129,613	5,031,534	6,794,186	2,392,970	1,266,616	512,362	2,078,828
Planning & Inspection	612,662	740,404	894,857	806,596	408,991	347,018	330,748	482,551	342,124	320,753
Public Safety	9,257,680	8,393,559	7,792,915	8,684,417	9,377,596	8,595,267	7,652,703	8,149,259	8,945,935	7,791,901
Welfare	1,430,806	1,055,305	1,299,216	1,270,118	1,789,910	3,046,627	1,766,697	1,503,434	1,789,960	1,831,485
Culture & Recreation	101,356	79,445	111,833	102,663	86,201	85,400	69,363	493,643	175,891	58,540
Subtotal Governmental Activities	<u>21,914,676</u>	<u>21,119,285</u>	<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>
Business-Type Activities:										
Water and Sewer	52,891,208	58,270,859	56,053,512	42,137,289	41,120,056	41,269,107	40,042,191	38,338,297	34,557,299	36,329,131
Solid Waste	12,624,671	12,570,275	10,618,107	10,376,680	10,219,496	9,932,349	9,627,155	9,304,565	8,582,356	7,722,144
Natural Gas **	-	-	-	-	-	14,263,383	10,559,184	21,148,085	19,508,935	20,465,037
Ratliff Golf Course *	1,625,147	1,502,951	1,467,027	1,343,284	1,281,974	1,208,940	1,149,169	274,831	105,372	584,233
Liquid Waste	101,256	97,527	100,971	85,686	61,071	41,182	41,723	39,452	35,311	41,322
Storm Water	758,475	746,764	727,691	702,592	703,060	703,054	-	-	-	-
Subtotal Business-Type Activities	<u>68,000,757</u>	<u>73,188,376</u>	<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>
Total Primary Government	<u>\$ 89,915,433</u>	<u>\$ 94,307,661</u>	<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>

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.

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

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

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GENERAL FUND										
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,612,613	\$ 5,733,380	\$ 3,214,744	\$ 1,714,748
Unreserved, Reported in:										
Designated for Contingencies	-	-	-	-	-	-	9,692,830	9,608,235	8,836,665	8,350,312
Designated for Budget Stabilization	-	-	-	-	-	-	4,038,679	4,003,431	3,681,944	3,479,296
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
Nonspendable	109,885	1,155,884	6,073	2,305	2,019	94	-	-	-	-
Committed	-	-	-	-	512,589	192,075	-	-	-	-
Assigned	14,598,381	16,027,653	17,775,677	17,837,824	7,764,667	3,477,559	-	-	-	-
Unassigned	38,421,286	33,414,232	28,834,767	26,750,335	26,734,646	23,404,156	-	-	-	-
Total General Fund	<u>\$ 53,129,552</u>	<u>\$ 50,597,769</u>	<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>
ALL OTHER GOVERNMENTAL FUNDS										
Reserved, Reported in:										
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 642,999	\$ 9,975,556	\$ 4,703,459	\$ 6,028,418
Reserved for Debt service	-	-	-	-	-	-	517,217	406,646	378,704	311,979
Unreserved, Reported in:										
Capital Projects Fund										
Designated for Obligated Projects	-	-	-	-	-	-	5,013,991	896,809	7,035,681	15,320,237
Undesignated	-	-	-	-	-	-	1,526,181	517,036	1,154,451	946,708
Special Revenue Funds										
Undesignated	-	-	-	-	-	-	3,343,053	2,170,104	1,733,060	891,967
Restricted	65,462,693	70,064,356	67,055,037	10,434,889	7,124,686	6,282,586	-	-	-	-
Committed	-	-	-	-	17,311	71,036	-	-	-	-
Assigned	616,278	607,541	731,106	587,587	565,095	580,992	-	-	-	-
Unassigned	-	-	-	-	(10,972)	(6,958)	-	-	-	-
Total All Other Governmental Funds	<u>\$ 66,078,971</u>	<u>\$ 70,671,897</u>	<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>

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)

	FISCAL YEAR									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUES										
Property Tax, Penalties and Interest	\$ 29,011,350	\$ 27,650,148	\$ 23,515,138	\$ 21,994,886	\$ 20,952,246	\$ 20,405,012	\$ 20,074,762	\$ 18,510,874	\$ 17,314,671	\$ 16,527,966
City Sales Tax	36,738,255	35,966,827	31,807,317	28,591,360	23,077,255	18,666,954	18,339,589	19,712,982	17,554,919	15,607,492
Franchise and Gross Receipts	10,874,639	10,246,409	9,833,158	9,923,693	9,033,646	9,215,471	8,914,736	8,965,937	9,766,148	8,104,150
Fines and Forfeitures	3,331,287	3,298,917	3,019,152	3,269,352	3,952,441	3,566,112	2,778,923	3,171,568	2,999,058	3,099,709
Permits and Licenses	1,259,348	1,162,582	1,448,932	1,021,736	525,418	441,524	596,579	627,010	430,234	390,571
Grants and Entitlements	7,391,496	6,082,876	9,623,440	5,782,548	5,509,208	8,765,475	2,552,137	2,583,844	3,255,295	2,360,800
Hotel and Motel Occupancy Tax	5,572,738	6,013,374	5,382,248	5,244,625	3,342,560	2,028,217	2,230,089	2,784,886	2,085,405	1,610,471
Investment Income	356,401	182,456	136,387	135,357	108,553	132,113	355,691	1,436,525	2,358,359	1,570,338
Donations	89,327	10,000	5,984	100,000	100,000	70,000	100,000	100,000	125,000	-
Industrial Contracts	4,244,196	4,258,646	3,285,615	2,885,016	2,507,876	2,598,135	1,562,380	1,270,769	1,489,459	1,105,118
Other	3,942,700	3,493,447	3,498,526	3,394,323	3,678,179	3,321,252	3,494,528	3,098,048	3,319,390	4,538,687
Intergovernmental	1,065,506	1,134,591	1,154,831	1,052,619	1,035,003	1,089,869	1,099,872	1,034,149	1,083,044	1,150,961
Sale of Confiscated Property	50,999	215,585	106,731	135,498	214,064	67,416	51,685	73,908	20,589	51,470
Total Revenues	103,928,242	99,715,858	92,817,459	83,531,013	74,036,449	70,367,550	62,150,971	63,370,500	61,801,571	56,117,733
EXPENDITURES										
General Government	5,261,659	4,816,892	4,614,981	3,886,153	3,738,075	3,766,157	3,940,662	3,411,384	3,078,633	3,001,237
Finance	1,839,515	1,171,950	1,432,676	800,716	1,011,168	503,217	676,440	957,891	2,078,689	1,465,575
Public Works	17,866,529	16,815,062	18,375,563	13,088,769	12,058,306	13,484,502	10,467,201	7,393,176	8,182,357	6,813,761
Planning & Inspection	1,562,735	1,522,539	943,643	749,346	699,959	697,351	565,315	533,890	530,304	958,695
Public Safety	49,689,880	44,251,096	41,245,798	37,561,741	35,754,263	35,244,368	35,825,377	33,247,688	30,369,548	28,309,701
Welfare	1,430,806	1,072,810	1,279,237	1,101,632	1,808,151	2,852,906	1,819,953	1,417,966	1,554,156	1,890,729
Culture & Recreation	9,007,666	8,096,999	7,168,376	6,087,068	6,035,266	6,168,304	6,176,343	5,739,989	4,721,025	4,756,824
Capital Outlay	10,928,324	9,327,971	8,658,125	3,121,325	1,407,548	5,418,090	6,227,457	9,769,480	12,952,144	11,659,946
Debt Service										
Interest and Fiscal Charges	3,399,039	3,328,890	1,502,106	1,398,138	1,585,546	1,647,450	1,498,335	1,501,798	1,156,862	1,194,965
Principal Retirement	4,740,264	4,742,017	2,737,129	1,987,039	1,879,666	1,792,976	1,425,000	1,135,000	915,000	825,000
Payments to Escrow Agent	-	-	-	-	-	-	-	-	124,078	-
Bond Issuance Costs	39,276	168,289	495,331	145,914	-	-	68,103	69,444	139,560	150,000
Total Expenditures	105,765,693	95,314,515	88,452,965	69,927,841	65,977,948	71,575,321	68,690,186	65,177,706	65,802,356	61,026,433
Excess Of Reveuens										
Over (Under) Expenditures	(1,837,451)	4,401,343	4,364,494	13,603,172	8,058,501	(1,207,771)	(6,539,215)	(1,807,206)	(4,000,785)	(4,908,700)

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

	FISCAL YEAR									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
OTHER FINANCING SOURCES (USES)										
Certificates of Obligations Issued	\$ -	\$ -	\$ 51,335,000	\$ -	\$ -	\$ -	\$ 3,280,000	\$ 4,345,000	\$ -	\$ 10,150,000
General Fund Payment to Escrow	-	-	-	-	-	-	-	-	124,078	-
Reoffering Premium	602,681	1,184,597	3,000,508	412,401	-	-	58,128	169,626	41,304	-
Refunding Bonds Issued	3,740,000	10,060,000	-	6,780,000	-	-	-	-	5,905,000	-
Payments to Escrow Agent	(4,366,373)	(11,227,819)	-	(7,148,058)	-	-	(3,270,025)	-	(5,930,822)	-
Capital Lease Proceeds	-	3,100,529	289,718	1,560,469	-	-	-	-	-	4,360,000
Transfers In	139,912	60,372	26,654	126,678	882,749	17,766	21,624	140,059	1,681,420	1,262,846
Transfers Out	(339,912)	(712,016)	(226,654)	(2,431,763)	(232,749)	(217,766)	(221,624)	(301,628)	(507,924)	(105,992)
Total Other Financing Sources (Uses)	<u>(223,692)</u>	<u>2,465,663</u>	<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>
Net Changes In Fund Balances	<u>\$ (2,061,143)</u>	<u>\$ 6,867,006</u>	<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>
Debt Service As A										
Percentage of Noncapital Expenditures	8.58%	9.39%	5.31%	5.07%	5.37%	5.20%	4.68%	4.76%	3.92%	4.09%

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

<u>Fiscal Year</u>	<u>Property Tax, Penalties & Interest</u>	<u>Sales Tax</u>	<u>Franchise & Gross Receipts Tax</u>	<u>Hotel-Motel Occupancy Tax</u>	<u>Other Tax</u>	<u>Total</u>
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
2014	27,650,148	35,966,827	10,246,409	6,013,374	4,884,250	84,761,008
2015	29,011,350	36,738,255	10,874,639	5,572,738	4,955,180	87,152,162
Change 2006-2015	75.53%	135.39%	34.19%	246.03%	250.96%	101.45%

CITY OF ODESSA, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(in dollars)
(Unaudited)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
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
2014	3,991,645,009	2,772,399,137	118,957,539	1,565,972,805	5,317,028,880	0.5128
2015	4,527,349,502	3,041,559,797	113,909,205	1,589,646,405	6,093,172,099	0.4758

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		
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
2014	0.3826	0.1302	0.5128	0.2973	0.0456	1.1610	0.1741	1.6781	2.1908
2015	0.3645	0.1114	0.4758	0.2973	0.0510	1.1610	0.1766	1.6859	2.1617

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>	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Family Dollar Distribution LP	\$ 60,462,038	1	0.99%	-	*	N/A
Oncor Electric Delivery Co.	40,367,449	2	0.66%	-	*	N/A
Odessa Regional Hospital LP	33,402,682	3	0.55%	\$ 19,165,961	4	0.79%
MCM Properties LTD	28,507,713	4	0.47%	25,043,684	3	1.03%
Andalucia Apts LLC	27,903,716	5	0.46%	-	*	N/A
Briemor Winwood Town Cntr LLC	26,676,938	6	0.44%	-	*	N/A
Faudree LLC	23,448,168	7	0.38%	-	*	N/A
Light Tower Rentals	22,957,254	8	0.38%	-	*	N/A
Enterprise FM Trust	21,764,193	9	0.36%	-	*	N/A
Excel Odessa LLC	21,378,358	10	0.35%	-	*	N/A
Four Star Oil & Gas	-	*	N/A	83,450,168	1	3.43%
TXU Electric Delivery Oil & Gas	-	*	N/A	34,553,852	2	1.42%
CA New Plan DIF TX I	-	*	N/A	17,535,691	5	0.72%
Southwestern Bell Telephone Co.	-	*	N/A	17,155,778	6	0.71%
Climarex Energy Co.	-	*	N/A	9,699,078	7	0.40%
Lithia Real Estate, Inc.	-	*	N/A	9,638,296	8	0.40%
ICA Properties, Inc.	-	*	N/A	8,856,766	9	0.36%
Houston Endowment Inc.	-	*	N/A	8,774,682	10	0.36%
	<u>\$ 306,868,509</u>		<u>5.04%</u>	<u>\$ 233,873,956</u>		<u>9.62%</u>

Source: Ector County Appraisal District

* Taxpayer was not in top ten that year.

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

Fiscal Year Ended September 30,	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year Of The Levy		Collections In Subsequent Years	Total Collections To Date	
		Amount	Percentage Of Levy		Amount	Percentage Of Levy
2006	\$ 16,519,696	\$ 15,889,843	96.19%	\$ 591,263	\$ 16,481,106	99.77%
2007	17,078,393	16,455,427	96.35%	586,323	17,041,750	99.79%
2008	18,166,797	17,607,299	96.92%	513,682	18,120,981	99.75%
2009	19,936,310	19,180,760	96.21%	707,704	19,888,464	99.76%
2010	20,280,971	19,419,554	95.75%	798,397	20,217,952	99.69%
2011	20,454,919	19,755,373	96.58%	613,581	20,368,954	99.58%
2012	21,206,265	20,745,059	97.83%	356,352	21,101,411	99.51%
2013	23,026,161	22,494,624	97.69%	362,398	22,857,022	99.27%
2014	27,326,183	26,719,602	97.78%	314,114	27,033,716	98.93%
2015	28,983,294	28,240,450	97.44%	-	28,240,450	97.44%

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)

Fiscal Year	City Direct Rate	Odessa Development Corporation	Total	Hospital District	Midland County
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
2014	1.00	0.25	1.25	0.75	0.50
2015	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 2015 AND 2006
(Unaudited)

	FISCAL YEAR 2015				FISCAL YEAR 2006			
	Number Of Filers	Percentage Of Total	Tax Liability	Percentage Of Total	Number Of Filers	Percentage Of Total	Tax Liability	Percentage Of Total
Agriculture/Forestry	158	0.27%	\$ 131,618	0.29%	77	0.18%	\$ 36,038	0.19%
Mining	1,283	2.19%	3,673,590	8.22%	378	0.89%	378,694	1.96%
Construction	2,168	3.70%	616,697	1.38%	196	0.46%	71,043	0.37%
Manufacturing	2,652	4.53%	2,547,005	5.70%	1,357	3.21%	732,494	3.79%
Transportation/Utilities	2,935	5.01%	2,028,577	4.54%	1,145	2.71%	430,488	2.23%
Wholesale Trade:								
Durable Goods	2,611	4.46%	1,776,563	3.97%	3,947	9.34%	1,280,646	6.62%
Nondurable Goods	2,919	4.98%	2,571,553	5.75%	107	0.25%	3,545	0.02%
Total Wholesale Trade	5,530	9.44%	4,348,116	9.72%	4,054	9.59%	1,284,191	6.64%
Retail Trade:								
Building Materials	547	0.93%	846,684	1.89%	283	0.67%	244,281	1.26%
General Merchandise	2,898	4.95%	3,825,077	8.56%	298	0.71%	135,838	0.70%
Food Stores	239	0.41%	34,008	0.08%	86	0.20%	3,751	0.02%
Automotive	1,585	2.71%	2,012,842	4.50%	107	0.25%	14,583	0.08%
Clothing	2,225	3.80%	4,278,376	9.57%	722	1.71%	276,804	1.43%
Home Furnishings	530	0.90%	458,842	1.03%	57	0.13%	2,834	0.01%
Restaurants	2,937	5.01%	3,909,095	8.75%	1,461	3.46%	1,337,434	6.92%
Drug Stores	550	0.94%	293,032	0.66%	255	0.60%	134,968	0.70%
Liquor Stores	730	1.25%	304,429	0.68%	260	0.62%	146,423	0.76%
Miscellaneous Retail	7,965	13.59%	3,741,704	8.37%	12,624	29.88%	7,607,285	39.34%
Total Retail Trade	20,206	34.49%	19,704,089	44.09%	16,153	38.23%	9,904,201	51.22%
Financial Services	3,121	5.33%	503,618	1.13%	392	0.93%	46,881	0.24%
Services	8,585	14.65%	2,022,557	4.53%	9,963	23.58%	2,496,820	12.91%
Special Trade	2,444	4.17%	1,120,306	2.51%	141	0.33%	67,843	0.35%
Other	9,507	16.23%	7,999,266	17.90%	8,396	19.87%	3,887,261	20.10%
Total	58,589	100.00%	\$ 44,695,439	100%	42,252	100.00%	\$ 19,335,954	100%

Source: Texas State Comptroller's Office

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

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage Of Personal Income ^a	Per Capita
	Certification of Obligation Bonds	General Obligation Bonds	Capital Leases	General Obligation Certificates & Bonds	Revenue Bonds	Capital Leases			
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
2014	57,700,738	23,419,249	4,698,115	68,863,731	-	-	154,681,833	5.66%	1,219
2015	51,077,067	26,429,566	3,502,850	67,210,214	-	-	148,219,697	5.28%	1,186

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

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

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

Fiscal Year	General Bonded Debt Outstanding				Total	Percentage of Estimated Taxable Value of Property	Per Capita
	Governmental Activities	General Obligation Bonds	Business-Type	Less: Amounts Available in Debt Service Fund			
	Certificate of Obligation Bonds		General Obligation Bonds				
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
2014	57,700,738	23,419,249	68,863,731	696,852	149,286,866	2.8077%	1,176
2015	51,077,067	26,429,566	67,210,214	704,006	144,012,841	2.3635%	1,152

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

^a See Schedule 7 for taxable property value data.

^b Population data can be found in Schedule 18.

CITY OF ODESSA, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2015
(Unaudited)

<u>GOVERNMENTAL UNIT</u>	<u>Taxable Assessed Value</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
DEBT REPAYED WITH PROPERTY TAXES				
Ector County	\$ 14,675,075,911	\$ 14,170,000	38.07%	\$ 5,394,519
Ector County Independent School District	14,256,078,650	188,024,943	39.19%	73,686,975
Odessa Jr. College District	14,692,815,869	67,155,000	38.02%	25,532,331
Midland County	21,168,468,341	18,140,000	2.39%	433,546
Midland County Hospital District	21,550,910,424	103,790,970	2.35%	2,439,088
Midland Independent School District	19,292,108,478	256,784,624	2.63%	6,753,436
Midland Jr. College District	20,323,897,136	27,832,933	2.49%	693,040
Subtotal, Overlapping Debt				<u>114,932,935</u>
CITY DIRECT DEBT				<u>81,009,483</u>
TOTAL DIRECT AND OVERLAPPING DEBT				<u><u>\$ 195,942,418</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Ector County 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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt Limit	\$ 121,863,442	\$ 106,340,578	\$ 89,776,277	\$ 81,131,707	\$ 78,139,006	\$ 77,564,577	\$ 70,970,028	\$ 62,702,886	\$ 54,302,186	\$ 48,639,527
Total Net Debt Applicable to Limit	<u>72,115,994</u>	<u>75,938,148</u>	<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>
Legal Debt Margin	<u>\$ 49,747,448</u>	<u>\$ 30,402,430</u>	<u>\$ 9,767,493</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>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	59.18%	71.41%	89.12%	37.44%	41.12%	43.33%	49.32%	58.14%	61.28%	70.28%

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 2015

Assessed Value	\$ 6,093,172,099
Debt Limit (2% of Assessed Value)	<u>121,863,442</u>
Debt Applicable to Limit:	
Certificates of Obligation	48,375,000
General Obligation Bonds	24,445,000
Less: Amount Set Aside for Repayment of GO Bonds and CO Bonds	<u>704,006</u>
Total Net Debt Applicable to Limit	<u>72,115,994</u>
Legal Debt Margin	<u>\$ 49,747,448</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	Debt Service ^a		Coverage
							Principal	Interest	
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
2014	49,324,059	40,246,741	6,292,604	59,645	-	15,429,567	4,375,000	3,227,638	2.03
2015	48,055,908	44,098,150	7,253,247	91,103	-	11,302,108	3,920,000	2,764,600	1.69

Notes:

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

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

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

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

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

Fiscal Year	Population	Personal Income <i>(in thousand of dollars)</i>	Per Capita Personal Income	Median Age	Education Level	School Enrollment	Unemployment Rate%
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
2014	126,930	2,731,568	37,134	30.9	12.4	28,805	3.1
2015	124,981	2,804,912	38,455	30.8	12.4	29,977	4.5

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)

<u>Employer</u>	<u>2015</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Total City Employment %</u>	<u>Employees</u>	<u>Rank</u>	<u>Total City Employment %</u>
ECISD	3,595	1	4.41	3,376	1	5.72
Saulsbury Companies	2,465	2	3.02	540	8	0.91
Medical Center Hospital	1,805	3	2.21	1610	2	2.73
City of Odessa	873	4	1.07	805	4	N/A
Odessa Regional Medical Ctr	756	5	0.93	-	*	N/A
Walmart	739	6	0.91	990	3	1.68
Albertson's	670	7	0.82	-	*	0.00
HEB	618	8	0.76	-	*	N/A
Ector County	617	9	0.76	625	6	N/A
Weatherford	600	10	0.74	-	*	N/A
Odessa College	-	*	N/A	650	5	1.10
Telvista, Inc.	-	*	N/A	575	7	0.97
Investment Corp.	-	*	N/A	500	9	0.85
Huntsman Corp.	-	*	N/A	451	10	0.76
Total Employment Population	<u>81,573</u>		<u>15.62</u>	<u>59,045</u>		<u>14.72</u>

Sources: Odessa Chamber of Commerce
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)

<u>FUNCTION/PROGRAM</u>	<u>FULL -TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30,</u>									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Government	48	45	43	42	39	39	36	36	36	34
Finance	56	52	55	52	56	57	60	58	56	55
Public Works	103	87	88	89	81	87	90	83	81	83
Planning & Inspection	20	18	14	13	14	13	13	12	11	12
Public Safety	403	403	383	399	394	405	392	372	381	396
Welfare	4	4	4	5	4	6	5	5	5	5
Culture & Recreation	45	36	37	37	35	35	38	37	33	46
Golf Course	12	14	10	10	10	10	10	8	6	10
Water & Sewer	108	104	96	95	105	108	122	109	106	110
Solid Waste	46	48	45	47	45	46	46	46	43	44
Liquid Waste	0	0	0	0	0	0	1	1	1	1
Equipment Services	14	18	18	19	22	18	22	21	22	23
Risk Management	15	14	15	13	15	15	14	14	14	14
Total	<u>874</u>	<u>843</u>	<u>808</u>	<u>821</u>	<u>820</u>	<u>839</u>	<u>849</u>	<u>802</u>	<u>795</u>	<u>833</u>

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)

<u>FUNCTION/PROGRAM</u>	<u>FISCAL YEAR</u>									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
PUBLIC SAFETY										
Police										
Physical Arrests	6,364	6,242	6,723	6,065	7,600	9,489	8,711	7,469	7,711	8,791
Parking Violations	2,380	673	1,297	661	683	696	4,215	3,231	7,098	10,837
Traffic Violations	29,107	28,105	25,777	19,191	22,354	31,984	12,821	29,382	40,816	32,195
Fire										
Number Of Calls Answered	18,402	18,473	18,172	17,300	16,357	14,406	15,511	15,248	14,229	12,640
Inspections	3,691	3,631	3,237	3,682	2,678	2,165	2,236	1,831	1,937	1,620
PUBLIC WORKS										
Street Resurfacing (miles)	14.2	9.78	4.82	13	29	30	56	7	41	32
Potholes Repaired	348	165	15	17	21	53	25	33	36	50
New Construction Permits Issued	812	839	886	691	382	358	230	337	284	238
SOLID WASTE										
Refuse Collected (tons)	113,587	102,249	104,833	103,334	100,606	86,841	90,800	93,000	93,500	88,000
Recyclables Collected (tons)	1,716	1,934	1,042	1,410	1,327	1,210	1,365	812	2,595	2,088
CULTURE & RECREATION										
Community Center Rentals	969	960	1013	961	684	797	928	875	839	761
GOLF COURSE										
Number Of Paid Rounds Played	40,722	40,909	41,209	40,272	41,080	36,471	36,863	7,002	-	23,885
WATER & SEWER										
Customer Connections	20,492	21,065	19,227	17,871	16,459	16,384	14,601	15,358	15,227	15,604
New Connections-Fire Hydrants	48	82	76	46	16	35	72	28	20	26
Water Main Breaks	129	199	88	92	185	124	83	105	144	95
Average Daily Consumption (million gallons day)	14.76	16.34	15.78	14.12	19.72	18.60	19.81	18.42	12.58	19.63
LIQUID WASTE										
Average Daily Sewage Treatment (millions of gallons)	6.28	5.98	6.08	7.02	6.56	6.61	6.46	6.34	6.22	5.56

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
PUBLIC WORKS										
Streets (miles)	486	483	461	441	441	441	428	410	412	409
Streetlights	6,313	6,244	6,178	6,095	6,038	6,033	5,930	5,872	5,832	5,796
Metered sectors	12	12	12	12	12	12	12	12	12	12
Traffic signals	129	128	128	127	126	126	124	124	124	123
PUBLIC SAFETY										
Police:										
Stations/Storefronts	1	1	1	1	1	1	1	1	2	2
Patrol Units	125	112	59	58	42	48	49	43	43	45
Fire Stations	8	8	8	8	8	8	8	8	9	8
CULTURE AND RECREATION										
Parks Acreage	555	555	555	555	555	555	555	555	555	555
Parks	36	36	36	36	36	36	36	36	36	36
Swimming Pools	3	3	3	3	3	3	3	3	3	3
Tennis Courts	16	16	16	16	16	16	16	16	16	16
Community Centers	5	5	5	5	5	5	5	5	5	4
GOLF COURSE										
Golf Course Acreage	125	125	125	125	125	125	125	125	135	135
WATER & SEWER										
Water Mains (miles)	710	686	656	656	645	642	634	618	612	609
Fire Hydrants	2,719	2,638	2,623	2,290	2,244	2,228	2,194	2,106	2,090	2,073
Maximum Daily Capacity (millions of gallons)	50	50	50	50	50	50	50	50	50	50
SOLID WASTE										
Collection Trucks	37	37	39	39	39	32	32	32	36	50
Sanitary Sewers (miles)	526	519	519	512	506	504	495	489	487	486
Storm Sewers (miles)	13.89	13.89	13.89	13.89	13.89	13.89	13.89	13.89	13.89	13.89
Maximum Daily Treatment Capacity (thousands of gallons)	13	13	13	13	13	13	13	13	13	13
RISK MANAGEMENT										
Family Health Clinic	1	1	1	1	1	1	1	1	1	1
Health & Wellness Center	1	1	1	1	1	1	1	1	1	1

Source: City of Odessa, Texas