

Comprehensive Annual Financial Report



For Fiscal Year Ended September 30, 2017

CITY OF ODESSA, TEXAS

CITY OF ODESSA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Prepared by:

The Finance Department

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INTRODUCTORY SECTION



City of Odessa

March 27, 2018

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, 2017. Both the Department of Finance and the Office of the City Manager prepared this report, 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.

Weaver and Tidwell, LLP, a firm of licensed certified public accountants, have audited the City's financial statements. 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, 2017, are free of material misstatement. The independent audit involved examining, on a sample 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 the fiscal year ended September 30, 2017, 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 that is comprised of various counties in western Texas and a portion of adjacent areas in southeastern New Mexico. Odessa boasts a longstanding reputation for its geological fields, which consist of mostly arid terrain and an astonishing supply of oil and natural gas reserves. 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 50 square miles of area land which is about 86% developed. Odessa has a current population of approximately 119,762 residents.

Incorporated in April 1927, the City is empowered by State statute to extend beyond its 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 that consists of a mayor and five other members who are elected on a non-partisan basis. The mayor is elected at large while council members are elected by 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 (Enterprise funds), 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 considers 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 comparison is presented on pages 28, 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 2015-2016, the economic downturn within the Permian region continued to decline and eventually stabilize in a depressed state due to the oil and natural gas issues. In 2014, 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 that 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 had dramatically slowed down.

After 21 months of gradual downturn, in 2017, the upward trend started again. The label of "continued dominance for the region" in the Wall Street Daily's July 2014 article entitled, *Permian Basin Exhibits Unstoppable Growth* has returned. Performance trends have started moving forward for both large and small energy sector companies within the Permian community. At present, oil production has reached a record 2.8 million barrels per day (BPD), making it the world's second-most-prolific field, behind the legendary Ghawar in Saudi Arabia. One of the major reasons for the upturn is the increase in hydraulic fracturing operations. Energy production activities revealed the total US rig count has increased from the all-time low of 404 to a

current 1,187 rigs. The Permian basin rig count has increase from a low of 203 to 435 rigs. The average price of oil per barrel increased from \$26.55 in January 2016 to a current of just under \$60 per barrel. Overall, the economic gain of the energy sector is facilitating an all-time stronger economy, and a stable performance base for the local community.

During fiscal year 2016-2017, the local economy began to moderately increase. Even though the recovery has been at a slower level of energy service and production activities within the Odessa community, it still brings benefits to the area. This position is 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 the length of these issues. Significant employment gains 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 2017, Odessa's employment activities revealed an unemployment rate of approximately 3.3%. The strengthening performance of the local economy was best evidenced by the City's sales tax revenue collections, which represents the City's largest source of governmental revenue, increased for the final 7 months of the City's fiscal year. For all of the twelve months of fiscal year-end 2017 total sales tax receipts were substantially higher than prior year numbers. The final fiscal year totals of \$37,885,432 was above anticipated budget by almost \$8 million dollars

Assessed property values continue to increase. Assessed property values for fiscal year end 2017 reflected an increase over the previous fiscal year end's property valuations, but not by a lot. Odessa's housing market activities also continued to reflect the area's economic environment. Sales activities for new and existing homes have started to skyrocket including the demand for affordable housing. Currently, a new home construction is 9 months out for the average house size. When comparing single-family housing permit activity for fiscal year end 2017 and 2016, the annualized number of starts increased to 49 monthly with a monthly increase in value of just under \$10 million dollars for an increased change of value of 29.16%.

As mentioned earlier, the local economy has improved. There continues to be many development projects and construction activities underway throughout the city. In addition, downtown development is underway in Odessa, where the City and a local private sector corporation have contracted with a developer to plan, design and construct a full-service upscale hotel, conference center and parking garage and to revitalize the historic Ector Theatre. The construction is now underway (pictured on the cover) and expected completion is the spring of 2019.

During this past fiscal year, productivity was also evident amidst the efforts of the Odessa Development Corporation (ODC) 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.

By the end of the fiscal year, the increasing economic impact of energy sector gains and the community growth factors were expected to continue the ascent 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 (pictured on the cover). 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 2017 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. 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 multiple developments supporting recovery in 2017 and additional growth trends are expected to continue in 2018. Positive changes in the economic environment have boosted the local community in 2018 as oil prices 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, 2016. This was the thirty first 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, 2016. This is the thirty fourth consecutive year receiving this award. 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.

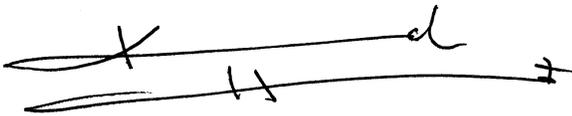
The preparation of this report was made possible by the dedicated service and hard work of staff in the Departments of Finance, Office of the City Manager, and Purchasing. Each member of these departments has our sincere appreciation for their contributions made in the preparation of this report. We 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,



Michael Marrero
Interim 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**

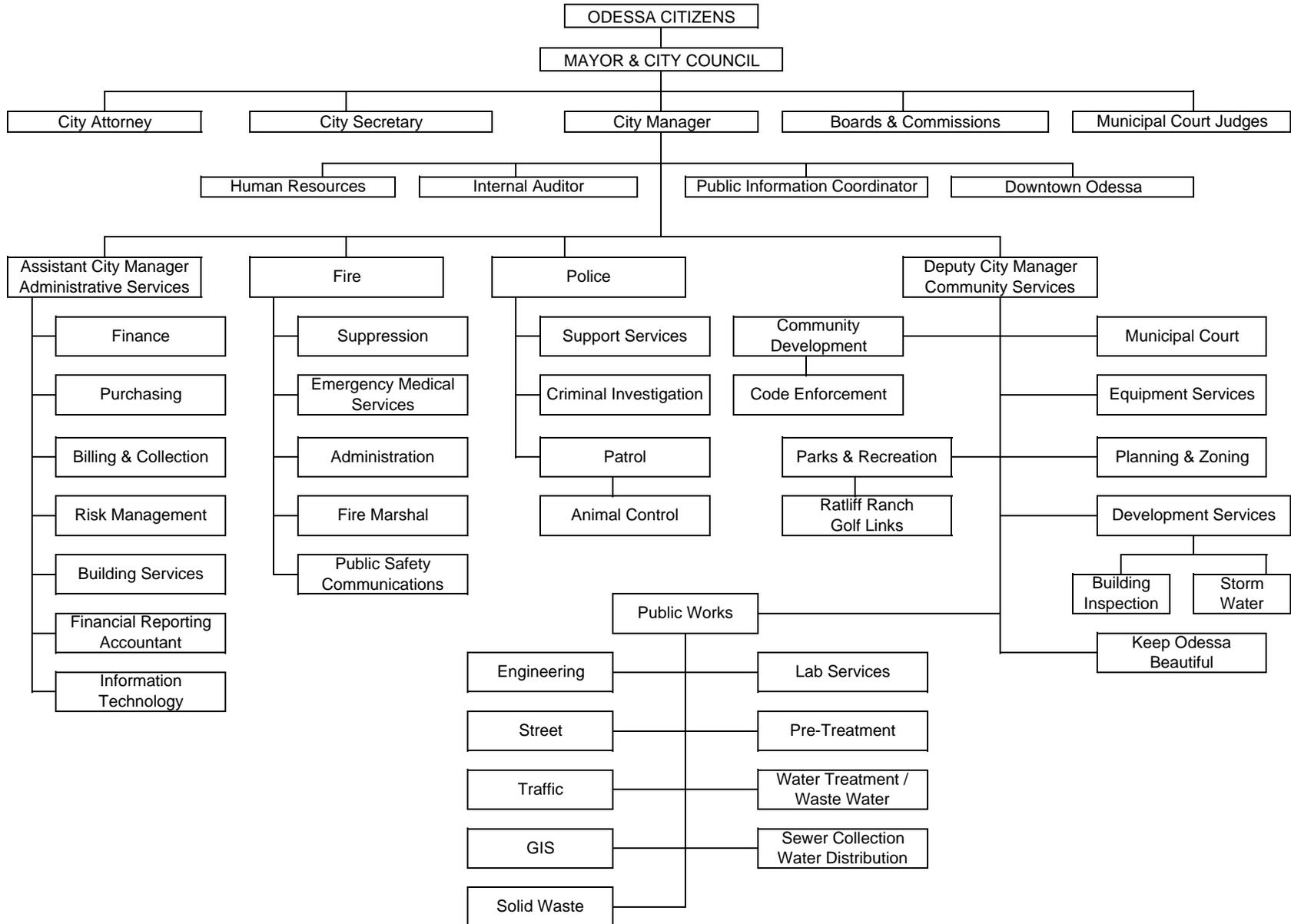
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

CITY OF ODESSA ORGANIZATION CHART



CITY OF ODESSA, TEXAS

CITY OFFICIALS

MAYOR

DAVID R. TURNER

CITY COUNCIL

DISTRICT 1

MALCOLM HAMILTON

DISTRICT 2

DEWEY BRYANT

DISTRICT 3

BARBARA GRAFF

DISTRICT 4

MIKE GARDNER

DISTRICT 5

FILIBERTO GONZALES

INTERIM CITY MANAGER

MICHAEL MARRERO

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, 2017, 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, 2017, and the respective changes in financial position, cash flows, and, where applicable, the budgetary (GAAP basis) and actual comparison for the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 93 – 99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018 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 27, 2018

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2017

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, 2017. 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.

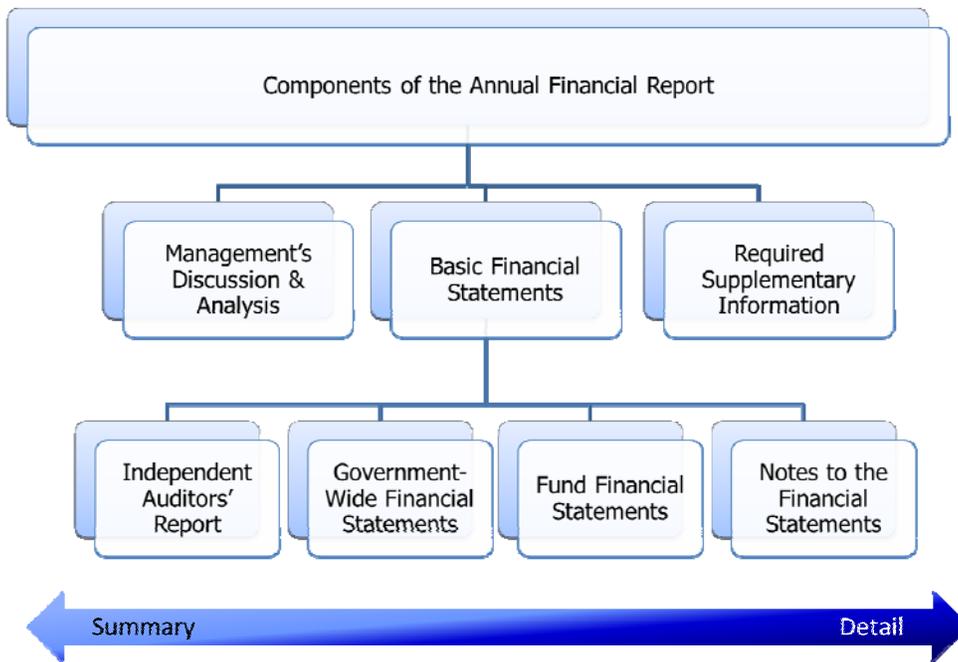
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$232.9 million (net position), of which \$(22.0) million was unrestricted net position. The government's total net position increased \$37.8 million during the 2017 fiscal year. The vast majority of the City's net position is the net investment in capital assets of \$226.8 million. Net position restricted for specific purposes totaled \$28.1 million, the majority of which is restricted for the construction of the downtown convention center and related projects.
- The City's governmental funds reported a decrease in fund balances of \$11.5 million under the previous year with combined ending fund balances of \$104.3 million as of the close of the current fiscal year. Approximately 32.5%, or \$33.9 million, of this total amount is available for spending at the government's discretion (unassigned fund balances). Within the remaining \$70.4 million, \$0.7 million has been restricted for specific debt service requirements, \$54.1 million is restricted or nonspendable, \$4.2 million is committed, and \$11.4 million is assigned to specific types of expenditures.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$33.9 million, or 39.9%, 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 \$50.1 million and decreased by \$15.2 million at the close of the current fiscal year.
- The City is seeing a significant increase in oil and gas activity in our area and monthly sales taxes are much higher than the previous year. The Economic Factors and Next Year's Budget section on the last few pages of this discussion provide additional information.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A also serves as an introduction to the City's basic financial statements. Those basic financial statements are comprised of three parts: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The Independent Auditors' Report (as found on page 1) is also presented as a component of this report and describes the auditors' association with various sections of this report. Required supplementary information and other data, as listed in the Table of Contents, is also included in this financial report. See the diagram below to better understand the structure and the contents of the City's annual financial report:



GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances by offering both long-term and short-term information, and using accounting methods similar to those utilized by private-sector companies. There are two required government-wide financial statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference between the two reported as net position. Over time, the increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2017

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, 2017

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 and the Capital Projects Fund, which are both considered major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is 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. Non-major enterprise funds include the Ratliff Ranch Golf Course, Liquid Waste and Storm Water Funds and are combined into a single, aggregated presentation in the proprietary fund financial statements. Likewise, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and 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, 2017

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 budgetary comparison schedule is presented as part of the basic financial statements. In addition, the combining statements referred to earlier regarding non-major governmental funds, non-major enterprise 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 \$232.9 million at the close of the fiscal year. As a result of operations, total net position increased by \$37.8 million during the period.

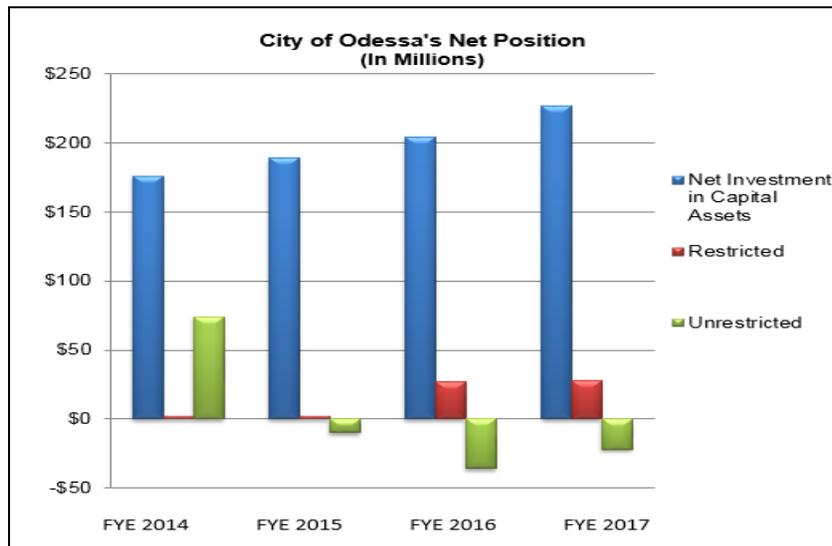
By far, the largest portion of the City's net position, \$226.8 million, reflects its net investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to 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, 2017

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

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|----------------------------------|-------------------------|--------------|--------------------------|---------------|--------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current & Other Assets | \$ 131 | \$ 144 | \$ 63 | \$ 53 | \$ 194 | \$ 197 |
| Capital Assets | 175 | 145 | 146 | 146 | 321 | 291 |
| Total Assets | <u>306</u> | <u>289</u> | <u>209</u> | <u>199</u> | <u>515</u> | <u>488</u> |
| Deferred Outflows of Resources | 39 | 46 | 6 | 8 | 45 | 54 |
| Long-Term Liabilities | | | | | | |
| Outstanding | 212 | 246 | 65 | 70 | 277 | 316 |
| Other Liabilities | 19 | 18 | 13 | 13 | 32 | 31 |
| Total Liabilities | <u>231</u> | <u>264</u> | <u>78</u> | <u>83</u> | <u>309</u> | <u>347</u> |
| Deferred Inflows of Resources | 18 | - | - | - | 18 | - |
| Net Investment in Capital Assets | 131 | 110 | 96 | 94 | 227 | 204 |
| Restricted | 27 | 26 | 1 | 1 | 28 | 27 |
| Unrestricted | (62) | (65) | 40 | 29 | (22) | (36) |
| Total Net Position | <u>\$ 96</u> | <u>\$ 71</u> | <u>\$ 137</u> | <u>\$ 124</u> | <u>\$ 233</u> | <u>\$ 195</u> |

As of September 30, 2017, 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 (\$28 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 remained negative.



CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2017

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

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|----------------------------|------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 10,256 | \$ 10,459 | \$ 78,156 | \$ 73,021 | \$ 88,412 | \$ 83,480 |
| Operating Grants | | | | | | |
| Contributions | 5,802 | 5,898 | - | - | 5,802 | 5,898 |
| Capital Grants & Contributions | 7,510 | 13,783 | 3,885 | 9,224 | 11,395 | 23,007 |
| General Revenues: | | | | | | |
| Property Taxes | 34,438 | 33,514 | - | - | 34,438 | 33,514 |
| Sales Taxes | 37,886 | 30,084 | - | - | 37,886 | 30,084 |
| Other Taxes | 15,794 | 13,835 | - | - | 15,794 | 13,835 |
| Other Revenues | 3,878 | 3,720 | 253 | 152 | 4,131 | 3,872 |
| Total Revenues | 115,564 | 111,293 | 82,294 | 82,397 | 197,858 | 193,690 |
| General Government | 6,434 | 6,393 | - | - | 6,434 | 6,393 |
| Finance | 2,128 | 1,888 | - | - | 2,128 | 1,888 |
| Public Works | 19,783 | 20,174 | - | - | 19,783 | 20,174 |
| Planning & Inspection | 1,760 | 1,935 | - | - | 1,760 | 1,935 |
| Public Safety | 45,639 | 63,078 | - | - | 45,639 | 63,078 |
| Welfare | 1,242 | 1,129 | - | - | 1,242 | 1,129 |
| Culture & Recreation | 10,792 | 11,427 | - | - | 10,792 | 11,427 |
| Interest on Long-Term Debt | 3,255 | 3,400 | - | - | 3,255 | 3,400 |
| Water & Sewer | - | - | 52,028 | 52,228 | 52,028 | 52,228 |
| Solid Waste | - | - | 13,648 | 14,232 | 13,648 | 14,232 |
| Ratliff Golf Course | - | - | 1,988 | 2,057 | 1,988 | 2,057 |
| Liquid Waste | - | - | 65 | 36 | 65 | 36 |
| Storm Water | - | - | 1,282 | 1,030 | 1,282 | 1,030 |
| Total Expenses | 91,033 | 109,424 | 69,011 | 69,583 | 160,044 | 179,007 |
| Increase(Decrease) in Net Position Before Transfers | 24,531 | 1,869 | 13,283 | 12,814 | 37,814 | 14,683 |
| Transfers | (200) | (200) | 200 | 200 | - | - |
| Increase in Net Position | 24,331 | 1,669 | 13,483 | 13,014 | 37,814 | 14,683 |
| Net Position-Beginning | 71,420 | 69,751 | 123,716 | 110,702 | 195,136 | 180,453 |
| Net Position-Ending | \$ 95,751 | \$ 71,420 | \$ 137,199 | \$ 123,716 | \$ 232,950 | \$ 195,136 |

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2017

The previous page displayed a comparative summary of the City's operations for fiscal years ended 2017 and 2016. During the current fiscal year, the City's total net position increased by approximately \$37.8 million. Governmental type activities had an increase of \$24.3 million; and the business-type activities had a \$13.5 million increase. The total revenues increased to \$197.9 million, which was up more than 2% from the previous year. Total expenses decreased to \$160.0 million, which was a decrease of \$19.0 million or 10.6%. The net increase to the government's net position of \$37.8 million was \$23.1 million more than the previous year's amount of \$14.7 million.

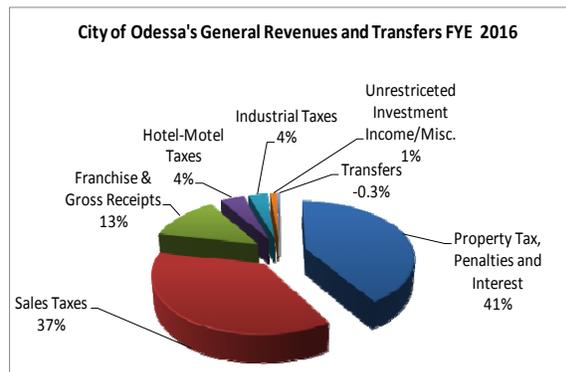
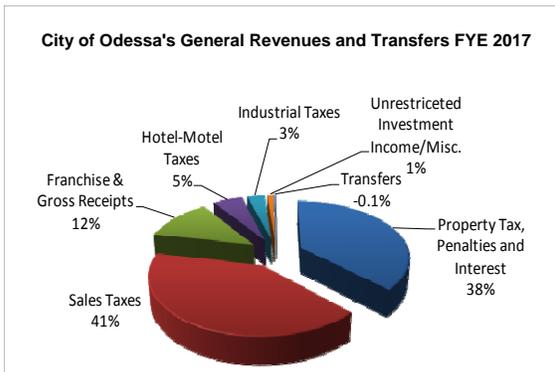
Governmental Activities

Program revenues for governmental activities were \$23.6 million and were used to pay expenses associated with governmental activities of \$91 million.

The City's general revenues and transfers provided \$91.8 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)

| | 2017 | 2016 | Variance |
|---|------------------|------------------|------------------|
| Property Tax, Penalties and Interest | \$ 34,438 | \$ 33,514 | \$ 924 |
| Sales Taxes | 37,886 | 30,084 | 7,802 |
| Franchise & Gross Receipts | 11,075 | 10,482 | 593 |
| Hotel-Motel Taxes | 4,719 | 3,353 | 1,366 |
| Industrial Taxes | 2,789 | 2,717 | 72 |
| Unrestricted Investment Income/Misc. | 1,089 | 1,003 | 86 |
| Transfers | (200) | (200) | - |
| Total General Revenues and Transfers | \$ 91,796 | \$ 80,953 | \$ 10,843 |



CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2017

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 2017, property taxes generated \$34.4 million, or 37.5% of the City's total general revenues, and reflected an increase of \$.9 million over the previous year. Property tax collections were derived from growth in the property tax base that increased to \$7.3 billion during the year and was combined with a property tax rate of \$0.47059 per hundred dollars valuation, the same rate as the previous year. Sales taxes revenues generated \$37.9 million, which represented the largest share of the City's general revenues at 41.3%. Franchise and gross receipts taxes contributed \$11.1 million to operations, which was an increase from last year by \$593,615. 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 \$8.5 million. Hotel-motel taxes income provided an additional \$4.7 million, which is a sizeable increase of \$1.4 million from the prior year amount of \$3.3 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 \$45.6 million represents 50.1% of all combined governmental activities expenses. Refer to Table 2 for additional details.

Business-Type Activities

Net position from business-type activities totaled \$137.2 million at the close of the fiscal year and reflected a 10.9% increase from the prior year. Revenues of business-type activities contributed \$82.3 million to the operations of the City. Expenses associated with these activities totaled \$69.0 million. This resulted in an increase to the City's net position of \$13.5 million from business-type activities.

The major components of the revenue stream for business-type activities represent Water and Sewer revenues of \$60.4 million and Solid Waste revenues of \$14.3 million. Investment earnings were higher in the current fiscal year, and represented \$0.3 million of the revenue component of business-type activities for the City. Meanwhile, grants and contributions revenue totaled \$3.9 million as compared to \$9.2 million during the prior year.

Water and Sewer had \$52.0 million in expenses coupled with a positive position of \$12.6 million net revenues over expenses for the current fiscal year end. Solid Waste expenses were \$13.6 million and resulted in revenues over expenses totaling \$0.7 million.

The remaining non-major business-type activities had revenues and transfers of \$3.6 million and expenses of \$3.3, million resulting in revenues over expenses of \$0.3 million.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For Fiscal Year Ended September 30, 2017

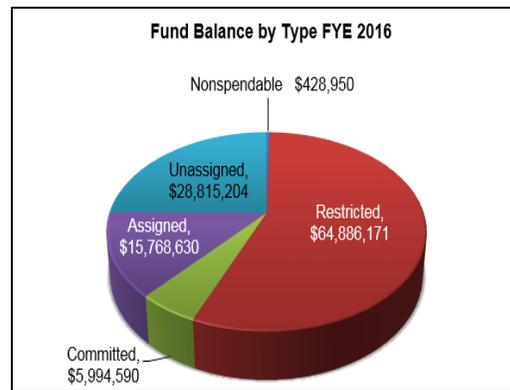
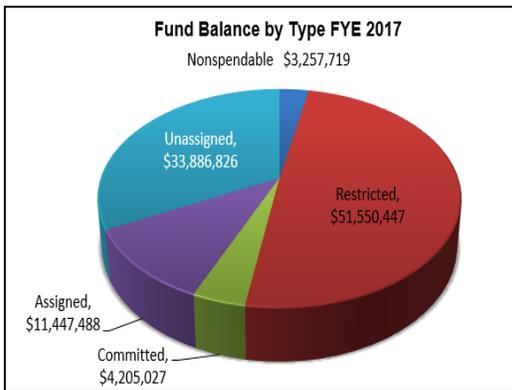
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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, 2017, the City's governmental funds reported combined ending fund balance of \$104.3 million, a decrease of \$11.5 million in comparison with the prior year. Approximately 32.5% of this total amount, \$33.9 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 \$33.9 million, while total fund balance increased to \$48.4 million. With the General Fund's unassigned fund balance, the City maintains a 60-day contingency balance of \$14,249,100 and a 25-day budget stabilization balance of \$5,937,125. 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 39.9% of total General Fund expenditures, while total fund balance represents 56.9% of that same amount. Fund balance of the City's General Fund increased by \$3.7 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 of \$7.8 million, increased property tax revenue of \$1.0 million, offset by capital outlay expenditures of \$4.6 million.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2017

The Capital Projects Fund has a total fund balance of \$50.1 million. Of that amount, \$45.7 million is restricted for capital outlay and construction, \$4.2 million is committed for construction, and \$0.2 million is reported as assigned. The net decrease in fund balance during the current year for the Capital Projects Fund was \$(15.3) million due to transfers in of \$1.8 million, a contribution of \$1.0 million, interest earnings of \$0.3 million and less expenditures of \$(18.4) 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 \$125.7 million. The total change in net position was an increase of \$11.3 million. Major factors impacting this change include operating income of \$10.2 million, \$3.9 million in capital contributions, and \$(3.0) million in interest expense. Operating income was \$2.9 million higher in 2017 than it was in 2016. This increase is attributable to \$4.7 million increased water and reuse water sales, \$(1.6) million in decreased other operating revenue, \$(0.2) million decrease in operating expenses.

Unrestricted net position of the Solid Waste Fund at the end of the year totaled \$(0.8) million. The change in net position from the previous fiscal year was a \$0.7 million increase. This increase is attributable to increased revenue of \$0.9 million from a rate increase..

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 \$10.8 million during the fiscal year as depicted below in thousands.

| | Final Budget | Actual | Variance Over (Under) |
|------------------------------------|------------------|------------------|-----------------------|
| Property Tax, Penalties & Interest | \$ 26,709 | \$ 27,334 | \$ 625 |
| City Sales Tax | 29,907 | 37,885 | 7,978 |
| Franchise & Gross Receipts | 10,680 | 11,075 | 395 |
| Fines & Forfeitures | 3,139 | 3,507 | 368 |
| Permits & Licenses | 964 | 944 | (20) |
| Investment Income | 125 | 305 | 180 |
| Industrial Contracts | 2,006 | 2,789 | 783 |
| Other | 3,519 | 4,096 | 577 |
| Intergovernmental | 1,124 | 1,059 | (65) |
| Total Revenues | \$ 78,173 | \$ 88,994 | \$ 10,821 |

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2017

City sales tax created the very favorable variance due to the economic upswing in Odessa and in surrounding communities. Property tax and gross receipts tax showed favorable variances for the fiscal year due to conservative budget practices.

Differences between the original budget and the final amended budget resulted in an increase in appropriations of \$18.9 million and can be briefly summarized, in thousands of dollars, as follows:

| | |
|----------|--|
| \$ 106 | increase in general government activities |
| \$ 2,053 | increase in finance service activities |
| \$ 296 | increase in public works activities |
| \$ 3,717 | increase in public safety activities |
| \$ (149) | decrease in planning and inspection activities |
| \$ 256 | increase in culture and recreation activities |
| \$12,671 | increase in capital outlays |

Approximately \$14.3 million of this increase relates to encumbrances and obligated projects carried over. Budget amendments of \$2.4 million were made during the fiscal year - \$0.4 million to increase City contributions to the Firemen's pension plan, \$1.8 million to purchase and demolish downtown property, and \$.2 million to renovate City hall. In addition, one-time supplemental requests of \$2.2 million was approved by the governing body during the fiscal year.

With the adjustments made during fiscal year 2017, the actual expenditures were \$85.0 million as compared to the final budget amount of \$96.6 million causing a positive variance of \$11.5 million. The majority of this variance (72.0%) 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 2017 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, 2017, amounts to \$320.5 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, 2017 was \$19.0 million in the governmental activities and \$1.6 million in the business type activities for a total of \$20.6 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, 2017

Table 4
Capital Assets as of September 30, 2017
(Net of Depreciation, in Thousands)

| | Governmental Activites | | Business-Type Activities | | Total Primary Government | |
|--------------------------------------|---------------------------|-------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 27,123 | \$ 26,363 | \$ 524 | \$ 524 | \$ 27,647 | \$ 26,887 |
| Buildings | 9,269 | 9,966 | 2,729 | 2,964 | 11,998 | 12,930 |
| Improvements other than Buildings | 29,147 | 24,131 | 22,669 | 24,496 | 51,816 | 48,627 |
| Infrastructure | 61,021 | 51,946 | 111,098 | 108,540 | 172,119 | 160,486 |
| Furniture & Office Equipment | 9 | 24 | 109 | 116 | 118 | 140 |
| Machinery & Equipment | 1,477 | 1,543 | 6,876 | 7,141 | 8,353 | 8,684 |
| Data Processing Equipment | 1,009 | 1,261 | 4 | 5 | 1,013 | 1,266 |
| Automotive Equipment | 24,329 | 17,403 | - | - | 24,329 | 17,403 |
| Radio & Communications Equipment | 2,579 | 3,013 | - | - | 2,579 | 3,013 |
| Works of Art | 10 | 10 | - | - | 10 | 10 |
| Construction in Progress | 19,007 | 9,573 | 1,558 | 1,851 | 20,565 | 11,424 |
| Totals | \$ 174,980 | \$ 145,233 | \$ 145,567 | \$ 145,637 | \$ 320,547 | \$ 290,870 |

The following major capital projects were completed during fiscal year 2017:

Governmental Projects

- Murray Fly Park Renovations
- Salinas Park Renovations
- Woodson Park Renovations
- Lawndale Community Center Parking Lot
- Comanche Trail Soccer Complex Improvements
- 87th Street Expansion
- East Drainage Basin Improvements

Water and Sewer Projects

- Sewer Line Replacements
- Water Line Replacements

Long Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$116.9 million. Of this amount, \$65.1 million is governmental-type tax supported debt. Water and Sewer system revenues support \$51.8 million of business-type activity debt.

CITY OF ODESSA, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2017

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

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|-------------------------|------------------|--------------------------|------------------|--------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Certificates of Obligation Serviced | \$ 44,240 | \$ 46,090 | \$ - | \$ 4,120 | \$ 44,240 | \$ 50,210 |
| Refunding General Obligations Serviced | <u>20,895</u> | <u>22,965</u> | <u>51,825</u> | <u>51,825</u> | <u>72,720</u> | <u>74,790</u> |
| Totals | <u>\$ 65,135</u> | <u>\$ 69,055</u> | <u>\$ 51,825</u> | <u>\$ 55,945</u> | <u>\$ 116,960</u> | <u>\$ 125,000</u> |

The City’s total bonded debt decreased \$8.0 million during the current fiscal year. Debt serviced by governmental activities decreased by \$3.9 million, while debt serviced by business-type activities decreased by \$4.1 million. Subsequent to the year end, refunding debt in the amount of \$36.3 million was issued to refund certain governmental type debt.

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

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

During the fiscal year ended September 30, 2017, Odessa’s economy blossomed and sales tax revenues increased significantly over the prior year. With the increased oil and gas activity, our local economy is on an upward trend. Past economic diversification efforts of the community leaders are expected to afford the continuance of stabilizing trends including low unemployment, solid housing market activities, and traditional consumer spending.

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, 2017

The annual budget for the 2018 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 2018 fiscal year total \$207.2 million. This amount represents \$5.7 million, or 2.8%, increase above the 2017 fiscal year budget of \$201.5 million. Changes in expenditures reflected are noted as follows, in millions:

- \$ 2.8 increase in the General Fund
- \$ 2.4 increase in the Water and Sewer Fund
- \$ 0.5 increase in the Solid Waste Fund
- \$ (0.4) decrease in the Equipment Service Fund
- \$ 0.7 increase in the Risk Management Fund
- \$ (0.3) decrease in Other Funds

Total revenues for the 2018 fiscal year are projected at \$211.0 million; an amount that exceeds last year's adopted budget by \$6.6 million, or 3.2%. The more significant revenue changes are derived from several sources including, in millions;

- \$ 4.7 increase in the General Fund
- \$ 2.3 increase in the Water and Sewer Fund
- \$ (0.6) decrease in the Solid Waste Fund
- \$ (1.4) decrease in the Equipment Service Fund
- \$ 1.9 increase in the Risk Management Fund
- \$ (0.3) decrease 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, and are projected at 5.3% higher than the prior year.

Assessed values of property in Odessa continued to rise for tax year 2017, and the City elected to increase the tax rate to 49.3248 cents per \$100 valuation. Sales taxes are projected 2.9% higher than the prior year as actual sales tax for 2017 came in \$8.0 million higher than budget. General Fund revenues for the 2018 fiscal year are budgeted at \$88.6 million.

Expenditures projected for the 2018 General Fund total \$86.7 million. This amount yields a net increase to the budget for 2018, and reflects a \$2.8 million, or 3.3% increase, over the previous adopted budget.

CITY OF ODESSA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended September 30, 2017

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

- 2.5% increase in personnel costs
- 0.3% decrease on other expenditures

The combined balance of the assigned and unassigned fund balances of the General Fund of \$45.1 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 \$59.5 million and reflect an increase of \$2.3 million, or 4.0%, above revenues budgeted for 2017. There was no increase to the rates for 2017 since the current rates are expected to generate revenues sufficient to support increased water costs and to encourage water conservation. The large revenue increase is from our contract with an oil and gas company to purchase our reuse water, and increased water sales overall.

Water and Sewer Fund operating expenditures were budgeted at \$59.5 million with a \$2.4 million, or 4.2%, increase in operating costs from the previous fiscal year. Budgeted expenditures should cover the rising costs of fleet maintenance, chemical supplies, and other water and sewer system replacement costs, and the cost of purchasing water. The additional reuse water revenue allows for additional budgeted expenditures to study and improve our water resources and water quality.

In the Solid Waste Fund, budgeted revenues are projected at \$14.1 million and expenditures are estimated at \$13.3 million. Budgeted revenues reflected a \$0.6 million decrease. There were no rate increases for the year. Budgeted expenditures reflected no change from the previous year.

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, 2017

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|-----------------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Odessa Development Corporation |
| ASSETS | | | | |
| Cash and Investments | \$ 108,777,294 | \$ 42,500,578 | \$ 151,277,872 | \$ 45,656,443 |
| Receivables (Net of Allowance for Uncollectibles) | 27,681,812 | 7,637,365 | 35,319,177 | 2,139,552 |
| Internal Balances | (9,142,655) | 9,142,655 | - | - |
| Inventories | 4,142 | 743,067 | 747,209 | - |
| Prepaid Items | - | - | - | 11,058 |
| Restricted Assets: | | | | |
| Cash and Investments | - | 3,201,752 | 3,201,752 | - |
| Property Held for Sale | 3,253,577 | - | 3,253,577 | - |
| Capital Assets (Net of Accumulated Depreciation): | | | | |
| Land | 27,122,697 | 524,396 | 27,647,093 | - |
| Buildings | 9,268,936 | 2,729,305 | 11,998,241 | - |
| Improvements | 29,147,245 | 22,668,410 | 51,815,655 | - |
| Infrastructure | 61,021,248 | 111,098,322 | 172,119,570 | - |
| Furniture and Office Equipment | 8,740 | 108,494 | 117,234 | - |
| Machinery and Equipment | 1,477,300 | 6,876,382 | 8,353,682 | - |
| Data Processing Equipment | 1,008,841 | 3,562 | 1,012,403 | - |
| Automotive Equipment | 24,329,393 | - | 24,329,393 | - |
| Radio and Communication Equipment | 2,578,957 | - | 2,578,957 | - |
| Works of Art | 10,000 | - | 10,000 | - |
| Construction-in-Progress | 19,007,096 | 1,557,826 | 20,564,922 | - |
| TOTAL ASSETS | 305,554,623 | 208,792,114 | 514,346,737 | 47,807,053 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows - Pension Plans | 38,499,355 | 3,485,994 | 41,985,349 | - |
| Deferred Charge on Refunding | 986,931 | 2,519,036 | 3,505,967 | - |
| Advance Payments to Grantees | - | - | - | 216,000 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 39,486,286 | 6,005,030 | 45,491,316 | 216,000 |
| LIABILITIES | | | | |
| Accounts Payable and Other Current Liabilities | 11,638,080 | 4,459,659 | 16,097,739 | 10,624,546 |
| Accrued Interest Payable | 269,802 | 198,083 | 467,885 | - |
| Unearned Revenue | - | 3,394,553 | 3,394,553 | - |
| Noncurrent Liabilities: | | | | |
| Due Within One Year | 7,945,566 | 4,592,684 | 12,538,250 | - |
| Due in More Than One Year | 211,619,614 | 64,952,675 | 276,572,289 | - |
| TOTAL LIABILITIES | 231,473,062 | 77,597,654 | 309,070,716 | 10,624,546 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows - Pension Plans | 17,817,089 | - | 17,817,089 | - |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 130,925,084 | 95,894,235 | 226,819,319 | - |
| Restricted for: | | | | |
| Debt Service | 729,501 | - | 729,501 | - |
| Capital Projects | 21,269,307 | - | 21,269,307 | - |
| Special Revenue | 5,137,165 | - | 5,137,165 | - |
| Rate Stabilization | - | 1,000,000 | 1,000,000 | - |
| Unrestricted | (62,310,299) | 40,305,255 | (22,005,044) | 37,398,507 |
| TOTAL NET POSITION | \$ 95,750,758 | \$ 137,199,490 | \$ 232,950,248 | \$ 37,398,507 |

The accompanying notes are an integral part
of these financial statements

**CITY OF ODESSA, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017**

| Functions/Programs | Program Revenues | | | |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 6,434,143 | \$ 222,179 | \$ - | \$ - |
| Finance | 2,128,429 | 608,445 | - | - |
| Public Works | 19,783,168 | 350,863 | 3,817,238 | 6,365,580 |
| Planning and Inspection | 1,759,578 | 496,083 | - | - |
| Public Safety | 45,638,598 | 8,464,052 | 729,247 | 180,764 |
| Welfare | 1,241,653 | - | 1,206,303 | - |
| Culture and Recreation | 10,792,285 | 114,238 | - | 1,012,760 |
| Interest on Long-term Debt & Bond Costs | 3,255,120 | - | - | - |
| TOTAL GOVERNMENTAL ACTIVITIES | 91,032,974 | 10,255,860 | 5,752,788 | 7,559,104 |
| Business-Type Activities: | | | | |
| Water and Sewer | 52,028,384 | 60,442,081 | - | 3,885,787 |
| Solid Waste | 13,648,061 | 14,327,330 | - | - |
| Ratliff Golf Course | 1,987,884 | 1,524,210 | - | - |
| Liquid Waste | 64,949 | 93,598 | - | - |
| Storm Water | 1,281,839 | 1,768,532 | - | - |
| TOTAL BUSINESS-TYPE ACTIVITIES | 69,011,117 | 78,155,751 | - | 3,885,787 |
| TOTAL PRIMARY GOVERNMENT | \$ 160,044,091 | \$ 88,411,611 | \$ 5,752,788 | \$ 11,444,891 |
| Component Unit: | | | | |
| Odessa Development Corporation | 7,146,643 | \$ - | \$ - | \$ - |
| TOTAL COMPONENT UNITS | \$ 7,146,643 | \$ - | \$ - | \$ - |

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

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 |
| \$ (6,211,964) | \$ - | \$ (6,211,964) | \$ - |
| (1,519,984) | - | (1,519,984) | - |
| (9,249,487) | - | (9,249,487) | - |
| (1,263,495) | - | (1,263,495) | - |
| (36,264,535) | - | (36,264,535) | - |
| (35,350) | - | (35,350) | - |
| (9,665,287) | - | (9,665,287) | - |
| (3,255,120) | - | (3,255,120) | - |
| <u>(67,465,222)</u> | <u>-</u> | <u>(67,465,222)</u> | <u>-</u> |
| - | 12,299,484 | 12,299,484 | - |
| - | 679,269 | 679,269 | - |
| - | (463,674) | (463,674) | - |
| - | 28,649 | 28,649 | - |
| - | 486,693 | 486,693 | - |
| <u>-</u> | <u>13,030,421</u> | <u>13,030,421</u> | <u>-</u> |
| <u>(67,465,222)</u> | <u>13,030,421</u> | <u>(54,434,801)</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(7,146,643)</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(7,146,643)</u> |
| 34,438,304 | - | 34,438,304 | - |
| 37,885,432 | - | 37,885,432 | 9,616,257 |
| 11,075,120 | - | 11,075,120 | - |
| 4,718,990 | - | 4,718,990 | - |
| 2,789,059 | - | 2,789,059 | - |
| 1,088,510 | 252,896 | 1,341,406 | 371,607 |
| 759 | - | 759 | - |
| <u>(200,000)</u> | <u>200,000</u> | <u>-</u> | <u>-</u> |
| <u>91,796,174</u> | <u>452,896</u> | <u>92,249,070</u> | <u>9,987,864</u> |
| 24,330,952 | 13,483,317 | 37,814,269 | 2,841,221 |
| <u>71,419,806</u> | <u>123,716,173</u> | <u>195,135,979</u> | <u>34,557,286</u> |
| <u>\$ 95,750,758</u> | <u>\$ 137,199,490</u> | <u>\$ 232,950,248</u> | <u>\$ 37,398,507</u> |

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

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**CITY OF ODESSA, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2017**

| | General Fund | Capital Projects Fund | Non-major Governmental Funds | Total Governmental Funds |
|--|-----------------------------|-----------------------------|------------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 42,067,310 | \$ 44,497,977 | \$ 4,500,774 | \$ 91,066,061 |
| Receivables, net of Allowance for Uncollectibles | | | | |
| Property Taxes | 2,020,090 | - | - | 2,020,090 |
| Accounts Receivable | 15,299,557 | 8,447,886 | 1,873,476 | 25,620,919 |
| Interfund Receivables | 280,993 | - | - | 280,993 |
| Inventories | 4,142 | - | - | 4,142 |
| Property Held for Sale | 3,253,577 | - | - | 3,253,577 |
| TOTAL ASSETS | <u>\$ 62,925,669</u> | <u>\$ 52,945,863</u> | <u>\$ 6,374,250</u> | <u>\$ 122,245,782</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 2,515,093 | \$ 2,425,958 | \$ 438,036 | \$ 5,379,087 |
| Accrued Payroll | 2,293,902 | - | 28,291 | 2,322,193 |
| Interfund Payable | 267,408 | 19,883 | 41,257 | 328,548 |
| Other | 688,256 | 397,589 | - | 1,085,845 |
| TOTAL LIABILITIES | <u>5,764,659</u> | <u>2,843,430</u> | <u>507,584</u> | <u>9,115,673</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue - Property Tax | 1,870,520 | - | - | 1,870,520 |
| Unavailable Revenue - Other Revenues | 6,912,052 | - | - | 6,912,052 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>8,782,572</u> | <u>-</u> | <u>-</u> | <u>8,782,572</u> |
| FUND BALANCES | | | | |
| Nonspendable | 3,257,719 | - | - | 3,257,719 |
| Restricted | - | 45,683,811 | 5,866,666 | 51,550,477 |
| Committed | - | 4,205,027 | - | 4,205,027 |
| Assigned | 11,233,893 | 213,595 | - | 11,447,488 |
| Unassigned | 33,886,826 | - | - | 33,886,826 |
| TOTAL FUND BALANCES | <u>48,378,438</u> | <u>50,102,433</u> | <u>5,866,666</u> | <u>104,347,537</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 62,925,669</u> | <u>\$ 52,945,863</u> | <u>\$ 6,374,250</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. 148,453,833

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 8,782,572

Deferred Outflows of Resources not reported in the funds. 37,525,818

Deferred Inflows of Resources not reported in the funds. (17,817,089)

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. 29,861,517

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefor are not reported in the funds. (215,403,430)

Net Position of Governmental Activities **\$ 95,750,758**

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, 2017**

| | General Fund | Capital Projects Fund | Non-major Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------------------|------------------------------------|--------------------------------|
| REVENUES | | | | |
| Property Tax, Penalties and Interest | \$ 27,334,151 | \$ - | \$ 7,005,825 | \$ 34,339,976 |
| City Sales Tax | 37,885,432 | - | - | 37,885,432 |
| Franchise and Gross Receipts | 11,075,120 | - | - | 11,075,120 |
| Fines and Forfeitures | 3,506,971 | - | 172,196 | 3,679,167 |
| Permits and Licenses | 944,462 | - | - | 944,462 |
| Grants and Entitlements | - | - | 5,212,209 | 5,212,209 |
| Hotel and Motel Occupancy Tax | - | - | 4,718,990 | 4,718,990 |
| Investment Income | 304,663 | 314,185 | 47,791 | 666,639 |
| Donations | - | 1,012,760 | 288,750 | 1,301,510 |
| Industrial Contracts | 2,789,059 | - | - | 2,789,059 |
| Other | 4,095,646 | 759 | 79,633 | 4,176,038 |
| Intergovernmental | 1,058,578 | - | - | 1,058,578 |
| TOTAL REVENUES | 88,994,082 | 1,327,704 | 17,525,394 | 107,847,180 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 5,988,624 | - | - | 5,988,624 |
| Finance | 1,690,945 | - | 251,434 | 1,942,379 |
| Public Works | 12,019,159 | 170,137 | 3,817,238 | 16,006,534 |
| Planning and Inspection | 1,674,656 | - | - | 1,674,656 |
| Public Safety | 52,134,792 | - | 197,296 | 52,332,088 |
| Welfare | - | - | 1,229,299 | 1,229,299 |
| Culture and Recreation | 6,119,325 | 12,018 | 3,215,463 | 9,346,806 |
| TOTAL CURRENT | 79,627,501 | 182,155 | 8,710,730 | 88,520,386 |
| Debt Service | | | | |
| Principal Retirement | 735,585 | - | 3,920,000 | 4,655,585 |
| Interest and Fiscal Charges | 62,394 | - | 3,085,275 | 3,147,669 |
| TOTAL DEBT SERVICE | 797,979 | - | 7,005,275 | 7,803,254 |
| Capital Outlay | 4,609,530 | 18,200,951 | 59,067 | 22,869,548 |
| TOTAL EXPENDITURES | 85,035,010 | 18,383,106 | 15,775,072 | 119,193,188 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (Carried Forward) | 3,959,072 | (17,055,402) | 1,750,322 | (11,346,008) |

(Continued)

**CITY OF ODESSA, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017**

| | General Fund | Capital Projects Fund | Non-major Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|------------------------------------|--------------------------------|
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (Brought Forward) | \$ 3,959,072 | \$ (17,055,402) | \$ 1,750,322 | \$ (11,346,008) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 1,800,000 | 64,585 | 1,864,585 |
| Transfers (Out) | (264,585) | - | (1,800,000) | (2,064,585) |
| TOTAL OTHER FINANCING SOURCES (USES) | (264,585) | 1,800,000 | (1,735,415) | (200,000) |
| NET CHANGE IN FUND BALANCES | 3,694,487 | (15,255,402) | 14,907 | (11,546,008) |
| FUND BALANCE - BEGINNING OF YEAR | 44,683,951 | 65,357,835 | 5,851,759 | 115,893,545 |
| FUND BALANCE - END OF YEAR | <u>\$ 48,378,438</u> | <u>\$ 50,102,433</u> | <u>\$ 5,866,666</u> | <u>\$ 104,347,537</u> |

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

**CITY OF ODESSA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017**

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) | \$ (11,546,008) |
| 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. | 16,502,558 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. | 6,678,076 |
| 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). | 748,531 |
| 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. | 4,852,752 |
| 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; and the net change in pension expense more than offsets these expenses. | 4,921,543 |
| 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>2,173,500</u> |
| Change in net position of governmental activities (page 22) | <u>\$ 24,330,952</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, 2017

| | Budgeted Amount | | Actual | Variance Over (Under) |
|--|----------------------|----------------------|----------------------|-----------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property Tax, Penalties and Interest | \$ 26,708,784 | \$ 26,708,784 | \$ 27,334,151 | \$ 625,367 |
| City Sales Tax | 29,907,251 | 29,907,251 | 37,885,432 | 7,978,181 |
| Franchise and Gross Receipts | 10,680,424 | 10,680,424 | 11,075,120 | 394,696 |
| Fines and Forfeitures | 3,138,600 | 3,138,600 | 3,506,971 | 368,371 |
| Permits and Licenses | 963,700 | 963,700 | 944,462 | (19,238) |
| Investment Income | 125,000 | 125,000 | 304,663 | 179,663 |
| Industrial Contracts | 2,006,000 | 2,006,000 | 2,789,059 | 783,059 |
| Other | 3,394,200 | 3,519,200 | 4,095,646 | 576,446 |
| Intergovernmental | 1,123,968 | 1,123,968 | 1,058,578 | (65,390) |
| TOTAL REVENUES | <u>78,047,927</u> | <u>78,172,927</u> | <u>88,994,082</u> | <u>10,821,155</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 5,585,364 | 5,691,841 | 5,988,624 | 296,783 |
| Finance | 1,345,641 | 3,399,105 | 1,690,945 | (1,708,160) |
| Public Works | 12,720,201 | 13,015,842 | 12,019,159 | (996,683) |
| Planning and Inspection | 1,998,215 | 1,848,887 | 1,674,656 | (174,231) |
| Public Safety | 49,179,965 | 52,897,008 | 52,134,792 | (762,216) |
| Culture and Recreation | 5,746,011 | 6,001,727 | 6,119,325 | 117,598 |
| Landfill closure and postclosure care (\$(27,015) [total amount determined for the year under GASB-18] plus \$27,015 change in general long-term debt account group liability) | - | - | - | - |
| TOTAL CURRENT | <u>76,575,397</u> | <u>82,854,410</u> | <u>79,627,501</u> | <u>(3,226,909)</u> |
| Debt Service | | | | |
| Principal Retirement | 735,585 | 735,585 | 735,585 | - |
| Interest | 62,394 | 62,394 | 62,394 | - |
| Capital Outlay | 236,072 | 12,906,980 | 4,609,530 | (8,297,450) |
| TOTAL EXPENDITURES | <u>77,609,448</u> | <u>96,559,369</u> | <u>85,035,010</u> | <u>(11,524,359)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>438,479</u> | <u>(18,386,442)</u> | <u>3,959,072</u> | <u>22,345,514</u> |
| OTHER FINANCING (USES) | | | | |
| Transfers (Out) | (438,479) | (438,479) | (264,585) | (173,894) |
| TOTAL OTHER FINANCING (USES) | <u>(438,479)</u> | <u>(438,479)</u> | <u>(264,585)</u> | <u>(173,894)</u> |
| NET CHANGE IN FUND BALANCE | - | (18,824,921) | 3,694,487 | 22,519,408 |
| FUND BALANCE - BEGINNING OF YEAR | <u>44,683,951</u> | <u>44,683,951</u> | <u>44,683,951</u> | - |
| FUND BALANCE - END OF YEAR | <u>\$ 44,683,951</u> | <u>\$ 25,859,030</u> | <u>\$ 48,378,438</u> | <u>\$ 22,519,408</u> |

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

**CITY OF ODESSA, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

ASSETS

CURRENT ASSETS:

Cash and Investments
Accounts Receivable (Net of Allowance for Uncollectible Accounts)
Interfund Receivable
Inventories
Prepaid Items

RESTRICTED ASSETS:

Cash and Investments

TOTAL CURRENT ASSETS

NONCURRENT ASSETS:

CAPITAL ASSETS:

Land
Buildings
Improvements
Infrastructure
Furniture and Office Equipment
Machinery and Equipment
Data Processing Equipment
Automotive Equipment
Radio and Electronic Equipment
Construction-In-Progress
Less Accumulated Depreciation

TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation)

TOTAL ASSETS

DEFERRED OUTFLOWS OF RESOURCES:

Deferred Charge on Refunding
Deferred Outflows - Pension Plan

TOTAL DEFERRED OUTFLOWS OF RESOURCES

| Business-Type Activities - Enterprise Funds | | | | Governmental |
|---|------------------------|----------------------------------|----------------------|--|
| Water and Sewer Fund | Solid Waste Fund | Non-major Enterprise Funds | Totals | Activities - Internal Service Funds |
| \$ 40,445,836 | \$ 1,013,959 | \$ 1,040,783 | \$ 42,500,578 | \$ 17,711,233 |
| 6,172,004 | 1,315,016 | 150,345 | 7,637,365 | 40,803 |
| - | - | - | - | 267,408 |
| 681,258 | - | 61,809 | 743,067 | - |
| - | - | - | - | - |
| <u>3,201,752</u> | <u>-</u> | <u>-</u> | <u>3,201,752</u> | <u>-</u> |
| <u>50,500,850</u> | <u>2,328,975</u> | <u>1,252,937</u> | <u>54,082,762</u> | <u>18,019,444</u> |
| 503,878 | - | 20,518 | 524,396 | 89,531 |
| 9,199,928 | - | 206,604 | 9,406,532 | 1,356,554 |
| 78,495,447 | - | 4,051,599 | 82,547,046 | 466,874 |
| 201,003,861 | - | - | 201,003,861 | - |
| 232,310 | - | - | 232,310 | 94,990 |
| 10,701,575 | 36,613 | 64,105 | 10,802,293 | 2,268,968 |
| 834,948 | 46 | 7,000 | 841,994 | 5,226,190 |
| - | - | - | - | 54,071,243 |
| 3,750 | - | - | 3,750 | 81,624 |
| 1,557,826 | - | - | 1,557,826 | - |
| <u>(159,798,577)</u> | <u>(36,659)</u> | <u>(1,518,075)</u> | <u>(161,353,311)</u> | <u>(37,129,354)</u> |
| <u>142,734,946</u> | <u>-</u> | <u>2,831,751</u> | <u>145,566,697</u> | <u>26,526,620</u> |
| <u>193,235,796</u> | <u>2,328,975</u> | <u>4,084,688</u> | <u>199,649,459</u> | <u>44,546,064</u> |
| 2,519,036 | - | - | 2,519,036 | - |
| <u>2,164,022</u> | <u>999,997</u> | <u>321,975</u> | <u>3,485,994</u> | <u>973,537</u> |
| <u>4,683,058</u> | <u>999,997</u> | <u>321,975</u> | <u>6,005,030</u> | <u>973,537</u> |

(Continued)

**CITY OF ODESSA, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2017**

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable
Compensated Absences
Accrued Payroll
Contracts Payable
Interfund Payable
Deposits and Billings Payable
Current Portion of Bonds Payable
Accrued Interest
Other Liabilities

TOTAL CURRENT LIABILITIES

NONCURRENT LIABILITIES:

Compensated Absences
Other Post Employment Benefits Payable
Net Pension Liability
Bonds Payable (Net of Current Maturities)

TOTAL NONCURRENT LIABILITIES

TOTAL LIABILITIES

NET POSITION

Net Investment in Capital Assets
Restricted for Rate Stabilization
Unrestricted

TOTAL NET POSITION

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

| <u>Business-Type Activities - Enterprise Funds</u> | | | | | <u>Governmental Activities - Internal Service Funds</u> |
|--|---------------------------------|---|-----------------------|-----------|---|
| <u>Water and Sewer Fund</u> | <u>Solid Waste Fund</u> | <u>Non-major Enterprise Funds</u> | <u>Totals</u> | | |
| \$ 2,873,288 | \$ 539,308 | \$ 71,391 | \$ 3,483,987 | \$ | 2,687,055 |
| 254,555 | 114,522 | 43,607 | 412,684 | | 162,216 |
| 418,865 | 141,049 | 49,562 | 609,476 | | 163,895 |
| 58,591 | - | - | 58,591 | | - |
| - | - | 219,853 | 219,853 | | - |
| 3,394,553 | - | - | 3,394,553 | | - |
| 4,180,000 | - | - | 4,180,000 | | - |
| 198,083 | - | - | 198,083 | | - |
| 220,712 | 86,897 | - | 307,609 | | - |
| <u>11,598,647</u> | <u>881,776</u> | <u>384,413</u> | <u>12,864,836</u> | | <u>3,013,166</u> |
| 629,716 | 240,926 | 145,043 | 1,015,685 | | 487,121 |
| 1,582,508 | 635,461 | 189,158 | 2,407,126 | | 549,921 |
| 5,365,873 | 2,364,095 | 770,034 | 8,500,002 | | 2,245,364 |
| 53,029,861 | - | - | 53,029,862 | | - |
| <u>60,607,958</u> | <u>3,240,482</u> | <u>1,104,235</u> | <u>64,952,675</u> | | <u>3,282,406</u> |
| <u>72,206,605</u> | <u>4,122,258</u> | <u>1,488,648</u> | <u>77,817,511</u> | | <u>6,295,572</u> |
| 93,062,484 | - | 2,831,751 | 95,894,235 | | 26,526,620 |
| 1,000,000 | - | - | 1,000,000 | | - |
| 31,649,765 | (793,286) | 86,264 | 30,942,743 | | 12,697,409 |
| <u>\$ 125,712,249</u> | <u>\$ (793,286)</u> | <u>\$ 2,918,015</u> | <u>127,836,978</u> | <u>\$</u> | <u>39,224,029</u> |
| | | | <u>9,362,512</u> | | |
| | | | <u>\$ 137,199,490</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, 2017**

OPERATING REVENUES

Water
Sewer
User Fees
Other

TOTAL OPERATING REVENUES

OPERATING EXPENSES

Personal Services
Supplies and Materials
Other Services
Maintenance
Depreciation and Amortization
Other

TOTAL OPERATING EXPENSES

OPERATING INCOME

NON-OPERATING REVENUES (EXPENSES)

Investment Income
Gain (Loss) on Sale of City Property
Interest Expense and Fiscal Charges
Other Non-Operating Expense

TOTAL NON-OPERATING REVENUES (EXPENSES)

INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS

CAPITAL CONTRIBUTIONS

TRANSFERS IN

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

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 Activities - Internal Service Funds |
|---|------------------------|----------------------------------|-----------------------|--|
| Water and Sewer Fund | Solid Waste Fund | Non-major Enterprise Funds | Totals | |
| \$ 44,552,379 | \$ - | \$ - | \$ 44,552,379 | \$ - |
| 13,832,725 | - | - | 13,832,725 | - |
| - | 14,285,411 | 3,386,340 | 17,671,751 | 32,537,370 |
| 2,056,977 | 41,919 | - | 2,098,896 | 950,788 |
| <u>60,442,081</u> | <u>14,327,330</u> | <u>3,386,340</u> | <u>78,155,751</u> | <u>33,488,158</u> |
| 9,016,893 | 3,788,936 | 1,464,316 | 14,270,145 | 4,575,132 |
| 18,227,350 | 136,870 | 379,816 | 18,744,036 | 2,796,957 |
| 13,253,116 | 8,770,254 | 1,071,855 | 23,095,225 | 11,349,759 |
| 1,662,137 | 380,794 | 199,448 | 2,242,379 | 4,618,435 |
| 8,082,815 | - | 154,027 | 8,236,842 | 6,565,756 |
| - | 571,207 | - | 571,207 | 1,103,830 |
| <u>50,242,311</u> | <u>13,648,061</u> | <u>3,269,462</u> | <u>67,159,834</u> | <u>31,009,869</u> |
| <u>10,199,770</u> | <u>679,269</u> | <u>116,878</u> | <u>10,995,917</u> | <u>2,478,289</u> |
| 245,198 | 3,095 | 4,603 | 252,896 | 93,903 |
| - | - | - | - | 944,760 |
| (2,997,795) | - | - | (2,997,795) | - |
| - | - | (65,210) | (65,210) | (570,216) |
| <u>(2,752,597)</u> | <u>3,095</u> | <u>(60,607)</u> | <u>(2,810,109)</u> | <u>468,447</u> |
| 7,447,173 | 682,364 | 56,271 | 8,185,808 | 2,946,736 |
| 3,885,787 | - | - | 3,885,787 | 438,486 |
| - | - | 200,000 | 200,000 | - |
| 11,332,960 | 682,364 | 256,271 | 12,271,595 | 3,385,222 |
| 114,379,289 | (1,475,650) | 2,661,744 | 115,565,383 | 35,838,807 |
| <u>\$ 125,712,249</u> | <u>\$ (793,286)</u> | <u>\$ 2,918,015</u> | <u>\$ 127,836,978</u> | <u>\$ 39,224,029</u> |
| | | | \$ 12,271,595 | |
| | | | 1,211,722 | |
| | | | <u>\$ 13,483,317</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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers
Cash Received from Other Funds for Services
Cash Paid to Employees
Cash Paid for Goods and Services
Cash Paid to Other Funds for Services
NET CASH PROVIDED BY OPERATING ACTIVITIES

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Capital Contributions Out
Transfer from General Fund
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Principal Paid on Debt
Interest Paid on Debt
Acquisition and Construction of Capital Assets
Proceeds from Sale of Capital Assets
NET CASH (USED) BY CAPITAL AND RELATED FINANCIAL ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income Received on Investments
NET CASH PROVIDED BY INVESTING ACTIVITIES

NET INCREASE (DECREASE) IN CASH

CASH - AT BEGINNING OF YEAR

(Included in Cash and Investments of Business-Type Activities
of \$33,722,822 and \$3,182,840 in Restricted Accounts)

CASH - AT END OF YEAR

(Included in Cash and Investments of Business-Type Activities
of \$42,500,578 and \$3,201,752 in Restricted Accounts)

| Business-Type Activities - Enterprise Funds | | | | Governmental |
|---|------------------------|----------------------------------|----------------------|--|
| Water and Sewer Fund | Solid Waste Fund | Non-major Enterprise Funds | Totals | Activities - Internal Service Funds |
| \$ 58,207,025 | \$ 14,243,535 | \$ 3,354,511 | \$ 75,805,071 | \$ 950,788 |
| 2,056,977 | - | - | 2,056,977 | 32,507,439 |
| (8,289,078) | (3,552,917) | (1,347,117) | (13,189,112) | (4,132,283) |
| (23,945,068) | (3,794,548) | (1,141,906) | (28,881,522) | (18,948,912) |
| (8,975,586) | (6,006,655) | (464,605) | (15,446,846) | (1,389,211) |
| <u>19,054,270</u> | <u>889,415</u> | <u>400,883</u> | <u>20,344,568</u> | <u>8,987,821</u> |
| - | - | (65,210) | (65,210) | (570,216) |
| - | - | 200,000 | 200,000 | - |
| - | - | <u>134,790</u> | <u>134,790</u> | <u>(570,216)</u> |
| (5,090,906) | - | - | (5,090,906) | - |
| (2,563,600) | - | - | (2,563,600) | - |
| (4,281,080) | - | - | (4,281,080) | (5,310,649) |
| - | - | - | - | 944,760 |
| <u>(11,935,586)</u> | <u>-</u> | <u>-</u> | <u>(11,935,586)</u> | <u>(4,365,889)</u> |
| <u>245,198</u> | <u>3,095</u> | <u>4,603</u> | <u>252,896</u> | <u>93,903</u> |
| <u>245,198</u> | <u>3,095</u> | <u>4,603</u> | <u>252,896</u> | <u>93,903</u> |
| <u>7,363,882</u> | <u>892,510</u> | <u>540,276</u> | <u>8,796,668</u> | <u>4,145,619</u> |
| <u>36,283,706</u> | <u>121,449</u> | <u>500,507</u> | <u>36,905,662</u> | <u>13,565,614</u> |
| <u>\$ 43,647,588</u> | <u>\$ 1,013,959</u> | <u>\$ 1,040,783</u> | <u>\$ 45,702,330</u> | <u>\$ 17,711,233</u> |

(Continued)

**CITY OF ODESSA, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

OPERATING INCOME

Adjustments to Reconcile Operating Income
to Net Cash Provided By Operating Activities

- Depreciation and Amortization
- (Increase) Decrease in Accounts Receivable
- (Increase) Decrease in Inventories
- (Increase) Decrease in Interfund Receivable
- (Increase) Decrease in Deferred Outflows
- (Decrease) Increase in Accounts Payable
- (Decrease) Increase in Accrued Employee Benefits Payable
- (Decrease) Increase in Accrued Payroll
- (Decrease) Increase in Contracts Payable
- (Decrease) Increase in Deposits and Billings Payable
- (Decrease) Increase in Other Post Employment Payable
- (Decrease) Increase in TMRS Net Pension Liability
- (Decrease) Increase in Interfund Payable
- (Decrease) Increase in Other Liabilities

TOTAL ADJUSTMENTS

NET CASH PROVIDED BY OPERATING ACTIVITIES

NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES

During the fiscal year ended September 30, 2017, the Water and Sewer Fund acquired capital assets of \$3,885,787 through contributed capital.

During the fiscal year ended September 30, 2017, the Internal Service Funds acquired capital assets of \$438,486 through contributed capital, and \$7,383,114 of prepaid items were capitalized into capital assets.

| Business-Type Activities - Enterprise Funds | | | | Governmental |
|---|------------------------|----------------------------------|----------------------|--|
| Water and Sewer Fund | Solid Waste Fund | Non-major Enterprise Funds | Totals | Activities - Internal Service Funds |
| <u>\$ 10,199,770</u> | <u>\$ 679,269</u> | <u>\$ 116,878</u> | <u>\$ 10,995,917</u> | <u>\$ 2,478,289</u> |
| 8,082,815 | - | 154,027 | 8,236,842 | 6,565,756 |
| (222,593) | (83,795) | (31,829) | (338,217) | (29,931) |
| 161,263 | - | 23,358 | 184,621 | - |
| - | - | - | - | (122,501) |
| 675,541 | 273,558 | 95,014 | 1,044,113 | 341,724 |
| 275,101 | 49,904 | (4,106) | 320,899 | (353,754) |
| 26,668 | (48,402) | 18,221 | (3,513) | 99,724 |
| 11,684 | (526) | 571 | 11,729 | 5,595 |
| (219,285) | - | - | (219,285) | - |
| 44,514 | - | - | 44,514 | - |
| 69,935 | 34,071 | 11,271 | 115,277 | 31,253 |
| (56,013) | (22,682) | (7,878) | (86,573) | (28,334) |
| - | - | 25,356 | 25,356 | - |
| 4,870 | 8,018 | - | 12,888 | - |
| <u>8,854,500</u> | <u>210,146</u> | <u>284,005</u> | <u>9,348,651</u> | <u>6,509,532</u> |
| <u>\$ 19,054,270</u> | <u>\$ 889,415</u> | <u>\$ 400,883</u> | <u>\$ 20,344,568</u> | <u>\$ 8,987,821</u> |

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, 2017

| | <u>Agency Funds</u> |
|-------------------------------|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 1,796,551 |
| Accounts Receivable | <u>178,634</u> |
| TOTAL ASSETS | <u><u>\$ 1,975,185</u></u> |
| LIABILITIES | |
| Accounts Payable | \$ 1,615,973 |
| Deposits and Billings Payable | <u>359,212</u> |
| TOTAL LIABILITIES | <u><u>\$ 1,975,185</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. 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, 2017, there was no financial activity (no operating or account balances) for the Odessa Health Facilities Development Corporation, thus no financial information is included in the City's basic financial statements.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. Reporting Entity – Continued

The 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.

Blended Component Unit:

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, 2017, 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.

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, 2017, 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.

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 deferred outflows and liabilities and deferred inflows 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.

**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 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, deferred outflows, liabilities, deferred inflows, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 transaction (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, deferred outflows, liabilities, or deferred inflows) 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.

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, transfers and contributions.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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).

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

PROPRIETARY FUNDS

Two 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

The non-major proprietary funds are as follows:

1. *Ratliff Golf Course Fund* – The Ratliff Golf Course Fund is used to account for the provision of a public golf course located in Odessa.
2. *Liquid Waste Fund* – The Liquid Waste Fund is used to account for the provision of liquid waste disposal to the City, County and citizens.
3. *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.

D. Cash and Investments

Cash and Investments, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash and investment accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Cash and Investments - Continued

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 the amount at which a financial investment could be exchanged in a current transaction between willing parties. 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). Investments in government pools are recorded at amortized cost or net asset value.

The external pools consist of:

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, and is rated AAA by Standard and 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 operated 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 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 Cooperatoin 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 Funds 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 and Municipal Securities at September 30, 2017, recorded at fair value.

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, 2017, represents the final unpaid billings issued prior to September 30, 2017, and includes an amount for unbilled September 2017 consumption.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Receivables, Payables and Interfund Transactions - Continued

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 consist of expendable supplies, which are recorded as inventory as 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 the downtown area to be sold or redeveloped. The property is valued at historical acquisition cost.

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

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

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

| | | | |
|------------------------------|---------------|---------------------------|------------|
| Buildings | 25 - 35 Years | Machinery & Equipment | 5-15 Years |
| Improvements | 20 - 30 Years | Data Processing Equipment | 5-10 Years |
| Infrastructure | 25 - 30 Years | Automotive Equipment | 3-15 Years |
| Furniture & Office Equipment | 7 - 10 Years | Radio & Comm. Equipment | 5-10 Years |

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 net position and the governmental funds' balance sheet 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 only the following items that qualify for reporting under the accrual basis of accounting:

- 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.
- Difference in actuarial assumptions used to determine pension liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.
- 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.
- Advanced payments to Grantees – grant payments made to grantees prior to completion of the earnings process.

In addition to liabilities, the net position and governmental balance sheet 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 two types of items, which arises under a modified accrual basis of accounting that qualify 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. The City also has one item that is reported under the accrual basis of accounting – the difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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-seven 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 unused vacation time that had accrued prior to the inception of this policy was

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Compensated Absences - Continued

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.

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Fund Equity – Continued

4. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. The City Council has, by ordinance, authorized the city manager or the Council itself to assign fund balance. Assigned fund balance represents the remaining amount that is not restricted or committed in governmental funds other than the general fund, which is classified as unassigned.
5. Unassigned fund balance is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance.

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

In 1983 and 1999, the City Council established a fund balance policy to maintain a certain General Fund minimum fund balance for contingencies equal to 60 days of subsequent year budgeted General Fund expenditures (\$14,249,100 at September 30, 2017) and for budget stabilization equal to 25 days of subsequent year budgeted General Fund expenditures (\$5,937,125 at September 30, 2017). 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 investment in capital assets 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 Capital Projects – Net position restricted by grantor and donor.
3. Restricted for Special Revenue – Net position restricted by grantors and donor.
4. 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, 2017.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2017 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, 2017, was \$0.47059 per \$100 of assessed valuation, therefore leaving a tax margin of \$1.52941 per \$100 which represented approximate potential property tax revenue of \$111,174,802.

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.

**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 \$(215,403,430) difference are as follows:

| | |
|--|-------------------------|
| Bonds, Certification of Obligations and Notes Payable | \$ (65,135,000) |
| Plus: Bond Premiums | (4,030,696) |
| Less: Deferred Loss | 986,931 |
| Accrued Interest Payable | (269,802) |
| Landfill Payable | (1,554,668) |
| Compensated Absences | (8,258,487) |
| Capital Lease Payable | (1,532,437) |
| Other Post Employment Benefits Obligation | (8,068,895) |
| Firemen's Net Pension Liability | (98,926,727) |
| TMRS Net Pension Liability | <u>(28,613,649)</u> |
| Net adjustment to reduce Fund balance - Total | |
| Governmental Funds to arrive at net position - Governmental Activities | <u>\$ (215,403,430)</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 \$8,782,572 difference are as follows:

- 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.

| | |
|--|---------------------|
| Deferred Property Tax Revenue | \$ 1,870,520 |
| Deferred Municipal Court Fines Revenue | 3,159,886 |
| Deferred Other Miscellaneous Revenue | <u>3,752,166</u> |
| Net adjustment to increase Fund Balance - Total | |
| Governmental Funds to arrive at net position - Governmental Activities | <u>\$ 8,782,572</u> |

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 \$16,502,558 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 | \$ 22,869,548 |
| Depreciation Expense | <u>(6,366,990)</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 16,502,558</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 \$6,678,076 difference are as follows:

| | |
|---|---------------------|
| Donated land, paving and drainage from developers | \$ 6,365,580 |
| 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>312,496</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 6,678,076</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 \$4,852,752 difference are as follows:

| | |
|--|---------------------|
| Principal repayments on Bonds, Certificates of Obligation and Capital Leases | \$ 4,655,586 |
| Amortization of Premium | 327,970 |
| Amortization of Deferred Loss | <u>(130,804)</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 4,852,752</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, and the net change in pension expense more than offsets these expenses.” The details of this \$4,921,543 difference are as follows:

| | |
|--|---------------------|
| Accrued Interest | \$ 23,350 |
| Compensated Absences | 272,977 |
| Landfill | 27,015 |
| Other Post Employment Benefit | (375,035) |
| Firemen's Net Pension | 8,262,019 |
| TMRS Net Pension | <u>(3,288,783)</u> |
| | |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 4,921,543</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, 2017, supplemental appropriations in the amount of \$14.3 million for rollover encumbrances were necessary in the General Fund.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2017, expenditures exceeded appropriations in the General Fund general government and culture and recreation functions by \$296,783 and \$117,598, respectively. The over expenditures in these functions were funded by savings in other functions.

NOTE 4: DEPOSITS AND INVESTMENTS

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, 2017. At year-end, the carrying amount of the City's deposits and investments was \$156,276,175 (\$154,479,624 in the Primary Government, consisting of deposits and investments, and \$1,796,551 in the Agency Funds' as deposits). All deposits of the City that exceeded the federal depository insurance coverage limit \$250,000 per account were covered by collateral held by the pledging bank's agent for the City in the City's name. At September 30, 2017, the City was over collateralized by \$17,666,934.

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

At September 30, 2017, 59% of the City's investments were in external investment pools, 31% were invested in U.S. Government Agency Securities and Municipal Securities, and 10% were invested in certificates of deposit.

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

NOTE 4: DEPOSITS AND INVESTMENTS – CONTINUED

The City's investments carried at fair value as of September 30, 2017, are:

| | Deposits | Investments | Fair Value Measurements using Significant Other Observable Inputs (Level 2) | Percent of Total Investments | Weighted Average Maturity (Days) | Credit Risk |
|---|---------------------|-----------------------|---|---------------------------------|---|----------------|
| Deposits | \$ 8,128,732 | \$ - | \$ - | | | |
| Investments Measured at Cost: | | | | | | |
| Certificates of Deposit | - | 13,964,637 | - | 10% | 176 | not rated |
| Investments Measured at Amortized Cost: | | | | | | |
| Investment Pools: | | | | | | |
| TEXPOOL | - | 37,861,751 | - | 26% | 37 | AAAm |
| TexStar | - | 34,471,981 | - | 24% | 28 | AAAm |
| Investments Measured at Net Asst Value | | | | | | |
| Investment Pools: | | | | | | |
| LOGIC | - | 13,867,939 | - | 9% | 43 | AAAm |
| Investments by Fair Value Level: | | | | | | |
| U.S. Government Securities | - | 17,961,411 | 17,961,411 | 12% | 529 | AAA |
| Municipal Securities | - | 28,223,173 | 28,223,173 | 19% | 752 | AAA |
| Total Value | <u>\$ 8,128,732</u> | <u>\$ 146,350,892</u> | <u>\$ 46,184,584</u> | 100% | | |
| Total Portfolio Weighted Average | | | | | <u>241</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, 2017, 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, 2017, for the City's individual major funds, and all non-major and all other funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

| | General | Capital Projects | Water and Sewer | Solid Waste | Nonmajor Enterprise Funds | Nonmajor Governmental & Other Funds | Total |
|--------------------------------------|---------------------|---------------------|--------------------|--------------------|---------------------------------|--|---------------------|
| Receivables: | | | | | | | |
| Property Taxes | \$ 2,104,261 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,104,261 |
| Sales Taxes | 7,754,744 | - | - | - | - | - | 7,754,744 |
| Accounts | 19,340,115 | 8,447,886 | 6,534,428 | 1,422,156 | 162,671 | 40,803 | 35,948,059 |
| Hotel/Motel Tax | - | - | - | - | - | 1,405,777 | 1,405,777 |
| Intergovernmental | - | - | - | - | - | 467,699 | 467,699 |
| Gross Receivables | 29,199,120 | 8,447,886 | 6,534,428 | 1,422,156 | 162,671 | 1,914,279 | 47,680,540 |
| Less: Allowance for Uncollectible | (11,879,473) | - | (362,424) | (107,140) | (12,326) | - | (12,361,363) |
| Net Total Receivables | <u>\$17,319,647</u> | <u>\$8,447,886</u> | <u>\$6,172,004</u> | <u>\$1,315,016</u> | <u>\$150,345</u> | <u>\$1,914,279</u> | <u>\$35,319,177</u> |

CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 5: RECEIVABLES - CONTINUED

The City reports, in its governmental funds, unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At September 30, 2017, deferred inflows of resources in the amount of \$8,782,572 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, 2017, was as follows:

Primary Government

| | Beginning Balance | Additions/ Completions | Retirements/ Adjustments | Ending Balance |
|--|-----------------------|---------------------------|-----------------------------|-----------------------|
| Governmental Activities | | | | |
| Capital Assets, not being depreciated | | | | |
| Land | \$ 26,363,383 | \$ 759,314 | \$ - | \$ 27,122,697 |
| Construction in Progress | 9,572,804 | 17,223,894 | 7,789,602 | 19,007,096 |
| Works of Art | 10,000 | - | - | 10,000 |
| Total Capital Assets, not being depreciated | <u>35,946,187</u> | <u>17,983,208</u> | <u>7,789,602</u> | <u>46,139,793</u> |
| Capital Assets, being depreciated | | | | |
| Buildings | 30,770,974 | - | - | 30,770,974 |
| Improvements Other than Buildings | 42,693,423 | 6,389,825 | - | 49,083,248 |
| Infrastructure | 114,624,465 | 12,567,594 | - | 127,192,059 |
| Furniture and Office Equipment | 388,510 | - | 20,016 | 368,494 |
| Machinery and Equipment | 6,077,336 | 450,410 | 398,900 | 6,128,846 |
| Data Processing Equipment | 7,054,088 | 378,843 | 110,799 | 7,322,132 |
| Automotive Equipment | 44,962,788 | 12,721,891 | 3,613,436 | 54,071,243 |
| Radio and Communication Equipment | 9,374,505 | 26,768 | - | 9,401,273 |
| Total Capital Assets, being depreciated | <u>255,946,089</u> | <u>32,535,331</u> | <u>4,143,151</u> | <u>284,338,269</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings | 20,804,840 | 697,198 | - | 21,502,038 |
| Improvements Other than Buildings | 18,562,172 | 1,373,831 | - | 19,936,003 |
| Infrastructure | 62,678,812 | 3,491,999 | - | 66,170,811 |
| Furniture and Office Equipment | 364,638 | 15,132 | 20,016 | 359,754 |
| Machinery and Equipment | 4,534,772 | 515,674 | 398,900 | 4,651,546 |
| Data Processing Equipment | 5,792,741 | 631,349 | 110,799 | 6,313,291 |
| Automotive Equipment | 27,559,422 | 5,746,800 | 3,564,372 | 29,741,850 |
| Radio and Communication Equipment | 6,361,553 | 460,763 | - | 6,822,316 |
| Total Accumulated Depreciation | <u>146,658,950</u> | <u>12,932,746</u> | <u>4,094,087</u> | <u>155,497,609</u> |
| Total Capital Assets, being depreciated, net | <u>109,287,139</u> | <u>19,602,585</u> | <u>49,064</u> | <u>128,840,660</u> |
| Governmental Activities Capital Assets, net | <u>\$ 145,233,326</u> | <u>\$ 37,585,793</u> | <u>\$ 7,838,666</u> | <u>\$ 174,980,453</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 | 1,851,201 | 1,524,516 | 1,817,891 | 1,557,826 |
| Total Capital Assets, not being depreciated | <u>\$ 2,375,597</u> | <u>1,524,516</u> | <u>1,817,891</u> | <u>2,082,222</u> |
| Capital Assets, being depreciated | | | | |
| Buildings | 9,396,729 | 9,803 | - | 9,406,532 |
| Improvements Other than Buildings | 82,357,546 | 189,500 | - | 82,547,046 |
| Infrastructure | 193,106,955 | 7,896,906 | - | 201,003,861 |
| Furniture and Office Equipment | 227,678 | 6,297 | 1,665 | 232,310 |
| Machinery and Equipment | 10,519,408 | 357,736 | 74,851 | 10,802,293 |
| Radio Equipment | 3,750 | - | 3,750 | - |
| Data Processing Equipment | 842,995 | - | 1,001 | 841,994 |
| Total Capital Assets, being depreciated | <u>296,455,061</u> | <u>8,460,242</u> | <u>81,267</u> | <u>304,834,036</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings | 6,433,369 | 243,858 | - | 6,677,227 |
| Improvements Other than Buildings | 57,861,939 | 2,016,697 | - | 59,878,636 |
| Infrastructure | 84,567,035 | 5,338,504 | - | 89,905,539 |
| Furniture and Office Equipment | 111,998 | 13,483 | 1,665 | 123,816 |
| Machinery and Equipment | 3,378,243 | 622,519 | 74,851 | 3,925,911 |
| Radio Equipment | 3,750 | - | 3,750 | - |
| Data Processing Equipment | 837,652 | 1,781 | 1,001 | 838,432 |
| Total Accumulated Depreciation | <u>153,193,986</u> | <u>8,236,842</u> | <u>81,267</u> | <u>161,349,561</u> |
| Total Capital Assets, being depreciated, net | <u>143,261,075</u> | <u>223,400</u> | <u>-</u> | <u>143,484,475</u> |
| Business-type Activities Capital Assets, net | <u>\$ 145,636,672</u> | <u>\$ 1,747,916</u> | <u>\$ 1,817,891</u> | <u>\$ 145,566,697</u> |
| Governmental Activities | | | | |
| General Government | | | \$ | 225,261 |
| Finance | | | | 14,572 |
| Public Works | | | | 3,593,784 |
| Public Safety | | | | 1,272,696 |
| Cultural and Recreation | | | | 1,260,677 |
| Capital Assets held by government's Internal Service Funds are charged to the various functions based on their usage of assets | | | | <u>6,565,756</u> |
| Total Depreciation Expense - Governmental Activities | | | <u>\$</u> | <u>12,932,746</u> |
| Business-type Activities | | | | |
| Water and Sewer | | | \$ | 8,082,815 |
| Ratliff Golf Course | | | | 154,027 |
| Total Depreciation Expense - Business-type Activities | | | <u>\$</u> | <u>8,236,842</u> |

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

NOTE 7: RETIREMENT COMMITMENTS

Each qualified employee is included in one of two retirement plans in which the City participates. These are the Texas Municipal Retirement System (TMRS) and the Odessa Firefighters' Relief and Retirement Fund (OFRRF). The City does not maintain the accounting records, hold the investments, or administer either retirement plan.

The total (aggregate for the TMRS and OFRRF plans) of the City's net pension liabilities, deferred outflows of resources related to pensions as of September 30, 2017 and the pension expense (benefit) for the year ended is as follows:

| | TMRS | OFRRF | TOTAL |
|--------------------------------|---------------|---------------|----------------|
| Net Pension Liability | \$ 39,359,015 | \$ 98,926,727 | \$ 138,285,742 |
| Deferred Outflows of Resources | 16,221,466 | 25,910,182 | 42,131,648 |
| Deferred Inflows of Resources | - | 17,817,089 | 17,817,089 |
| Pension Expense (Benefit) | 4,559,713 | (5,903,676) | (1,343,963) |

Texas Municipal Retirement System

Plan Description

The City participates as one of 872 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 actuarially equivalent 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 2017</u> | <u>Plan Year 2016</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 |
| Updated Service Credit | 100 % Repeating, Transfers | 100 % Repeating, Transfer: |
| Annuity Increase (to Retirees) | 50% of CPI | 50% of CPI |

At December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 506 |
| Inactive employees entitled to but not yet receiving benefits | 421 |
| Active Employees | 756 |
| Total | <u>1,683</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. City contributions into TMRS are charged to each department and fund where personnel cost are paid, including the General Fund, Capital Projects Fund, most Special Revenue funds and all proprietary funds.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2017, the City made contributions of \$6,626,094, which were in excess of the required contributions as follows:

| | <u>Required Rate</u> | <u>Contributed Rate</u> | <u>Excess</u> |
|------|----------------------|-------------------------|---------------|
| 2017 | 14.02% | 16.00% | 1.98% |
| 2016 | 13.39% | 15.82% | 2.43% |

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the NPL 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 TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% to 10.5% including inflation |
| Investment Rate of Return | 6.75%, 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 Blue Collar adjustment, 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 Tables with Blue Collar adjustment are used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 to December 31, 2014. 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. These 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 2015 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% effective January 1, 2016. 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 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Texas Municipal Retirement System – Continued

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|---|
| Domestic Equity | 17.5% | 4.55% |
| International Equity | 17.5% | 6.35% |
| Core Fixed Income | 10.0% | 1.00% |
| Non-Core Fixed Income | 20.0% | 4.15% |
| Real Return | 10.0% | 4.15% |
| Real Estate | 10.0% | 4.75% |
| Absolute return | 10.0% | 4.00% |
| Private Equity | 5.0% | 7.75% |
| | <u>100.0%</u> | |

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 TPL.

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|--------------------------------|--|------------------------------------|
| Balance at September 30, 2016 | \$ 236,841,556 | \$ 197,070,287 | \$ 39,771,269 |
| Changes for the year: | | | |
| Service cost | 6,268,701 | - | 6,268,701 |
| Interest | 15,814,934 | - | 15,814,934 |
| Difference between expected and actual experience | 187,898 | - | 187,898 |
| Contributions - employer | - | 6,604,280 | (6,604,280) |
| Contributions - employee | - | 2,922,883 | (2,922,883) |
| Net investment income | - | 13,315,142 | (13,315,142) |
| Benefit payments, including refunds of employee contributions | (11,361,172) | (11,361,172) | - |
| Administrative expense | - | (150,414) | 150,414 |
| Other changes | - | (8,104) | 8,104 |
| Net changes | <u>10,910,361</u> | <u>11,322,615</u> | <u>(412,254)</u> |
| Balance at September 30, 2017 | <u>\$ 247,751,917</u> | <u>\$ 208,392,902</u> | <u>\$ 39,359,015</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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|------------------------------|---|-----------------------|---|
| City's net pension liability | \$ 73,706,541 | \$ 39,359,015 | \$ 11,264,413 |

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

NOTE 7: RETIREMENT COMMITMENTS - CONTINUED

Texas Municipal Retirement System – Continued

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, 2017, the City recognized pension expense of \$4,559,713.

At September 30, 2017, 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 |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experiences | \$ 886,337 | \$ - |
| Difference in actuarial assumptions used to determine pension liability | 1,258,984 | - |
| Difference between projected and actual investment earnings | 9,185,407 | - |
| Contributions subsequent to the measurement date | 4,890,738 | - |
| Total | \$ 16,221,466 | \$ - |

\$4,890,738 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|-------|---------------|
| 2018 | \$ 4,847,174 |
| 2019 | 3,725,948 |
| 2020 | 2,760,182 |
| 2021 | (2,578) |
| Total | \$ 11,330,726 |

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.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Supplemental Death Benefits Fund (SDBF) – Continued

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 2017, 2016 and 2015 were \$75,392, \$72,992, and \$68,810, respectively, which equaled the required contributions each year.

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

| Plan/Calendar Year | Annual Required Contribution (Rate) | Actual Contribution Made (Rate) | Percentage of ARC Contributed |
|-----------------------|--|------------------------------------|----------------------------------|
| 2017 | 0.05% | 0.05% | 100% |
| 2016 | 0.04% | 0.05% | 100% |
| 2015 | 0.06% | 0.04% | 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 \$1,176,894 for fiscal year 2017.

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.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Other Postemployment Health Care Benefits (OPEB) – Continued

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 57.7% of the postretirement healthcare and other benefit costs, which totaled \$1,176,894 for fiscal year ended September 30, 2017. The retirees were responsible for funding approximately 42.3% of the healthcare and other benefit costs. Retiree contribution rates for fiscal year 2017 were \$2,587 to \$7,315 per year depending on coverage levels and if they had primary eligibility elsewhere. The City accrued an additional \$521,565 in retiree healthcare expenses during fiscal year 2017.

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 accrued liability for benefits. As of September 30, 2017:

| 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 |
|--------------------|---------------------------|-----------------------------------|-----------------------------------|--------------|------------------------|--------------------------------|
| 9/30/17 | \$ - | \$ 11,025,942 | \$ 11,025,942 | 0% | \$ 54,762,464 | 20.1% |

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

| Cost Element | Fiscal Year Ending September 30, 2017 | |
|---|---------------------------------------|---------------------------------|
| | Amount | Percent of Payroll ¹ |
| 1. Unfunded actuarial accrued liability at October 1, 2016 | \$ 11,025,942 | 20.1% |
| <u>Annual Required Contribution (ARC)</u> | | |
| 2. Normal Cost | \$ 867,312 | |
| 3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization | 588,555 | |
| 4. Annual Required Contribution (ARC = 2 + 3) | \$ 1,455,867 | 2.7% |
| <u>Annual OPEB Cost (Expenses)</u> | | |
| 5. ARC | \$ 1,455,867 | |
| 6. Interest on beginning of year CAFR accrual | 315,131 | |
| 7. Amortization of beginning of year CAFR accrual | (535,926) | |
| 8. Fiscal 2013 OPEB cost (5 + 6 - 7) | \$ 1,235,072 | 2.3% |
| <u>End of Year CAFR Accrual (Net OPEB Obligation)²</u> | | |
| 9. Beginning of year CAFR accrual | \$ 10,504,377 | |
| 10. Annual OPEB cost | 1,235,072 | |
| 11. Employer contribution (benefit payments) | (713,507) | |
| 12. End of year CAFR accrual (9 + 10 - 11) ² | \$ 11,025,942 | 20.1% |

¹ Annual payroll for the 1110 active plan participants as of October 1, 2017 was \$ 54,762,464.

² Actual benefits and administrative fees paid in fiscal year 2017 of \$1,176,894 less participant contributions of \$463,387. Employer contributed 57.7% of annual OPEB cost during fiscal year 2017.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Other Postemployment Health Care Benefits (OPEB) – Continued

| Fiscal Year Ended | Annual Required Contributions | Actual Contributions ³ | Percentage Contributed |
|-------------------------|-------------------------------------|--------------------------------------|---------------------------|
| September 30, 2017 | \$ 1,455,867 | \$ 713,507 | 49.0% |
| September 30, 2016 | 1,434,167 | 133,549 | 9.3 |
| September 30, 2015 | 1,219,497 | 630,223 | 51.7 |

³ Since there is no funding, these are actual benefit payments of \$1,176,894 less retiree contributions of \$463,387 for 2017. For 2016, actual benefit payments were \$1,059,953 and retiree contributions were \$926,404. For 2015, actual benefit payments were \$1,536,818 and retiree contributions were \$906,595.

The annual required contribution (ARC) of \$1,455,867 for fiscal year 2017 and the City's accrual of \$11,025,942 as of September 30, 2017, 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, 2017 | \$ 1,235,072 | 57.7% | \$ 11,025,942 |
| September 30, 2016 | 1,236,557 | 10.8 | 10,504,377 |
| September 30, 2015 | 1,030,296 | 61.2 | 9,401,369 |

Summary of Key Actuarial Methods and Assumptions

| | |
|-------------------------------|--|
| Valuation Year | October 1, 2016 - September 30, 2017 |
| 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-2016 |

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 | 6.5% in Year 1 graded downward 0.5% per year to 4% in Year 6 and later |

**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 2010-2016.

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 Odessa Firefighters’ Relief and Retirement Fund (“OFRRF”) is established under the authority of the Texas Local Fire Fighter’s Retirement Act (TLFFRA). The plan is a single-employer defined benefit pension plan administered by the Plan’s Board of Trustees comprised of three Members elected from and by the fund Members, two representatives of the City of Odessa, and two citizen Members. It is reported by the City as a related organization and is not considered to be a part of the City financial reporting entity.

Each person employed by the City Fire Department as a full-time Firefighter becomes a Member of the Plan as a condition of employment. All Firefighters are therefore eligible for plan benefits as provided for in the plan document by applicable law.

At December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 177 |
| Inactive employees entitled to but not yet receiving benefits | 13 |
| Active Employees | 161 |
| Total | 351 |

Benefits Provided

The Plan provides retirement, disability, and death benefits. Plan benefits were frozen for all active participants as of December 31, 2016, and the following changes were made. Retirement age went from 50 with 20 years of credited service to 55 with 25 years. The vesting period was increased from 10 years to 20 years. The benefit accrual rate was reduced from 3.60% per year to 2.88% per year.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Firefighters' Relief and Retirement Fund – Continued

Benefits Provided - Continued

The average compensation period was amended to the last 5 years at retirement, and the total benefit may not exceed 72% of average final compensation. Several benefits will no longer exist going forward – the longevity benefit for service in excess of 20 years, the supplemental benefit, cost-of-living adjustment (COLA), the DROP for members with less than 20 years of service as of January 1, 2017, and interest crediting was removed for future DROP participants.

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 15.0% during calendar year 2016 and 18.0% during calendar year 2017, of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.0% and 20.0% in calendar years 2016 and 2017, respectively, and totaled \$2,445,033. All City contributions are charged to the General Fund.

Net Pension Liability

The OFRRF's NPL was measured as of December 31, 2016, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016 updated to December 31, 2016 using the following actuarial assumptions:

| | |
|---------------------------|---------------|
| Inflation | 3.0% |
| Salary Increases | Service Based |
| Discount Rate | 5.05% |
| Investment Rate of Return | 7.75% |

Mortality Rate: RP-2000 projected to 2015 using Scale AA - Sex Distinct. We feel this assumption sufficiently accommodates for expected mortality improvements.

The most recent actuarial experience study used to review the other significant assumptions was dated July 19, 2016.

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. For 2016, the inflation rate assumption of the investment advisor was 3.00%.

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

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Firefighters’ Relief and Retirement Fund – Continued

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.

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, 2016 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|-------------------|---|
| Domestic Equity | 39% | 7.50% |
| International Equity | 20% | 7.75% |
| Investment Grade Fixed | 22% | 4.00% |
| High Yield Fixed | 4% | 5.75% |
| International Fixed | 3% | 4.53% |
| REIT | 3% | 6.75% |
| MLP | 4% | 7.50% |
| Convertibles | 5% | 7.01% |
| | <u>100%</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 25 years. These payments were discounted using a discount rate of 7.75%. Future benefits payments beyond 25 years were discounted using a high quality municipal bond rate of 3.78%. The high quality municipal bond rate was based on the week closed to, but no later than, the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The single equivalent discount rate was 5.05%.

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|--------------------------------|---|------------------------------------|
| Balance at September 30, 2016 | \$ 171,566,914 | \$ 43,672,644 | \$ 127,894,270 |
| Changes for the year: | | | |
| Service cost | 3,989,437 | - | 3,989,437 |
| Interest | 6,320,711 | - | 6,320,711 |
| Difference between expected and actual experience | 3,000,886 | - | 3,000,886 |
| Change of assumptions | (21,332,887) | - | (21,332,887) |
| Change of benefit terms | (13,926,192) | - | (13,926,192) |
| Contributions - employer | - | 2,036,444 | (2,036,444) |
| Contributions - employee | - | 1,895,306 | (1,895,306) |
| Net investment income | - | 3,328,013 | (3,328,013) |
| Benefit payments, including refunds of employee contributions | (6,432,676) | (6,432,676) | - |
| Administrative expense | - | (240,265) | 240,265 |
| Net changes | <u>(28,380,721)</u> | <u>586,822</u> | <u>(28,967,543)</u> |
| Balance at September 30, 2017 | <u>\$ 143,186,193</u> | <u>\$ 44,259,466</u> | <u>\$ 98,926,727</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 5.05%, 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 (4.05%) or 1-percentage-point higher (6.05%) than the current rate:

| | 1% Decrease in Discount Rate 4.05% | Discount Rate 5.05% | 1% Increase in Discount Rate 6.05% |
|---------------------------------|---------------------------------------|---------------------|---------------------------------------|
| Sponsor’s net pension liability | \$ 118,906,349 | \$ 98,926,727 | \$ 82,644,161 |

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, 2017, the City recognized a pension benefit of (\$5,903,676).

At September 30, 2017, 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 |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 2,500,739 | \$ - |
| Change of assumptions | 17,912,779 | 17,777,405 |
| Difference between projected and actual investment earnings | 3,465,033 | 39,684 |
| Contributions subsequent to the measurement date | 2,031,631 | - |
| Total | \$ 25,910,182 | \$ 17,817,089 |

\$2,031,631 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability as of September 30, 2017. 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: | | |
|---------------------------|----|-------------|
| 2018 | \$ | 2,645,819 |
| 2019 | | 2,645,821 |
| 2020 | | 2,412,214 |
| 2021 | | 1,412,941 |
| 2022 | | (3,055,333) |
| Total | \$ | 6,061,462 |

**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 plus deferred outflows of resources minus liabilities minus deferred inflows of resources equal net position" format with net position reported in the order of relative liquidity. In addition, assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 2017 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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resource or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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, deferred outflows of resources 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, deferred outflows of resources 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.

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

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

A. Significant Accounting Policies – Continued

3 Measurement Focus and Basis of Accounting - Continued

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.

There are no significant differences in the amounts reported as governmental activities under the accrual basis of accounting and amounts reported on governmental funds under the modified accrual basis of accounting.

4. Assets, Liabilities, Deferred Outflows of Resources, and Net Position/Fund Balance

A .Investments

Investments for the Corporation, except for certain investment pools and non-negotiable certificates of deposit, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Non-negotiable certificate of deposit are reported at cost.

B. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting period and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

C. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources until then. The Corporation currently has one item which arises under the modified accrual and accrual basis of accounting that qualifies for reporting in this category. Accordingly, the advance payment to grantees is reported in the balance sheet and statement of net position.

D. 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.

E. 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.

F. Net Position Flow Assumption

Sometime the Corporation will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporations' policy to consider restricted – net position is applied

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

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

A. Significant Accounting Policies – Continued

4. Assets, Liabilities, Deferred Outflows of Resources, and Net Position/Fund Balance – Continued

G. Fund Balance Flow Assumptions

Sometimes the Corporation will fund outlays for a particular purpose from restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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, 2017.

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, 2017.

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, 2017.

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

H. Use of Estimates

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

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

NOTE 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 \$45,656,443, of which \$13,614,527 was held in investments in pools, \$6,471,436 was held in certificates of deposit, \$20,451,964 was held in U.S. Government securities and municipal securities and \$5,118,517 was held in a depository high yield savings account. The high yield savings account was entirely covered by federal depository insurance or collateralized with securities held by the pledging financial institution's agent in the Corporation's name.

The Corporation's investments are administered by City management under terms of an investment policy and strategy that has been updated to conform to the latest amendments to the Texas Public Funds Investment Act. The Corporation is authorized to invest in 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 or states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; no-load, SEC registered money market mutual funds with a weighted average state maturity of 90 days or less fully collateralized repurchase agreements; insured or collateralized certificates of deposit; and local government pools. At September 30, 2017, 34% of the Corporation's investments were in external investment pools, 50% were invested in U.S. Government agency securities and municipal securities and 16% were invested in certificates of deposit.

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

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

C. Cash and Investments - Continued

The Corporation has recurring fair value measurements as presented in the table below. The Corporation's investment balances, weighted average maturity and credit risk are as follows:

| | Investments | Fair Value Measurements Using Significant Other Observable Inputs (Level 2) | Percent of Total Investments | Weighted Average Maturity (Days) | Credit Risk |
|--|----------------------|---|---------------------------------|---|----------------|
| Investments Measured at Amortized Cost | | | | | |
| Investment Pools: | | | | | |
| TexPool | \$ 6,917,813 | \$ - | 17% | 37 | AAAmf |
| Logic | 6,686,714 | - | 17% | 30 | |
| Investments Measured at Cost: | | | | | |
| Non-negotiable Certificates of Deposit | 6,471,436 | - | 16% | 311 | Not rated** |
| Investments by Fair Value Level: | | | | | |
| U.S. Government Agency Securities | 1,246,575 | 1,246,575 | 3% | 328 | AA+ to AAA |
| Municipal Securities | 19,205,389 | 19,205,389 | 47% | 654 | AA+ to AAA |
| Total Value | <u>\$ 40,537,927</u> | <u>\$ 20,451,964</u> | | <u>381</u> | |
| Total Portfolio Weighted Average | | | | <u>381</u> | |

* Standard & Poor's

** Certificates of deposit are insured or collateralized

Investment pools are measured at amortized cost or net asset value, i.e. fair value. Such investments are not required to be reported in the table above.

The Texpool investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding U.S. government securities) and can meet reasonably foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The LOGIC investment pool is an external investment pool measured at net asset value. LOGIC's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The Corporation has no unfunded commitments related to the investment pools. LOGIC has a redemption notice period of one day and may be redeemed daily. The investment pool's authorities may only impose restriction on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or nation or state emergency that affects the pool's liquidity.

U.S. Government Agency Securities and Municipal Securities classified in Level 2 of the fair value hierarchy are value using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

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

C. Cash and Investments - Continued

Certificates of deposit that are non-negotiable are reported at cost; whereas, certificates of deposit that are brokered are reported at fair value. Certificates of deposit classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk – As required by the Corporation's investment policy, as of September 30, 2016, the Corporation minimizes the interest rate risk, related to the decline in market 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 purchased 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 fund primarily in short-term securities and government investment pools.

Credit Risk – In compliance with the Corporation's investment policy, as of September 30, 2016, the Corporation 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 by Standard & Poor's, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Corporation will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

D. Receivables

Receivables of \$2,139,552 as of year-end for the government's individual major fund were from sales tax in the amount of \$1,938,684, \$67,788 from an unused administrative contract and \$133,080 from interest receivable. The Corporation does not anticipate any uncollectible accounts as of September 30, 2017.

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 above, the Corporation's cash and investments, which totaled of \$45,656,443 at September 30, 2017, are held at TexPool, LOGIC, Lone Star State Bank, AIM Bank, and Frost Bank.

F. Transactions with Municipality

The City of Odessa, Texas 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 \$19,102 per month and for the year ended September 30, 2017, and amounted to \$229,224.

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

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

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 a total of \$800,000 for the current year. The Chamber contributed certain in-kind services as provided in the contract. The contract period began October 1, 2016 and terminated on September 30, 2017, 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 \$85,025 for the current year, which is net of a \$4,975 refund. The contract period began October 1, 2016 and terminated September 30, 2017, 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) and its Mexico Initiatives Program to provide economic development services in accordance with the General Development Plan. The Corporation paid OHCC \$195,673 for the current year, which is net of a \$67,788 refund. The contract period began October 1, 2016 and terminated September 30, 2017, whereby a new annual contract began with essentially the same provisions.

The Corporation has entered into two separate contracts with UTPB X-Energy to provide economic development services in accordance with the General Development Plan. The first contract period began October 1, 2016 and terminated on November 30, 2016. The Corporation paid UTPB X-Energy \$40,000 in regards to this contract. The second contract began on October 1, 2016 and terminated on November 30, 2017. The Corporation paid UTPB X-Energy \$168,974 in regards to this contract.

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 earned. If the entities fail to meet all requirements, the agreement states that the entities will refund incentive/training dollars back to the Corporation. At September 30, 2017, the Corporation was committed for \$23,179,958 for incentive agreements not yet earned on the part of the entities.

The Corporation also assigned a portion of its fund balance related to a resolution passed by the Board of Directors to provide funding for the Texas Department of Transportation (TXDOT) infrastructure projects necessary to promote or develop new or expanded business enterprises. At September 30, 2017, the Corporation assigned \$11,500,000 for the TXDOT funding.

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

NOTE 9: JOINT VENTURE

The Midland-Odessa Urban Transit District (MOUSD), created by the cities of Odessa and Midland, incurred start-up costs and purchased buses and other vehicles prior to September 30, 2003. During the year ended September 30, 2004 the MOUSD began operating the bus routes. Federal and state grants were obtained to cover the start-up costs and purchases of buses and vehicles, and to provide for operating expenses. An annual audit was performed as of September 30, 2017, and can be obtained from the MOUSD. For the year ended September 30, 2017, the cities had contributed money to the MOUSD in the amount of \$700,000. Both cities have budgeted contributions to the MOUSD, but do not have an equity interest. As of September 30, 2017, the MOUSD had net position of \$10,684,545 of which \$11,139,286 represented "Net 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.

The special revenue fund reported in Non-major governmental funds reflects the inflow and outflow of federal and state grant dollars that flow through the City to the MOUSD.

NOTE 10: DEFERRED COMPENSATION PLAN

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

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

NOTE 11: FLEXIBLE BENEFITS PLAN

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

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.

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

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, 2017, arising from these transactions were as follows:

| | Interfund | |
|-----------------------------------|-------------------|-------------------|
| | Receivables | Payables |
| Governmental Funds | | |
| General Fund | \$ 280,993 | \$ 267,408 |
| Capital Projects Fund | - | 19,883 |
| Non-Major Government Funds | | |
| Housing and Community Development | - | 41,257 |
| Enterprise Funds | | |
| Ratliff Golf Course Fund | - | 219,853 |
| Internal Service Funds | | |
| Equipment Service Fund | 267,408 | - |
| | <u>\$ 548,401</u> | <u>\$ 548,401</u> |

Interfund transfers for the year ended September 30, 2017, are as follows:

| | Transfers | |
|------------------------------|---------------------|---------------------|
| | In | Out |
| Governmental Funds | | |
| General Fund | \$ - | \$ 264,585 |
| Capital Projects Fund | 1,800,000 | |
| Non-Major Governmental Funds | | 1,800,000 |
| Convention & Visitors Fund | - | |
| Other Special Revenue Fund | 64,585 | - |
| Enterprise Funds | | |
| Ratliff Golf Course Fund | 200,000 | - |
| | <u>\$ 2,064,585</u> | <u>\$ 2,064,585</u> |

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

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, 2017:

| | Balance October 1, 2016 | Additions | Reductions | Balance September 30, 2017 | Due Within One Year |
|---------------------------------|----------------------------|---------------------|----------------------|-------------------------------|------------------------|
| Certificates of Obligation : | | | | | |
| Series 2007 | \$ 45,000 | \$ - | \$ 45,000 | \$ - | \$ - |
| Series 2013 | 46,045,000 | - | 1,805,000 | 44,240,000 | 1,865,000 |
| General Refunding Bond: | | | | | |
| Series 2006 | 2,590,000 | - | 630,000 | 1,960,000 | 655,000 |
| General Obligation Refunding: | | | | | |
| Series 2009 | 1,105,000 | - | 350,000 | 755,000 | 370,000 |
| Series 2012 | 5,625,000 | - | 425,000 | 5,200,000 | 485,000 |
| Series 2014 | 9,905,000 | - | 665,000 | 9,240,000 | 810,000 |
| Series 2015 | 3,740,000 | - | - | 3,740,000 | 35,000 |
| Unamortized Premiums: | | | | | |
| Series 2007 | 808 | - | 808 | - | - |
| Series 2009 | 15,855 | - | 5,286 | 10,569 | - |
| Series 2012 | 263,477 | - | 34,367 | 229,110 | - |
| Series 2013 | 2,550,425 | - | 150,025 | 2,400,400 | - |
| Series 2014 | 983,367 | - | 91,124 | 892,243 | - |
| Series 2015 | 544,732 | - | 46,360 | 498,372 | - |
| Capital Lease Payable | 2,268,023 | - | 735,586 | 1,532,437 | 755,822 |
| Compensated Absences | 9,081,078 | 2,696,491 | 2,869,744 | 8,907,825 | 2,869,744 |
| Landfill Closure/Post-Closure | 1,581,683 | 27,489 | 54,504 | 1,554,668 | 100,000 |
| Other Post Employment | | | | | |
| Benefits Obligation | 8,212,528 | 1,134,089 | 727,801 | 8,618,816 | - |
| Firemen's Net Pension Liability | 127,894,270 | - | 28,967,543 | 98,926,727 | - |
| TMRS Net Pension Liability | 31,184,694 | - | 325,681 | 30,859,013 | - |
| | <u>\$ 253,635,940</u> | <u>\$ 3,858,069</u> | <u>\$ 37,928,829</u> | <u>\$ 219,565,180</u> | <u>\$ 7,945,566</u> |

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

NOTE 13: LONG-TERM DEBT – CONTINUED

| CERTIFICATES OF OBLIGATION | <u>September 30, 2017</u> |
|---|---------------------------|
| <p>\$51,335,000 Certificates of Obligation Bonds due in annual installments from March 1, 2014 through March 1, 2033; interest rates 4.2-4.9% - Construction of improvements to City parks, drainage improvements, paving, curb and gutter improvements, and street improvements.</p> | <p>\$ 44,240,000</p> |
| BONDS | |
| <p>\$5,905,000 General Obligation Refunding Bonds, Series 2006 due in annual installments beginning March 1, 2008 through March 1, 2020; effective interest at 4.00%</p> | <p>1,960,000</p> |
| <p>\$3,280,000 General Obligation Refunding Bonds, Series 2009 due in annual installments beginning March 1, 2009 through March 1, 2019; effective interest at 3.39%</p> | <p>755,000</p> |
| <p>\$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%</p> | <p>5,200,000</p> |
| <p>\$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%.</p> | <p>9,240,000</p> |
| <p>\$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%.</p> | <p>3,740,000</p> |

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

At September 30, 2017, the City held unspent bond proceeds of \$25,655,833.

**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, 2017, are as follows:

| <u>Year Ending September 30</u> | <u>Certificates of Obligation</u> | | |
|-------------------------------------|-----------------------------------|----------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 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 | 2,170,000 | 1,827,800 | 3,997,800 |
| 2022 | 2,280,000 | 1,716,550 | 3,996,550 |
| 2023-2027 | 13,170,000 | 6,819,326 | 19,989,326 |
| 2028-2032 | 16,825,000 | 3,162,375 | 19,987,375 |
| 2033 | 3,900,000 | 97,500 | 3,997,500 |
| | <u>\$ 44,240,000</u> | <u>\$ 19,721,826</u> | <u>\$ 63,961,826</u> |

| <u>Year Ending September 30</u> | <u>Bonds</u> | | |
|-------------------------------------|----------------------|---------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 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 | 2,500,000 | 540,250 | 3,040,250 |
| 2022 | 2,330,000 | 442,850 | 2,772,850 |
| 2023-2027 | 8,835,000 | 769,925 | 9,604,925 |
| | <u>\$ 20,895,000</u> | <u>\$ 3,919,350</u> | <u>\$ 24,814,350</u> |

The ordinances authorizing the issuance of general obligation bonds created an interest and sinking fund (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, 2016 | Additions | Reductions | Due Balance September 30, 2017 | Within One Year |
|---|----------------------------|-------------------|---------------------|--------------------------------------|---------------------|
| 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% | \$ 4,120,000 | \$ - | \$ 4,120,000 | \$ - | \$ - |
| Unamortized Premium on Certificate of Obligations - 2007 | 9,500 | - | 9,500 | - | - |
| \$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 at 4.88% | 51,825,000 | - | - | 51,825,000 | 4,180,000 |
| Unamortized Premium on General Obligation Refunding Bonds Series 2015 (W&S portion) | 6,346,268 | - | 961,406 | 5,384,862 | - |
| Compensated Absences | 1,431,882 | 409,171 | 412,684 | 1,428,369 | 412,684 |
| Other Post Employment Benefits Obligation | 2,291,849 | 321,778 | 206,501 | 2,407,126 | - |
| TMRS Net Pension Liability | 8,586,575 * | - | 86,573 | 8,500,002 | - |
| | <u>\$ 74,611,074</u> | <u>\$ 730,949</u> | <u>\$ 5,796,664</u> | <u>\$ 69,545,359</u> | <u>\$ 4,592,684</u> |

Principal payments are due annually for revenue bonds on April 1 and interest payments are due semiannually 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, 2017, the City still held unspent bond proceeds of \$5,018,363 on the Series 2007 Certificates of Obligation as many capital improvement projects are ongoing.

The annual requirements to amortize all revenue bonds outstanding as of September 30, 2017 are as follows:

| Year Ending September 30 | Bonds | | |
|-----------------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 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 | 4,745,000 | 1,819,375 | 6,564,375 |
| 2022 | 4,980,000 | 1,576,250 | 6,556,250 |
| 2023-2027 | <u>29,035,000</u> | <u>3,774,375</u> | <u>32,809,375</u> |
| | <u>\$ 51,825,000</u> | <u>\$ 13,781,900</u> | <u>\$ 65,606,900</u> |

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

NOTE 13: LONG-TERM DEBT – CONTINUED

Defeasance of Debt

The City 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; \$18,735,000 in General Obligation Refunding Bonds, Series 2006; and \$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 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, 6) \$6,285,000 Certificates of Obligations, Series 2006, and 7) \$58,825,000 Certificates of Obligation, Series 2007. 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, 2017, 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 | \$ 780,000 |
| Certificates of Obligation, Series 2000 | 5,580,000 | 1,975,000 |
| Certificates of Obligation, Series 2001 | 1,810,000 | 1,085,000 |
| Certificates of Obligation, Series 2004 | 5,085,000 | 4,375,000 |
| Certificates of Obligation, Series 2005 | 4,225,000 | 3,865,000 |
| Certificates of Obligation, Series 2006 | 6,285,000 | 5,785,000 |
| Certificate of Obligation, Series 2007 | 58,825,000 | 58,825,000 |
| | | <u>\$ 76,690,000</u> |

NOTE 14: CAPITAL LEASE OBLIGATIONS

The City is obligated under a capital lease for equipment which cost \$5,000,000 and is included in governmental activities' assets.

Future minimum lease payments as of September 30, 2017 are as follows:

| Year ending September 30, | General Fund |
|---|-------------------|
| 2018 | \$ 797,979 |
| 2019 | 797,980 |
| Total minimum lease payments | 1,595,959 |
| Less amounts representing interest | (63,522) |
| Present value of net minimum capital lease payments | 1,532,437 |
| Less current obligations under capital lease | (755,822) |
| Obligations Under Capital Leases Less Current Portion | <u>\$ 776,615</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, 2017, \$54,504 was expended for the post-closure care costs for the landfill, and \$27,489 was added to the liability to reflect inflated estimated costs. The City's post-closure liability as of September 30, 2017 was \$1,554,668. 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, 2017, 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, 2017.

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 \$350,000 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 2016, 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. Changes in the balances of claims liabilities during the fiscal years 2017 and 2016 are:

| Fiscal Year | Liability at Beginning | Current-Year Claims and Changes in Estimates | Claim Payments | Liability at End |
|-------------|---------------------------|---|-------------------|---------------------|
| 2017 | \$ 1,711,396 | \$ 8,440,468 | \$ 8,764,185 | \$ 1,387,679 |
| 2016 | 1,509,232 | 7,949,760 | 7,747,596 | 1,711,396 |

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

NOTE 16: RISK MANAGEMENT – CONTINUED

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, 2017, as follows:

| | General | Capital Projects | NonMajor | | | Debt Service | Total NonMajor | Total Governmental |
|---|----------------------|----------------------|-------------------------|--------------------------|---------------------|-------------------|---------------------|-----------------------|
| | | | Housing & Comm. Dev. | Convention & Visitors | Other | | | |
| NONSPENDABLE: | | | | | | | | |
| Inventories | \$ 4,142 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,142 |
| Property Held for Sale | 3,253,577 | - | - | - | - | - | - | 3,253,577 |
| RESTRICTED FOR: | | | | | | | | |
| Parks Improvements | - | 1,436,927 | - | - | - | - | - | 1,436,927 |
| Streets, Drainage, Curbs, etc. Improvements | - | 22,977,577 | - | - | - | - | - | 22,977,577 |
| Culture and Recreation | - | 21,269,307 | - | 3,281,188 | - | - | 3,281,188 | 24,550,495 |
| Public Safety | - | - | - | - | 1,282,287 | - | 1,282,287 | 1,282,287 |
| Municipal Court | - | - | - | - | 186,156 | - | 186,156 | 186,156 |
| Debt Service | - | - | 15,420 | - | - | 729,501 | 744,921 | 744,921 |
| Welfare | - | - | - | - | - | - | - | - |
| Other Purposes | - | - | - | - | 372,114 | - | 372,114 | 372,114 |
| COMMITTED TO: | | | | | | | | |
| Culture & Recreation | - | 4,205,027 | - | - | - | - | - | 4,205,027 |
| ASSIGNED TO: | | | | | | | | |
| Compensated Absences | 1,143,523 | - | - | - | - | - | - | 1,143,523 |
| Parks Improvements/Development | 1,037,893 | - | - | - | - | - | - | 1,037,893 |
| Other Capital Projects | - | 213,595 | - | - | - | - | - | 213,595 |
| Police Vehicle Storage Facility | 452,705 | - | - | - | - | - | - | 452,705 |
| Radio System | 1,612,802 | - | - | - | - | - | - | 1,612,802 |
| Other Public Safety Projects | 709,156 | - | - | - | - | - | - | 709,156 |
| Public Works Drainage Project | 2,257,441 | - | - | - | - | - | - | 2,257,441 |
| Information Technology | 2,503,093 | - | - | - | - | - | - | 2,503,093 |
| Other Purposes | 606,875 | - | - | - | - | - | - | 606,875 |
| Welfare | 670,311 | - | - | - | - | - | - | 670,311 |
| Downtown Development | 240,094 | - | - | - | - | - | - | 240,094 |
| UNASSIGNED: | | | | | | | | |
| | 33,886,826 | - | - | - | - | - | - | 33,886,826 |
| | <u>\$ 48,378,438</u> | <u>\$ 50,102,433</u> | <u>\$ 15,420</u> | <u>\$ 3,281,188</u> | <u>\$ 1,840,557</u> | <u>\$ 729,501</u> | <u>\$ 5,866,666</u> | <u>\$ 104,347,537</u> |

NOTE 18: TAX ABATEMENTS

The City enters into reinvestment zone tax abatement agreements with local businesses under the state Property Redevelopment and Tax Abatement Act (Chapter 312, Tax Code). Under the Act, localities may provide property tax abatements which will be reasonably likely, as a result of the designation, to contribute to the retention or expansion of primary employment or to attract major investment in the zone that would be a benefit to the property and that would contribute to the economic development of the City. In consideration for the abatement, the businesses agree to a specified level of capital investment and jobs creation in the reinvestment zone. Only one agreement allows a 100% tax abatement every year on improved property value, the other agreements are on a decreasing scale over five years starting at a 100%.

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

NOTE 18: TAX ABATEMENTS – Continued

For the fiscal year ended September 30, 2017, the City abated property taxes totaling \$252,017 under this program, including the following tax abatement agreements:

- A 60% property tax abatement to a pumping service company to construct a facility and equip the facility in the amount of \$31 million and adding 30 new jobs. The abatement amounted to \$217,163.
- A 60% property tax abatement to an assisted living business to construct a new 70 unit assisted living community on existing property and including the purchase of machinery, operating equipment, furnishings, etc. in the amount of \$8.1 million and adding 20 new jobs. The abatement amounted to \$6,165.
- A 100% property tax abatement to a soft drink company to construct real property improvements including a sales and distribution center for \$2,000,000 and adding 10 new jobs. The abatement amounted to \$28,689.

The City also enters into economic development agreements designed to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. This program rebates property and sales taxes and is authorized under Chapter 380 of the Texas Local Government Code. These agreements require certain amounts of investments, jobs creation and installation of public infrastructure.

The City entered into various agreements that rebate 50% of property and sales taxes paid to the City, and are for terms of 15-20 years. For the fiscal year ended September 30, 2017, the City rebated property taxes of \$87,372 or .26% of the \$34.2 million total tax levy and sales taxes for \$575,223 or 1.5% of the \$37.9 million total sales tax revenues.

NOTE 19: COMMITMENTS AND CONTINGENCIES

Colorado River Municipal Water District

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

Federally Assisted Programs – Compliance Audits

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

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

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

NOTE 20: 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 21: SUBSEQUENT EVENT

Subsequent to the fiscal year ended September 30, 2017, the City issued \$ 36,280,000 in General Obligation Refunding Bonds, Series 2017 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 \$1,960,000 General Obligation Refunding Bonds, Series 2006, and \$33,895,000 Tax & Revenue Certificates of Obligation, Series 2013.

NOTE 22: NEW PRONOUNCEMENTS

Effective for the City in fiscal year 2018:

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.

GASB issued Statement No. 85 "Omnibus 2017" – This statement addresses practical issues relating to implementation of several recent standard, including measuring certain investments, OPEB related issues, etc.

GASB issued Statement No. 86 "Certain Debt Extinguishment Issues" – This statement establishes guidance for "in-substance" defeasance transactions using only existing resources, amends reporting requirements for prepaid insurance related to extinguished debt and requires additional disclosure.

Effective for the City in fiscal year 2019

GASB issued Statement No. 83 "Certain Asset Retirement Obligations" – This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs) – establishes criteria for determining the timing and patter for recognition of a liability and a corresponding deferred outflow of resources for AROs.

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

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF ODESSA, TEXAS
Required Supplementary Information
Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
Last Three Fiscal Years (Previous years are not available)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 6,268,701 | \$ 5,565,518 | \$ 4,344,664 |
| Interest | 15,814,934 | 15,382,245 | 14,685,355 |
| Difference between expected and actual experience | 187,898 | 1,340,037 | 1,824,017 |
| Change in assumptions | - | 3,152,193 | - |
| Benefit payments, including refunds of employee contributions | <u>(11,361,172)</u> | <u>(11,124,066)</u> | <u>(11,893,727)</u> |
| Net Change in Total Pension Liability | 10,910,361 | 14,315,927 | 8,960,309 |
| Total Pension Liability -Beginning of Year | <u>236,841,556</u> | <u>222,525,629</u> | <u>213,565,320</u> |
| Total Pension Liability - End of Year | <u>\$ 247,751,917</u> | <u>\$ 236,841,556</u> | <u>\$ 222,525,629</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 6,604,280 | \$ 5,674,572 | \$ 5,994,571 |
| Contributions - Employees | 2,922,883 | 2,681,220 | 2,618,626 |
| Net investment income | 13,315,142 | 294,694 | 10,990,765 |
| Benefit payments, including refunds of employee contributions | (11,361,172) | (11,124,066) | (11,893,727) |
| Administrative expense | (150,414) | (179,512) | (114,761) |
| Other | <u>(8,104)</u> | <u>(8,867)</u> | <u>(9,435)</u> |
| Net Change in Plan Fiduciary Net Position | \$ 11,322,615 | (2,661,959) | 7,586,039 |
| Plan Fiduciary Net Position - Beginning of Year | <u>197,070,287</u> | <u>199,732,246</u> | <u>192,146,207</u> |
| Plan Fiduciary Net Position - End of Year | <u>\$ 208,392,902</u> | <u>\$ 197,070,287</u> | <u>\$ 199,732,246</u> |
| Net Pension Liability | <u>\$ 39,359,015</u> | <u>\$ 39,771,269</u> | <u>\$ 22,793,383</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 84.11% | 83.21% | 89.76% |
| Covered Employee Payroll | \$ 41,735,692 | \$ 38,277,293 | \$ 36,900,523 |
| Net Pension Liability as a Percentage of Covered Payroll | 94.31% | 103.90% | 61.77% |

NOTE: The City implemented GASB Statement NO. 68 in FY 2015. Information in this table has been determined as of the measurement dates of December 31, 2016, 2015, and 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
Last Three Fiscal Years (Previous years are not available)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|
| Actuarially Determined Contribution | \$ 5,803,071 | \$ 5,490,446 | \$ 5,334,643 |
| Contributions in relation to the actuarially determined contribution | <u>6,626,094</u> | <u>6,317,320</u> | <u>5,713,920</u> |
| Contribution excess | \$ (823,023) | \$ (826,874) | (379,277) |
| Covered employee payroll | 41,884,295 | 40,551,007 | 37,715,321 |
| Contributions as a percentage of covered employee payroll | 15.82% | 15.58% | 15.15% |

Notes to Schedule

Valuation Date:

Actuarially determined contribution rate are calculated as of December 31st and become effective in January, 13 months 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 | 29 years |
| Asset Valuation Method | 10 year smoothed market; 15% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.50% to 10.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014. |
| Mortality | RP2000 Combined 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 dates of December 31, 2016, 2015 and 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
Last Three Fiscal Years (Previous years are not available)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 3,989,437 | \$ 3,979,638 | \$ 3,785,084 |
| Interest | 6,320,711 | 7,224,216 | 6,960,820 |
| Change of benefit terms | (13,926,192) | - | - |
| Difference between expected and actual experience | 3,000,886 | - | - |
| Change in assumptions | (21,332,887) | 26,869,167 | - |
| Contributions - Buy Back | - | 4,320 | - |
| Benefit payments, including refunds of employee contributions | <u>(6,432,676)</u> | <u>(6,159,471)</u> | <u>(5,472,566)</u> |
| Net Change in Total Pension Liability | (28,380,721) | 31,917,870 | 5,273,338 |
| Total Pension Liability -Beginning of Year | <u>171,566,914</u> | <u>139,649,044</u> | <u>134,375,706</u> |
| Total Pension Liability - End of Year | <u>\$ 143,186,193</u> | <u>\$ 171,566,914</u> | <u>\$ 139,649,044</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 2,036,444 | \$ 1,850,057 | \$ 1,941,250 |
| Contributions - Employees | 1,895,306 | 1,850,058 | 1,793,009 |
| Contributions - Buy Back | - | 4,320 | - |
| Net investment income | 3,328,013 | (1,188,316) | 2,454,391 |
| Benefit payments, including refunds of employee contributions | (6,432,676) | (6,159,471) | (5,472,566) |
| Administrative expense | (240,265) | (139,345) | (96,214) |
| Other | <u>-</u> | <u>-</u> | <u>2,009,989</u> |
| Net Change in Plan Fiduciary Net Position | \$ 586,822 | (3,782,697) | 2,629,859 |
| Plan Fiduciary Net Position - Beginning of Year | <u>43,672,644</u> | <u>47,455,341</u> | <u>44,825,482</u> |
| Plan Fiduciary Net Position - End of Year | <u>\$ 44,259,466</u> | <u>\$ 43,672,644</u> | <u>\$ 47,455,341</u> |
| Net Pension Liability | <u>\$ 98,926,727</u> | <u>\$ 127,894,270</u> | <u>\$ 92,193,703</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 30.91% | 25.46% | 33.98% |
| Covered Employee Payroll | \$ 12,635,373 | \$ 12,333,720 | \$ 11,774,395 |
| Net Pension Liability as a Percentage of Covered Payroll | 782.93% | 1036.95% | 783.00% |

CITY OF ODESSA, TEXAS
Required Supplementary Information
Odessa Firefighters' Relief and Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios
Last Three Fiscal Years (Previous years are not available)
(Continued)

Notes to Schedule:

Change of benefit terms:

For measurement date 12/31/2016, amounts reported as changes of benefit terms resulted from numerous changes to the plan's benefit structure. The changes were the following:

- Plan benefits were frozen for all active participants as of December 31, 2016.
 - Effective January 1, 2017, the following changes were made for future benefit accruals:
 - o The benefit accrual rate was reduced from 3.60% per year to 2.88% per year
 - o The average final compensation period was amended from the highest 5 of the last 10 years to the last 5 years at retirement
 - o The total benefit (not including the frozen longevity or supplemental benefit) may not exceed 72% of average final compensation
 - o The normal retirement age for future benefit accruals is payable unreduced at attainment of age 55 and completion of 25 years
 - o The longevity benefit for service in excess of 20 years was removed
 - o The supplemental benefit was removed
 - o The normal form of annuity payment for future benefit accruals is a life annuity
 - o The cost-of-living adjustment (COLA) was removed for future benefit accrual
 - o The vesting period was increased from 10 years to 20 years (members with 10+ years as of December 31, 2016 are 100% vested in their frozen benefit)
 - The DROP was eliminated for members with less than 20 years of service as of January 1, 2017.
 - The interest crediting was removed for future DROP participants.
 - A "13th check" benefit was implemented based on future actuarial soundness.
 - The member contribution rate was increased from 15.00% to 18.00% of earnings.
- Additionally, the City contribution rate was increased from 16.00% to 20.00% of payroll.

Changes of assumptions:

For purposes of determining the GASB discount rate at the 12/31/2016 measurement date, a depletion date projection as of that date has been performed. The results of this projection showed a single discount rate of 5.05%. The discount rate was increased from 3.99% to 5.05%. Other actuarial changes of assumptions in the 2016 year were the following:

As a result of the increase in the normal retirement age as described under the changes of benefit terms, the retirement rates were amended for members who had not attained age 45 and completed 15 years of service as of December 31, 2016. Also, a new set of retirement rates were established for members hired on or after January 1, 2017.

For purposes of determining the GASB discount rate at the 12/31/2015 measurement date, a depletion date projection as of that date has been performed. The results of this projection showed a single discount rate of 3.99%. The discount rate has been lowered from 5.14% to 3.99%. Other actuarial changes of assumptions reported in the 2015 year are listed below. These other changes can be found in the 1/1/2016 Valuation report:

- Salary Increases
- Retirement Rates
- Retirement/DROP Election
- Withdrawal Rates
- Disability Rates

NOTE: The City implemented GASB Statement NO. 68 in FY 2015. Information in this table has been determined as of the measurement dates of December 31, 2016, 2015 and 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
Last Three Fiscal Years (Previous years are not available)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|
| Actuarially Determined Contribution | \$ 2,445,033 | \$ 2,032,617 | \$ 1,860,461 |
| Contributions in relation to the actuarially determined contribution | <u>2,445,033</u> | <u>2,032,617</u> | <u>1,860,461</u> |
| Contribution deficiency (excess) | \$ - | - | - |
| Covered employee payroll | 12,741,922 | 12,897,200 | 12,137,897 |
| Contributions as a percentage of covered employee payroll | 19.19% | 15.76% | 15.33% |

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Mortality Rates: RP-2000 projected to 2015 using Scale AA - Sex Distinct. We feel this sufficiently accommodates for expected mortality improvements.

| Retirement Age: | Years following Retirement Eligibility | |
|-----------------|--|--------|
| | Rate | Rate |
| | 0 | 20.0% |
| | 1 | 10.0 |
| | 2 | 35.0 |
| | 3 | 50.0 |
| | 4 | 66.7 |
| | 5 | 66.7 |
| | 6+ | 100.00 |

The assumed rates of retirement were approved in conjunction with an actuarial experience study dated July 19, 2016.

| Termination Rates: | Service | |
|--------------------|---------|-------|
| | Rate | Rate |
| | <5 | 10.0% |
| | 5-6 | 7.0 |
| | 7-9 | 2.0 |
| | 10-19 | 4.0 |
| | 20+ | 3.0 |

The assumed rates of termination were approved in conjunction with an actuarial experience study dated July 19, 2016.

| Disability Rates: | Age | |
|-------------------|------------------|------------------|
| | Termination Rate | Termination Rate |
| | 25 | 0.094% |
| | 35 | 0.082 |
| | 45 | 0.168 |
| | 55 | 0.429 |

The assumed rates of disablement were approved in conjunction with an actuarial experience study dated July 19, 2016.

Interest Rate: 7.75% per year, compounded annually, net of expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

| Salary Increases: | Service | |
|-------------------|----------|----------|
| | Increase | Increase |
| | 0 | 0.1 |
| | 1 | 9.0 |
| | 2 | 8.00 |
| | 3 | 7.00 |
| | 4 | 6.50 |
| | 5-14 | 6.00 |
| | 15+ | 5.50 |

The assumed rates of salary increase were approved in conjunction with an actuarial experience study date July 19, 2016.

CITY OF ODESSA, TEXAS
Required Supplementary Information
Odessa Firefighters' Relief and Retirement Fund
Schedule of Contributions
Last Three Fiscal Years (Previous years are not available)
(Continued)

| | |
|-------------------------|---|
| Payroll Growth: | 3.50% per year for amortization of the Unfunded Actuarial Accrued Liability. This was approved in conjunction with an actuarial experience study date July 19, 2016. |
| Funding Method: | Entry Age Normal Actuarial Cost Method. |
| Marital Status: | 100% of actives are assumed to be married at time of benefit commencement. Males are assumed to be two year 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 reaches the age of 20. |
| Contribution Rates: | Members - 15.00% City - 16% |
| Payment Form: | 90% of the retiring members are assumed to elect the Basic DROP. The remaining 10% of retiring members are assumed to elect a regular service retirement. These were approved in conjunction with an actuarial experience study date July 19, 2016. |
| Actuarial Asset 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. |
| 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 report. Additionally, it is assumed that there is a 40% probability that the Ad-HOC COLA will be paid to members hired on or after January 31, 2013. This 40% assumption is subject to further modification in future valuations based on the assumed rate of investment return, as well as the asset allocation of the Fund and the expected long-term return by asset class. |
| Miscellaneous: | The valuation was performed using 50 percent, rather than 72 percent, of average salary in the plan's disability benefit formula. The lower percentage was used to reflect the fact that the City of Odessa pays disability benefits under its long term disability insurance policy until a firefighter reaches age 65. Starting at age 65, the plan begins paying benefits. |

NOTE: The City implemented GASB Statement NO. 68 in FY 2015. Information in this table has been determined as of the measurement dates of December 31, 2016, 2015 and 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</u> <u>Ending</u> | <u>Actuarial</u> <u>Value of</u> <u>Assets</u> | <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> | <u>Unfunded/</u> <u>Overfunded</u> <u>AAL</u> <u>(UAAL)</u> | <u>Funded</u> <u>Ratio</u> | <u>Annual</u> <u>Covered</u> <u>Payroll</u> | <u>UAAL</u> <u>as a % of</u> <u>Covered</u> <u>Payroll</u> |
|-------------------------------------|--|--|--|-------------------------------|---|---|
| 9/30/2017 | \$ - | \$ 11,025,942 | \$ 11,025,942 | 0% | \$ 54,762,464 | 20.1% |
| 9/30/2016 | - | 11,479,521 | 11,479,521 | 0% | 53,597,370 | 21.4% |
| 9/30/2015 | - | 10,581,501 | 10,581,501 | 0% | 50,488,510 | 21.0% |

NON-MAJOR GOVERNMENT FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2017**

| | | Special Revenue Funds <u>Housing and Community Development</u> |
|--|----|--|
| ASSETS | | |
| Cash and Investments | \$ | 25,764 |
| Accounts Receivable | | <u>85,655</u> |
| TOTAL ASSETS | | <u><u>\$ 111,419</u></u> |
| LIABILITIES | | |
| Accounts Payable | \$ | 47,183 |
| Accrued Payroll | | 7,559 |
| Interfund Payable | | <u>41,257</u> |
| TOTAL LIABILITIES | | <u>95,999</u> |
| FUND BALANCES | | |
| Restricted | | <u>15,420</u> |
| TOTAL FUND BALANCES | | <u>15,420</u> |
| TOTAL LIABILITIES AND FUND BALANCES | | <u><u>\$ 111,419</u></u> |

| Special Revenue Funds | | | Debt Service Fund | Total Non-major Governmental Funds |
|----------------------------------|-------------------|---------------------|-------------------------|---|
| Convention & Visitors Fund | MOUSD | Other | | |
| \$ 1,902,741 | \$ 893 | \$ 1,841,475 | \$ 729,901 | \$ 4,500,774 |
| 1,405,777 | 355,719 | 26,325 | - | 1,873,476 |
| <u>\$ 3,308,518</u> | <u>\$ 356,612</u> | <u>\$ 1,867,800</u> | <u>\$ 729,901</u> | <u>\$ 6,374,250</u> |
| \$ 16,733 | \$ 356,612 | \$ 17,108 | 400 | \$ 438,036 |
| 10,597 | - | 10,135 | - | 28,291 |
| - | - | - | - | 41,257 |
| <u>27,330</u> | <u>356,612</u> | <u>27,243</u> | <u>400</u> | <u>507,584</u> |
| <u>3,281,188</u> | <u>-</u> | <u>1,840,557</u> | <u>729,501</u> | <u>5,866,666</u> |
| <u>3,281,188</u> | <u>-</u> | <u>1,840,557</u> | <u>729,501</u> | <u>5,866,666</u> |
| <u>\$ 3,308,518</u> | <u>\$ 356,612</u> | <u>\$ 1,867,800</u> | <u>\$ 729,901</u> | <u>\$ 6,374,250</u> |

**CITY OF ODESSA, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2017**

| | <u>Special Revenue Funds Housing and Community Development</u> |
|--|--|
| REVENUES | |
| Property Tax, Penalties and Interest | \$ - |
| Fines and Forfeitures | - |
| Grants and Entitlements | 1,126,670 |
| Hotel and Motel Occupancy Tax | - |
| Investment Income | 16 |
| Donations | - |
| Other | 79,633 |
| TOTAL REVENUES | <u>1,206,319</u> |
| EXPENDITURES | |
| Current | |
| Finance | - |
| Public Works | - |
| Public Safety | - |
| Welfare | 1,229,299 |
| Culture and Recreation | - |
| TOTAL CURRENT | <u>1,229,299</u> |
| Debt Service | |
| Principal Retirement | - |
| Interest and Fiscal Charges | - |
| TOTAL DEBT SERVICE | <u>-</u> |
| Capital Outlay | <u>-</u> |
| TOTAL EXPENDITURES | <u>1,229,299</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(22,980)</u> |
| OTHER FINANCING (USES) | |
| Transfer In | - |
| Transfer (Out) | - |
| TOTAL OTHER FINANCING (USES) | <u>-</u> |
| NET CHANGE IN FUND BALANCES | (22,980) |
| FUND BALANCES - BEGINNING OF YEAR | <u>38,400</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ 15,420</u></u> |

| Special Revenue Funds | | | | |
|----------------------------------|------------------|---------------------|-------------------------|---|
| Convention & Visitors Fund | MOUSD | Other | Debt Service Fund | Total Non-major Governmental Funds |
| \$ - | \$ - | \$ - | \$ 7,005,825 | \$ 7,005,825 |
| - | - | 172,196 | - | 172,196 |
| - | 3,817,238 | 268,301 | - | 5,212,209 |
| 4,718,990 | - | - | - | 4,718,990 |
| 22,990 | - | 11,063 | 13,722 | 47,791 |
| - | - | 288,750 | - | 288,750 |
| - | - | - | - | 79,633 |
| <u>4,741,980</u> | <u>3,817,238</u> | <u>740,310</u> | <u>7,019,547</u> | <u>17,525,394</u> |
| - | - | 251,434 | - | 251,434 |
| - | 3,817,238 | - | - | 3,817,238 |
| - | - | 197,296 | - | 197,296 |
| - | - | - | - | 1,229,299 |
| 3,215,463 | - | - | - | 3,215,463 |
| <u>3,215,463</u> | <u>3,817,238</u> | <u>448,730</u> | <u>-</u> | <u>8,710,730</u> |
| - | - | - | 3,920,000 | 3,920,000 |
| - | - | - | 3,085,275 | 3,085,275 |
| - | - | - | 7,005,275 | 7,005,275 |
| - | - | 59,067 | - | 59,067 |
| <u>3,215,463</u> | <u>3,817,238</u> | <u>507,797</u> | <u>7,005,275</u> | <u>15,775,072</u> |
| <u>1,526,517</u> | <u>-</u> | <u>232,513</u> | <u>14,272</u> | <u>1,750,322</u> |
| - | - | 64,585 | - | 64,585 |
| (1,800,000) | - | - | - | (1,800,000) |
| <u>(1,800,000)</u> | <u>-</u> | <u>64,585</u> | <u>-</u> | <u>(1,735,415)</u> |
| (273,483) | - | 297,098 | 14,272 | 14,907 |
| <u>3,554,671</u> | <u>-</u> | <u>1,543,459</u> | <u>715,229</u> | <u>5,851,759</u> |
| <u>\$ 3,281,188</u> | <u>\$ -</u> | <u>\$ 1,840,557</u> | <u>\$ 729,501</u> | <u>\$ 5,866,666</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, 2017

| | Budgeted Amounts | | Actual | Variance Over (Under) |
|--|------------------|---------------------|------------------|-----------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Grants and Entitlements | \$ 1,139,453 | \$ 1,139,453 | \$ 1,126,670 | \$ (12,783) |
| Investment Income | - | - | 16 | 16 |
| Other | - | - | 79,633 | 79,633 |
| TOTAL REVENUES | 1,139,453 | 1,139,453 | 1,206,319 | 66,866 |
| EXPENDITURES | | | | |
| Current | | | | |
| Welfare | 1,142,309 | 1,987,329 | 1,229,299 | (758,030) |
| TOTAL EXPENDITURES | 1,142,309 | 1,987,329 | 1,229,299 | (758,030) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (2,856) | (847,876) | (22,980) | 824,896 |
| OTHER FINANCING SOURCES | | | | |
| Transfer In | 2,856 | 2,856 | - | (2,856) |
| TOTAL OTHER FINANCING SOURCES | 2,856 | 2,856 | - | (2,856) |
| NET CHANGE IN FUND BALANCE | - | (845,020) | (22,980) | 822,040 |
| FUND BALANCE - BEGINNING OF YEAR | 38,400 | 38,400 | 38,400 | - |
| FUND BALANCE - END OF YEAR | \$ 38,400 | \$ (806,620) | \$ 15,420 | \$ 822,040 |

**CITY OF ODESSA, TEXAS
CONVENTION & VISITORS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2017**

| | Budgeted Amount | | Actual | Variance Over (Under) |
|--|---------------------|---------------------|---------------------|-----------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Hotel and Motel Occupancy Tax | \$ 3,800,000 | \$ 3,800,000 | \$ 4,718,990 | \$ 918,990 |
| Investment Income | - | - | 22,990 | 22,990 |
| TOTAL REVENUES | 3,800,000 | 3,800,000 | 4,741,980 | 941,980 |
| EXPENDITURES | | | | |
| Culture and Rcreation | 3,085,914 | 3,440,055 | 3,215,463 | (224,592) |
| TOTAL EXPENDITURES | 3,085,914 | 3,440,055 | 3,215,463 | (224,592) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 714,086 | 359,945 | 1,526,517 | 1,166,572 |
| OTHER FINANCING (USES) | | | | |
| Operating Transfer (Out) | - | (1,800,000) | (1,800,000) | - |
| TOTAL OTHER FINANCIING (USES) | - | (1,800,000) | (1,800,000) | - |
| NET CHANGE IN FUND BALANCE | 714,086 | (1,440,055) | (273,483) | 1,166,572 |
| FUND BALANCE - BEGINNING OF YEAR | 3,554,671 | 3,554,671 | 3,554,671 | - |
| FUND BALANCE - END OF YEAR | \$ 4,268,757 | \$ 2,114,616 | \$ 3,281,188 | \$ 1,166,572 |

**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, 2017**

| | Budgeted Amount | | Actual | Variance Over (Under) |
|--|-------------------|--------------------|---------------------|-----------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Fines and Forfeitures | \$ 135,000 | \$ 135,000 | \$ 172,196 | \$ 37,196 |
| Grants and Entitlements | 109,008 | 257,054 | 268,301 | 11,247 |
| Investment Income | - | - | 11,063 | 11,063 |
| Donations | - | 290,150 | 288,750 | (1,400) |
| TOTAL REVENUES | 244,008 | 682,204 | 740,310 | 58,106 |
| EXPENDITURES | | | | |
| Current | | | | |
| Finance | 280,058 | 287,558 | 251,434 | (36,124) |
| Public Safety | 315,527 | 1,348,407 | 197,296 | (1,151,111) |
| TOTAL CURRENT | 595,585 | 1,635,965 | 448,730 | (1,187,235) |
| Capital Outlay | 359,560 | 243,792 | 59,067 | (184,725) |
| TOTAL EXPENDITURES | 955,145 | 1,879,757 | 507,797 | (1,371,960) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (711,137) | (1,197,553) | 232,513 | 1,430,066 |
| OTHER FINANCING SOURCES | | | | |
| Transfer In | 97,000 | 154,137 | 64,585 | (89,552) |
| TOTAL OTHER FINANCING SOURCES | 97,000 | 154,137 | 64,585 | (89,552) |
| NET CHANGE IN FUND BALANCE | (614,137) | (1,043,416) | 297,098 | 1,340,514 |
| FUND BALANCE - BEGINNING OF YEAR | 1,543,459 | 1,543,459 | 1,543,459 | - |
| FUND BALANCE - END OF YEAR | \$ 929,322 | \$ 500,043 | \$ 1,840,557 | \$ 1,340,514 |

**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, 2017**

| | Budgeted Amount | | Actual | Variance Over (Under) |
|---|--------------------------|--------------------------|--------------------------|-----------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property Tax, Penalties and Interest | \$ 7,005,825 | \$ 7,005,825 | \$ 7,005,825 | \$ - |
| Investment Income | - | - | 13,722 | 13,722 |
| TOTAL REVENUES | <u>7,005,825</u> | <u>7,005,825</u> | <u>7,019,547</u> | <u>13,722</u> |
| EXPENDITURES | | | | |
| Debt Service | | | | |
| Principal Retirement | 3,920,000 | 3,920,000 | 3,920,000 | - |
| Interest and Fiscal Charges | <u>3,085,825</u> | <u>3,085,825</u> | <u>3,085,275</u> | <u>(550)</u> |
| TOTAL EXPENDITURES | <u>7,005,825</u> | <u>7,005,825</u> | <u>7,005,275</u> | <u>(550)</u> |
| NET CHANGE IN FUND BALANCE | - | - | 14,272 | 14,272 |
| FUND BALANCE - BEGINNING OF YEAR | <u>715,229</u> | <u>715,229</u> | <u>715,229</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 715,229</u></u> | <u><u>\$ 715,229</u></u> | <u><u>\$ 729,501</u></u> | <u><u>\$ 14,272</u></u> |

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NON-MAJOR ENTERPRISE FUNDS

Ratliff Golf Course Fund - To account for the provision of a public golf course located in Odessa, Texas.

Liquid Waste Fund - to account for the provision of liquid waste disposal to the City, County and citizens.

Storm Water Fund - To account for the provision of the new Storm Waater Program as approved by the Texas Commission on Environmental Quality and Environmental Protection Agency (EPA).

**CITY OF ODESSA, TEXAS
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

| | Ratliff Golf Course Fund | Liquid Waste Fund | Storm Water Fund | Totals |
|--|-----------------------------------|-------------------------|------------------------|---------------------|
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and Investments | \$ 322 | \$ 479,056 | \$ 561,405 | \$ 1,040,783 |
| Accounts Receivable | - | - | 150,345 | 150,345 |
| Inventories | 61,809 | - | - | 61,809 |
| TOTAL CURRENT ASSETS | 62,131 | 479,056 | 711,750 | 1,252,937 |
| NONCURRENT ASSETS: | | | | |
| CAPITAL ASSETS: | | | | |
| Land | 20,518 | - | - | 20,518 |
| Buildings | 206,604 | - | - | 206,604 |
| Improvements | 4,051,599 | - | - | 4,051,599 |
| Machinery and Equipment | 64,105 | - | - | 64,105 |
| Data Processing Equipment | 7,000 | - | - | 7,000 |
| Less Accumulated Depreciation | (1,518,075) | - | - | (1,518,075) |
| TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation) | 2,831,751 | - | - | 2,831,751 |
| TOTAL ASSETS | 2,893,882 | 479,056 | 711,750 | 4,084,688 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Deferred Outflows for Pension Plan | 169,055 | - | 152,920 | 321,975 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 169,055 | - | 152,920 | 321,975 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts Payable | 63,774 | - | 7,617 | 71,391 |
| Compensated Absences | 20,928 | 2,362 | 20,317 | 43,607 |
| Accrued Payroll | 30,104 | 2,429 | 17,029 | 49,562 |
| Interfund Payable | 219,853 | - | - | 219,853 |
| TOTAL CURRENT LIABILITIES | 334,659 | 4,791 | 44,963 | 384,413 |
| NONCURRENT LIABILITIES: | | | | |
| Compensated Absences | 121,025 | - | 24,018 | 145,043 |
| Other Post Employment Benefits Payable | 127,353 | 7,989 | 53,816 | 189,158 |
| Net Pension Liability | 433,570 | 3,803 | 332,661 | 770,034 |
| TOTAL NONCURRENT LIABILITIES | 681,948 | 11,792 | 410,495 | 1,104,235 |
| TOTAL LIABILITIES | 1,016,607 | 16,583 | 455,458 | 1,488,648 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 2,831,751 | - | - | 2,831,751 |
| Unrestricted | (785,421) | 462,473 | \$ 409,212 | 86,264 |
| TOTAL NET POSITION | \$ 2,046,330 | \$ 462,473 | \$ 409,212 | \$ 2,918,015 |

CITY OF ODESSA, TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED SEPTEMBER 30, 2017

| | Ratliff Golf Course Fund | Liquid Waste Fund | Storm Water Fund | Totals |
|---|-----------------------------------|-------------------------|------------------------|---------------------|
| OPERATING REVENUES | | | | |
| User Fees | \$ 1,524,210 | \$ 93,598 | \$ 1,768,532 | \$ 3,386,340 |
| TOTAL OPERATING REVENUES | <u>1,524,210</u> | <u>93,598</u> | <u>1,768,532</u> | <u>3,386,340</u> |
| OPERATING EXPENSES | | | | |
| Personal Services | 869,287 | 59,402 | 535,627 | 1,464,316 |
| Supplies and Materials | 351,097 | 2,191 | 26,528 | 379,816 |
| Other Services | 524,799 | 3,356 | 543,700 | 1,071,855 |
| Maintenance | 88,674 | - | 110,774 | 199,448 |
| Depreciation and Amortization | 154,027 | - | - | 154,027 |
| TOTAL OPERATING EXPENSES | <u>1,987,884</u> | <u>64,949</u> | <u>1,216,629</u> | <u>3,269,462</u> |
| OPERATING INCOME (LOSS) | <u>(463,674)</u> | <u>28,649</u> | <u>551,903</u> | <u>116,878</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Investment Income | - | 2,895 | 1,708 | 4,603 |
| Other Non-Operating Expense | - | - | (65,210) | (65,210) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>-</u> | <u>2,895</u> | <u>(63,502)</u> | <u>(60,607)</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | <u>(463,674)</u> | <u>31,544</u> | <u>488,401</u> | <u>56,271</u> |
| TRANSFERS IN | <u>200,000</u> | <u>-</u> | <u>-</u> | <u>200,000</u> |
| CHANGE IN NET POSITION | <u>(263,674)</u> | <u>31,544</u> | <u>488,401</u> | <u>256,271</u> |
| NET POSITION - BEGINNING OF YEAR | <u>2,310,004</u> | <u>430,929</u> | <u>(79,189)</u> | <u>2,661,744</u> |
| NET POSITION - END OF YEAR | <u>\$ 2,046,330</u> | <u>\$ 462,473</u> | <u>\$ 409,212</u> | <u>\$ 2,918,015</u> |

**CITY OF ODESSA, TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017**

| | Ratliff Golf Course Fund | Liquid Waste Fund | Storm Water Fund | Total |
|---|-----------------------------------|-------------------------|------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Other Funds for Rental and Other Charges for Services | \$1,524,708 | \$ 93,598 | \$1,736,205 | \$3,354,511 |
| Cash Paid to Employees | (797,453) | (57,590) | (492,074) | (1,347,117) |
| Cash Paid To Suppliers and Providers | (927,382) | (5,547) | (208,977) | (1,141,906) |
| Cash Paid to Other Funds for Services | - | - | (464,605) | (464,605) |
| | <u>(200,127)</u> | <u>30,461</u> | <u>570,549</u> | <u>400,883</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Capital Contributions Out | - | - | (65,210) | (65,210) |
| Transfer from (to) General Fund | 200,000 | - | - | 200,000 |
| | <u>200,000</u> | <u>-</u> | <u>(65,210)</u> | <u>134,790</u> |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment Income Received on Investments | - | 2,895 | 1,708 | 4,603 |
| | <u>-</u> | <u>2,895</u> | <u>1,708</u> | <u>4,603</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | | | | |
| NET (DECREASE) INCREASE IN CASH | (127) | 33,356 | 507,047 | 540,276 |
| CASH - AT BEGINNING OF YEAR | <u>449</u> | <u>445,700</u> | <u>54,358</u> | <u>500,507</u> |
| CASH - AT END OF YEAR | <u>\$ 322</u> | <u>\$ 479,056</u> | <u>\$ 561,405</u> | <u>\$1,040,783</u> |

(Continued)

**CITY OF ODESSA, TEXAS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017**

| | Ratliff Golf Course Fund | Liquid Waste Fund | Storm Water Fund | Total |
|--|-----------------------------------|-------------------------|--------------------------|--------------------------|
| RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| OPERATING (LOSS) INCOME | <u>\$ (463,674)</u> | <u>\$ 28,649</u> | <u>\$ 551,903</u> | <u>\$ 116,878</u> |
| Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities | | | | |
| Depreciation and Amortization | 154,027 | - | - | 154,027 |
| (Increase) Decrease in Accounts Receivable | 498 | - | (32,327) | (31,829) |
| (Increase) Decrease in Inventories | 23,358 | - | - | 23,358 |
| (Increase)Decrease in Deferred Outflows | 56,382 | - | 38,632 | 95,014 |
| Decrease (Increase) in Interfund Payable | 25,356 | - | - | 25,356 |
| (Decrease) Increase in Accounts Payable | (11,526) | - | 7,420 | (4,106) |
| (Decrease) Increase in Accrued Employee Benefits | 16,125 | 1,230 | 866 | 18,221 |
| (Decrease) Increase in Accrued Payroll | (1,634) | 70 | 2,135 | 571 |
| (Decrease) Increase in Other Post Employment Benefit | 5,636 | 512 | 5,123 | 11,271 |
| (Decrease) Increase in TMRS Net Pension Liability | (4,675) | - | (3,203) | (7,878) |
| | <u>263,547</u> | <u>1,812</u> | <u>18,646</u> | <u>284,005</u> |
| TOTAL ADJUSTMENTS | | | | |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u><u>\$ (200,127)</u></u> | <u><u>\$ 30,461</u></u> | <u><u>\$ 570,549</u></u> | <u><u>\$ 400,883</u></u> |

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, 2017**

| | Equipment Service Fund | Risk Management Fund | Information Technology Fund | Total |
|---|------------------------------|----------------------------|-----------------------------------|----------------------|
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and Investments | \$ 11,887,529 | \$ 3,325,646 | \$ 2,498,058 | \$ 17,711,233 |
| Accounts Receivable | - | 40,803 | - | 40,803 |
| Interfund Receivable | 267,408 | - | - | 267,408 |
| TOTAL CURRENT ASSETS | <u>12,154,937</u> | <u>3,366,449</u> | <u>2,498,058</u> | <u>18,019,444</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 | - | 73,966 | 21,024 | 94,990 |
| Machinery and Equipment | 753,802 | 252,627 | 1,262,539 | 2,268,968 |
| Data Processing Equipment | 253,060 | 34,662 | 4,938,468 | 5,226,190 |
| Automotive Equipment | 54,071,243 | - | - | 54,071,243 |
| Radio and Electronic Equipment | 77,874 | 3,750 | - | 81,624 |
| Less Accumulated Depreciation | <u>(31,382,117)</u> | <u>(749,056)</u> | <u>(4,998,181)</u> | <u>(37,129,354)</u> |
| TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation) | <u>24,574,429</u> | <u>728,341</u> | <u>1,223,850</u> | <u>26,526,620</u> |
| TOTAL ASSETS | <u>36,729,366</u> | <u>4,094,790</u> | <u>3,721,908</u> | <u>44,546,064</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows for Pension Plan | 365,150 | 288,510 | 319,877 | 973,537 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>365,150</u> | <u>288,510</u> | <u>319,877</u> | <u>973,537</u> |
| LIABILITIES | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts Payable | 1,098,567 | 1,528,682 | 59,806 | 2,687,055 |
| Compensated Absences | 62,484 | 41,642 | 58,090 | 162,216 |
| Accrued Payroll | 50,719 | 46,787 | 66,389 | 163,895 |
| TOTAL CURRENT LIABILITIES | <u>1,211,770</u> | <u>1,617,111</u> | <u>184,285</u> | <u>3,013,166</u> |
| NONCURRENT LIABILITIES: | | | | |
| Compensated Absences | 195,905 | 272,047 | 19,169 | 487,121 |
| Other Post Employment Benefits Payable | 302,634 | 177,497 | 69,790 | 549,921 |
| Net Pension Liability | 929,123 | 686,013 | 630,228 | 2,245,364 |
| TOTAL NONCURRENT LIABILITIES | <u>1,427,662</u> | <u>1,135,557</u> | <u>719,187</u> | <u>3,282,406</u> |
| TOTAL LIABILITIES | <u>2,639,432</u> | <u>2,752,668</u> | <u>903,472</u> | <u>6,295,572</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 24,574,429 | 728,341 | 1,223,850 | 26,526,620 |
| Unrestricted | 9,880,655 | 902,291 | 1,914,463 | 12,697,409 |
| TOTAL NET POSITION | <u>\$ 34,455,084</u> | <u>\$ 1,630,632</u> | <u>\$ 3,138,313</u> | <u>\$ 39,224,029</u> |

CITY OF ODESSA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED SEPTEMBER 30, 2017

| | Equipment Service Fund | Risk Management Fund | Information Technology Fund | Total |
|---|------------------------------|----------------------------|-----------------------------------|----------------------|
| OPERATING REVENUES | | | | |
| Rental and Other Charges for Services | \$ 17,492,714 | \$ 11,180,101 | \$ 3,864,555 | \$ 32,537,370 |
| Other | 115,128 | 835,660 | - | 950,788 |
| TOTAL OPERATING REVENUES | 17,607,842 | 12,015,761 | 3,864,555 | 33,488,158 |
| OPERATING EXPENSES | | | | |
| Personal Services | 1,541,433 | 1,329,875 | 1,703,824 | 4,575,132 |
| Supplies and Materials | 2,514,578 | 162,122 | 120,257 | 2,796,957 |
| Other Services | 478,109 | 10,716,343 | 155,307 | 11,349,759 |
| Maintenance | 3,353,215 | 41,466 | 1,223,754 | 4,618,435 |
| Depreciation and Amortization | 5,792,566 | 45,161 | 728,029 | 6,565,756 |
| Other | 311,693 | 490,441 | 301,696 | 1,103,830 |
| TOTAL OPERATING EXPENSES | 13,991,594 | 12,785,408 | 4,232,867 | 31,009,869 |
| OPERATING INCOME (LOSS) | 3,616,248 | (769,647) | (368,312) | 2,478,289 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Investment Income | 57,406 | 22,826 | 13,671 | 93,903 |
| Gain on Sale of City Property | 944,760 | - | - | 944,760 |
| Other Non-operating Expense | (570,216) | - | - | (570,216) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 431,950 | 22,826 | 13,671 | 468,447 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 4,048,198 | (746,821) | (354,641) | 2,946,736 |
| CAPITAL CONTRIBUTIONS | 192,803 | - | 245,683 | 438,486 |
| CHANGE IN NET POSITION | 4,241,001 | (746,821) | (108,958) | 3,385,222 |
| NET POSITION - BEGINNING OF YEAR | 30,214,083 | 2,377,453 | 3,247,271 | 35,838,807 |
| NET POSITION - AT END OF YEAR | \$ 34,455,084 | \$ 1,630,632 | \$ 3,138,313 | \$ 39,224,029 |

**CITY OF ODESSA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017**

| | 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 | \$ 17,492,906 | \$ 11,149,978 | \$ 3,864,555 | \$ 32,507,439 |
| Cash Received from Employees and Others | 115,128 | 835,660 | - | 950,788 |
| Cash Paid to Employees | (1,368,437) | (1,202,631) | (1,561,215) | (4,132,283) |
| Cash Paid To Suppliers and Providers | (6,147,872) | (11,072,475) | (1,728,565) | (18,948,912) |
| Cash Paid to Other Funds for Services | (716,012) | (638,167) | (35,032) | (1,389,211) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>9,375,713</u> | <u>(927,635)</u> | <u>539,743</u> | <u>8,987,821</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Capital Contributions Out | (570,216) | - | - | (570,216) |
| NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>(570,216)</u> | <u>-</u> | <u>-</u> | <u>(570,216)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of Capital Assets | (5,146,410) | - | (164,239) | (5,310,649) |
| Proceeds from Sale of Capital Assets | 944,760 | - | - | 944,760 |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(4,201,650)</u> | <u>-</u> | <u>(164,239)</u> | <u>(4,365,889)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment Income Received on Investments | 57,406 | 22,826 | 13,671 | 93,903 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>57,406</u> | <u>22,826</u> | <u>13,671</u> | <u>93,903</u> |
| NET (DECREASE) INCREASE IN CASH | 4,661,253 | (904,809) | 389,175 | 4,145,619 |
| CASH - AT BEGINNING OF YEAR | <u>7,226,276</u> | <u>4,230,455</u> | <u>2,108,883</u> | <u>13,565,614</u> |
| CASH - AT END OF YEAR | <u>\$ 11,887,529</u> | <u>\$ 3,325,646</u> | <u>\$ 2,498,058</u> | <u>\$ 17,711,233</u> |

(Continued)

**CITY OF ODESSA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017**

| | Equipment Service Fund | Risk Management Fund | Information Technology Fund | Total |
|--|------------------------------|----------------------------|-----------------------------------|----------------------------|
| RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| OPERATING (LOSS) INCOME | <u>\$ 3,616,248</u> | <u>\$ (769,647)</u> | <u>\$ (368,312)</u> | <u>\$ 2,478,289</u> |
| Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities | | | | |
| Depreciation and Amortization | 5,792,566 | 45,161 | 728,029 | 6,565,756 |
| (Increase) Decrease in Accounts Receivable | 192 | (30,123) | - | (29,931) |
| (Increase) Decrease in Interfund Receivable | (122,501) | - | - | (122,501) |
| (Increase)Decrease in Deferred Outflows | 106,053 | 102,124 | 133,547 | 341,724 |
| (Decrease) Increase in Accounts Payable | (83,788) | (300,270) | 30,304 | (353,754) |
| (Decrease) Increase in Accrued Employee Benefits | 59,282 | 26,590 | 13,852 | 99,724 |
| (Decrease) Increase in Accrued Payroll | 3,133 | (687) | 3,149 | 5,595 |
| (Decrease) Increase in Other Post Employment Benefit | 13,321 | 7,685 | 10,247 | 31,253 |
| (Decrease) Increase in TMRS Net Pension Liability | <u>(8,793)</u> | <u>(8,468)</u> | <u>(11,073)</u> | <u>(28,334)</u> |
| TOTAL ADJUSTMENTS | <u>5,759,465</u> | <u>(157,988)</u> | <u>908,055</u> | <u>6,509,532</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u><u>\$ 9,375,713</u></u> | <u><u>\$ (927,635)</u></u> | <u><u>\$ 539,743</u></u> | <u><u>\$ 8,987,821</u></u> |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Equipment Service Fund acquired capital assets during the fiscal year ended September 30, 2017 in the amount of \$192,803 through contributed capital, and \$7,383,114 of prepaid items were capitalized into capital assets.

The Information Technology Fund acquired capital assets during the fiscal year ended September 30, 2017 in the amount of \$245,683 through contributed capital.

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, 2017**

| | <u>Payroll</u> | <u>Ector County Utility District</u> | <u>Martin L. King Memorial</u> | <u>MOTOR MPO</u> | <u>Total</u> |
|-------------------------------|---------------------|--|--|----------------------|---------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ 1,596,546 | \$ 199,541 | \$ 464 | \$ - | \$ 1,796,551 |
| Accounts Receivable | - | 178,634 | - | - | 178,634 |
| TOTAL ASSETS | <u>\$ 1,596,546</u> | <u>\$ 378,175</u> | <u>\$ 464</u> | <u>\$ -</u> | <u>\$ 1,975,185</u> |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 1,596,546 | \$ 18,963 | \$ 464 | \$ - | \$ 1,615,973 |
| Deposits and Billings Payable | - | 359,212 | - | - | 359,212 |
| TOTAL LIABILITIES | <u>\$ 1,596,546</u> | <u>\$ 378,175</u> | <u>\$ 464</u> | <u>\$ -</u> | <u>\$ 1,975,185</u> |

**CITY OF ODESSA, TEXAS
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED SEPTEMBER 30, 2017**

| | Balance October 1 | Additions | Deletions | Balance September 30 |
|--------------------------------------|----------------------|----------------------|----------------------|-------------------------|
| PAYROLL FUND | | | | |
| | ASSETS | | | |
| Cash and Investments | \$ 1,410,224 | \$ 69,937,955 | \$ 69,751,633 | \$ 1,596,546 |
| TOTAL ASSETS | \$ 1,410,224 | \$ 69,937,955 | \$ 69,751,633 | \$ 1,596,546 |
| | LIABILITIES | | | |
| Accounts Payable | \$ 1,410,224 | \$ 38,497,523 | \$ 38,311,201 | \$ 1,596,546 |
| TOTAL LIABILITIES | \$ 1,410,224 | \$ 38,497,523 | \$ 38,311,201 | \$ 1,596,546 |
| ECTOR COUNTY UTILITY DISTRICT | | | | |
| | ASSETS | | | |
| Cash and Investments | \$ 279,748 | \$ 4,516,460 | \$ 4,596,667 | \$ 199,541 |
| Accounts Receivable | 203,924 | 4,144,118 | 4,169,408 | 178,634 |
| TOTAL ASSETS | \$ 483,672 | \$ 8,660,578 | \$ 8,766,075 | \$ 378,175 |
| | LIABILITIES | | | |
| Accounts Payable | \$ 143,895 | \$ 8,168,431 | \$ 8,293,363 | \$ 18,963 |
| Deposits and Billings Payable | 339,777 | 90,880 | 71,445 | 359,212 |
| TOTAL LIABILITIES | \$ 483,672 | \$ 8,259,311 | \$ 8,364,808 | \$ 378,175 |
| MARTIN L. KING MEMORIAL | | | | |
| | ASSETS | | | |
| Cash and Investments | \$ 462 | \$ 2 | \$ - | \$ 464 |
| TOTAL ASSETS | \$ 462 | \$ 2 | \$ - | \$ 464 |
| | LIABILITIES | | | |
| Accounts Payable | \$ 462 | \$ 2 | \$ - | \$ 464 |
| TOTAL LIABILITIES | \$ 462 | \$ 2 | \$ - | \$ 464 |

(Continued)

**CITY OF ODESSA, TEXAS
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017**

| | Balance October 1 | Additions | Deletions | Balance September 30 |
|-------------------------------|----------------------|----------------------|----------------------|-------------------------|
| MOTOR - MPO | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ - | \$ 603,743 | \$ 603,743 | \$ - |
| TOTAL ASSETS | \$ - | \$ 603,743 | \$ 603,743 | \$ - |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ 603,743 | \$ 603,743 | \$ - |
| TOTAL LIABILITIES | \$ - | \$ 603,743 | \$ 603,743 | \$ - |
| ALL FUNDS | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 1,690,434 | \$ 75,058,160 | \$ 74,952,043 | \$ 1,796,551 |
| Accounts Receivable | 203,924 | 4,144,118 | 4,169,408 | 178,634 |
| TOTAL ASSETS | \$ 1,894,358 | \$ 79,202,278 | \$ 79,121,451 | \$ 1,975,185 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 1,554,581 | \$ 47,269,699 | \$ 47,208,307 | \$ 1,615,973 |
| Deposits and Billings Payable | 339,777 | 90,880 | 71,445 | 359,212 |
| TOTAL LIABILITIES | \$ 1,894,358 | \$ 47,360,579 | \$ 47,279,752 | \$ 1,975,185 |

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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, 2017**

| | 2017 |
|---|----------------|
| GOVERNMENTAL FUNDS CAPITAL ASSETS: | |
| Land | \$ 27,033,166 |
| Buildings | 29,414,419 |
| Improvements | 48,616,374 |
| Infrastructure | 122,383,014 |
| Traffic Signals | 4,809,044 |
| Furniture and Office Equipment | 273,504 |
| Machinery and Equipment | 3,859,878 |
| Data Processing Equipment | 2,095,941 |
| Communication Equipment | 9,319,649 |
| Works of Art | 10,000 |
| Construction-In-Progress | 19,007,096 |
| TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS | \$ 266,822,085 |
| INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE | |
| General Fund | \$ 53,428,831 |
| Capital Projects Fund | 110,889,517 |
| Special Revenue Funds | 21,961,519 |
| Other Funds | 3,941,328 |
| Donations | 76,600,890 |
| TOTAL INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS | \$ 266,822,085 |

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, 2017

| <u>Function</u> | <u>Total</u> | <u>Land</u> | <u>Buildings</u> | <u>Improvements</u> |
|--|-----------------------|----------------------|----------------------|----------------------|
| General Government | \$ 11,760,497 | \$ 842,875 | \$ 5,911,030 | \$ 3,871,255 |
| Finance | 1,374,885 | 522,208 | - | 182,538 |
| Public Works | 146,169,333 | 16,291,747 | 811,338 | 2,014,236 |
| Planning and Inspection | 9,318 | - | - | - |
| Public Safety | 35,673,413 | 247,956 | 17,566,216 | 4,746,605 |
| Culture and Recreation | <u>52,817,543</u> | <u>9,128,380</u> | <u>5,125,835</u> | <u>37,801,740</u> |
| TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS BY FUNCTION | <u>\$ 247,804,989</u> | <u>\$ 27,033,166</u> | <u>\$ 29,414,419</u> | <u>\$ 48,616,374</u> |
| Works of Art | \$ 10,000 | | | |
| Construction-In-Progress | <u>19,007,096</u> | | | |
| TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS | <u>\$ 266,822,085</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 | \$ - | \$ 64,840 | \$ 36,490 | \$ 91,344 | \$ 33,725 |
| - | - | 60,569 | 165,599 | 299,751 | 144,220 |
| 121,459,495 | 4,809,044 | 26,325 | 499,712 | 254,290 | 3,146 |
| - | - | 9,318 | - | - | - |
| - | - | 87,640 | 2,480,647 | 1,412,155 | 9,132,194 |
| <u>14,581</u> | <u>-</u> | <u>24,812</u> | <u>677,430</u> | <u>38,401</u> | <u>6,364</u> |
| <u>\$ 122,383,014</u> | <u>\$ 4,809,044</u> | <u>\$ 273,504</u> | <u>\$ 3,859,878</u> | <u>\$ 2,095,941</u> | <u>\$ 9,319,649</u> |

CITY OF ODESSA, TEXAS
SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN
THE OPERATIONS OF GOVERNMENTAL FUNDS AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2017

| <u>Function</u> | Governmental Funds Capital Assets <u>October 1, 2016</u> | <u>Additions</u> | <u>Transfers or Deductions</u> | Governmental Funds Capital Assets <u>September 30, 2017</u> |
|--|---|------------------------------------|------------------------------------|--|
| General Government | \$ 11,772,086 | \$ - | \$ 11,589 | \$ 11,760,497 |
| Finance | 1,409,219 | - | 34,334 | 1,374,885 |
| Public Works | 132,802,319 | 13,398,908 | 31,894 | 146,169,333 |
| Planning and Inspection | 10,083 | - | 765 | 9,318 |
| Public Safety | 35,609,976 | 391,179 | 327,742 | 35,673,413 |
| Culture and Recreation | 46,502,236 | 6,323,245 | 7,938 | 52,817,543 |
| Works of Art | 10,000 | - | - | 10,000 |
| Construction-In-Progress | <u>9,572,804</u> | <u>17,223,894</u> | <u>7,789,602</u> | <u>19,007,096</u> |
| TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS | <u><u>\$ 237,688,723</u></u> | <u><u>\$ 37,337,226</u></u> | <u><u>\$ 8,203,864</u></u> | <u><u>\$ 266,822,085</u></u> |

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

STATISTICAL SECTION

(Unaudited)

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

| Contents | Page |
|---|-------------|
| Financial Trends | 126-131 |
| <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 | 133-139 |
| <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 | 140-144 |
| <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 | 145-147 |
| <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 | 148-149 |
| <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>2017</u> | <u>2016</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> |
| GOVERNMENTAL ACTIVITIES | | | | | | | | | | |
| Net Investment In Capital Assets | \$ 130,925,084 | \$ 109,735,803 | \$ 102,119,951 | \$ 90,884,767 | \$ 78,928,482 | \$ 57,826,941 | \$ 57,809,053 | \$ 60,031,983 | \$ 60,097,708 | \$ 64,711,923 |
| Restricted | 27,135,973 | 26,345,521 | 704,006 | 696,852 | 661,216 | 644,531 | 545,365 | 541,064 | 517,217 | 406,646 |
| Unrestricted | (62,310,299) | (64,661,518) | (33,072,707) | 52,723,411 | 47,327,526 | 45,994,633 | 33,526,485 | 23,979,513 | 22,362,740 | 23,008,977 |
| Total Governmental Activities Net Position | <u>\$ 95,750,758</u> | <u>\$ 71,419,806</u> | <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> |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | | | |
| Net Investment In Capital Assets | \$ 95,894,235 | \$ 93,641,449 | \$ 87,004,397 | \$ 85,059,979 | \$ 76,417,777 | \$ 71,527,087 | \$ 65,408,661 | \$ 64,507,840 | \$ 62,825,071 | \$ 57,575,123 |
| 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 | 40,305,255 | 29,074,724 | 22,697,487 | 21,737,032 | 14,940,478 | 9,791,782 | 15,617,347 | 14,970,722 | 14,834,570 | 18,236,777 |
| Total Business-Type Activities Net Position | <u>\$ 137,199,490</u> | <u>\$ 123,716,173</u> | <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> |
| PRIMARY GOVERNMENT | | | | | | | | | | |
| Net Investment In Capital Assets | \$ 226,819,319 | \$ 203,377,252 | \$ 189,124,348 | \$ 175,944,746 | \$ 155,346,259 | \$ 129,354,028 | \$ 123,217,714 | \$ 124,539,823 | \$ 122,922,779 | \$ 122,287,046 |
| Restricted | 28,135,973 | 27,345,521 | 1,704,006 | 1,696,852 | 1,661,216 | 1,644,531 | 1,545,365 | 1,541,064 | 1,517,217 | 1,406,646 |
| Unrestricted | (22,005,044) | (35,586,794) | (10,375,220) | 74,460,443 | 62,268,004 | 55,786,415 | 49,143,832 | 38,950,235 | 37,197,310 | 41,245,754 |
| Total Primary Government Net Position | <u>\$ 232,950,248</u> | <u>\$ 195,135,979</u> | <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> |

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

Schedule 2

| | FISCAL YEAR | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| EXPENSES | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | \$ 6,434,143 | \$ 6,392,649 | \$ 5,396,483 | \$ 5,117,636 | \$ 4,956,868 | \$ 4,279,814 | \$ 4,171,431 | \$ 4,219,813 | \$ 4,469,668 | \$ 3,726,808 |
| Finance | 2,128,429 | 1,888,379 | 1,553,528 | 1,197,677 | 1,505,331 | 985,369 | 1,143,460 | 821,498 | 978,331 | 824,208 |
| Public Works | 19,783,168 | 20,173,597 | 20,251,019 | 19,151,147 | 20,508,014 | 14,804,737 | 13,825,631 | 15,485,987 | 12,271,018 | 8,942,795 |
| Planning & Inspection | 1,759,578 | 1,935,308 | 1,528,807 | 1,568,135 | 852,050 | 785,512 | 726,735 | 734,271 | 608,961 | 518,135 |
| Public Safety | 45,638,598 | 63,077,654 | 47,963,111 | 47,043,017 | 42,924,590 | 39,051,055 | 38,688,978 | 37,843,822 | 38,383,034 | 33,650,031 |
| Welfare | 1,241,653 | 1,128,705 | 1,420,140 | 1,102,354 | 1,344,043 | 1,105,568 | 1,859,913 | 2,929,321 | 1,967,159 | 1,404,923 |
| Culture & Recreation | 10,792,285 | 11,427,140 | 9,851,026 | 9,136,826 | 8,146,726 | 7,039,829 | 7,011,306 | 7,052,105 | 7,006,832 | 6,395,924 |
| Interest on Long-Term Debt | 3,255,120 | 3,400,416 | 3,527,587 | 3,694,451 | 2,000,685 | 1,607,185 | 1,643,943 | 1,692,839 | 1,680,395 | 1,774,688 |
| Total Governmental Activities Expenses | <u>91,032,974</u> | <u>109,423,848</u> | <u>91,491,701</u> | <u>88,011,243</u> | <u>82,238,307</u> | <u>69,659,069</u> | <u>69,071,397</u> | <u>70,779,656</u> | <u>67,365,398</u> | <u>57,237,512</u> |
| Business-type Activities: | | | | | | | | | | |
| Water & Sewer | 52,028,384 | 52,227,747 | 45,880,448 | 43,252,875 | 46,220,245 | 43,282,176 | 39,690,780 | 39,795,955 | 39,818,058 | 37,342,699 |
| Solid Waste | 13,648,061 | 14,232,183 | 13,674,475 | 12,220,037 | 10,567,831 | 10,495,612 | 9,695,444 | 9,806,223 | 9,877,745 | 9,202,271 |
| Natural Gas * | - | - | - | - | - | - | - | 14,270,216 | 10,543,829 | 21,153,516 |
| Ratliff Golf Course | 1,987,884 | 2,057,039 | 2,128,333 | 1,979,473 | 1,717,376 | 1,679,188 | 1,738,122 | 1,585,941 | 1,908,251 | 1,377,420 |
| Liquid Waste | 64,949 | 35,670 | 6,820 | 9,233 | 10,997 | 12,608 | 16,601 | 50,634 | 58,564 | 46,926 |
| Storm Water | 1,281,839 | 1,030,417 | 998,091 | 821,485 | 714,340 | 559,034 | 551,492 | 523,047.00 | - | - |
| Total Business-Type Activities Expenses | <u>69,011,117</u> | <u>69,583,056</u> | <u>62,688,167</u> | <u>58,283,103</u> | <u>59,230,789</u> | <u>56,028,618</u> | <u>51,692,439</u> | <u>66,032,016</u> | <u>62,206,447</u> | <u>69,122,832</u> |
| Total Primary Government Expenses | <u>\$ 160,044,091</u> | <u>\$ 179,006,904</u> | <u>\$ 154,179,868</u> | <u>\$ 146,294,346</u> | <u>\$ 141,469,096</u> | <u>\$ 125,687,687</u> | <u>\$ 120,763,836</u> | <u>\$ 136,811,672</u> | <u>\$ 129,571,845</u> | <u>\$ 126,360,344</u> |
| PROGRAM REVENUES | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges For Services: | | | | | | | | | | |
| General Government | \$ 222,179 | \$ 472,016 | \$ 512,936 | \$ 248,007 | \$ 410,723 | \$ 111,421 | \$ 86,316 | \$ 93,066 | \$ 108,861 | \$ 101,499 |
| Finance | 608,445 | 478,234 | 473,807 | 297,926 | 214,231 | 223,453 | 203,192 | 277,002 | 281,508 | 300,335 |
| Public Works | 350,863 | 251,677 | 256,722 | 269,175 | 270,278 | 277,745 | 412,002 | 174,435 | 383,690 | 471,067 |
| Planning & Inspection | 496,083 | 457,752 | 612,662 | 740,404 | 894,857 | 806,596 | 408,991 | 347,018 | 330,748 | 482,551 |
| Public Safety | 8,464,052 | 8,712,610 | 8,356,373 | 7,827,230 | 7,129,828 | 7,141,097 | 8,526,988 | 7,281,874 | 6,650,040 | 6,612,682 |
| Culture & Recreation | 114,238 | 87,162 | 91,356 | 79,445 | 111,833 | 102,663 | 86,201 | 85,400 | 69,363 | 157,782 |
| Operating Grants & Contributions | 5,801,822 | 5,898,112 | 7,696,178 | 6,325,620 | 9,769,911 | 5,297,270 | 5,835,502 | 8,798,461 | 2,643,119 | 1,067,393 |
| Capital Grants & Contributions | 7,510,070 | 13,782,636 | 3,914,642 | 5,331,478 | 12,036,440 | 2,368,036 | 1,424,548 | 2,181,310 | 2,135,521 | 3,104,028 |
| Total Governmental Activities Program Revenues | <u>23,567,752</u> | <u>30,140,199</u> | <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> |

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

| | FISCAL YEAR | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Business-Type Activities: | | | | | | | | | | |
| Charges For Services: | | | | | | | | | | |
| Water & Sewer | \$ 60,442,081 | \$ 57,158,005 | \$ 48,055,908 | \$ 49,324,059 | \$ 48,351,897 | \$ 37,761,523 | \$ 39,657,324 | \$ 38,671,498 | \$ 37,178,348 | \$ 37,789,399 |
| Solid Waste | 14,327,330 | 13,427,645 | 12,624,671 | 12,570,275 | 10,618,107 | 10,376,680 | 10,219,496 | 9,932,349 | 9,321,872 | 9,304,565 |
| Natural Gas * | - | - | - | - | - | - | - | 14,263,383 | 10,559,184 | 21,148,085 |
| Ratliff Golf Course | 1,524,210 | 1,480,512 | 1,625,147 | 1,502,951 | 1,445,726 | 1,343,284 | 1,281,974 | 1,208,940 | 1,149,169 | 274,831 |
| Liquid Waste | 93,598 | 90,356 | 101,256 | 97,527 | 100,971 | 85,686 | 61,071 | 28,406 | 21,869 | - |
| Storm Water | 1,768,532 | 864,472 | 758,475 | 746,764 | 727,691 | 702,592 | 703,060 | 703,054 | - | - |
| Operating Grants and Contributions | - | - | - | - | - | - | - | 12,776 | 19,854 | 39,452 |
| Capital Grants and Contributions | 3,885,787 | 9,224,312 | 4,835,300 | 8,946,800 | 7,722,916 | 4,375,766 | 1,462,732 | 2,597,609 | 3,169,126 | 548,898 |
| Total Business-Type Activities Program Revenues | 82,041,538 | 82,245,302 | 68,000,757 | 73,188,376 | 68,967,308 | 54,645,531 | 53,385,657 | 67,418,015 | 61,419,422 | 69,105,230 |
| Total Primary Government Program Revenues | \$ 105,609,290 | \$ 112,385,501 | \$ 89,915,433 | \$ 94,307,661 | \$ 99,805,409 | \$ 70,973,812 | \$ 70,369,397 | \$ 86,656,581 | \$ 74,022,272 | \$ 81,402,567 |
| NET (EXPENSE)/REVENUE | | | | | | | | | | |
| Governmental Activities | \$ (67,465,222) | \$ (79,283,649) | \$ (69,577,025) | \$ (66,891,958) | \$ (51,400,206) | \$ (53,330,788) | \$ (52,087,657) | \$ (51,541,090) | \$ (54,762,548) | \$ (44,940,175) |
| Business-Type Activities | 13,030,421 | 12,662,246 | 5,312,590 | 14,905,273 | 9,736,519 | (1,383,087) | 1,693,218 | 1,385,999 | (787,025) | (17,602) |
| Total Primary Government Net Expense | \$ (54,434,801) | \$ (66,621,403) | \$ (64,264,435) | \$ (51,986,685) | \$ (41,663,687) | \$ (54,713,875) | \$ (50,394,439) | \$ (50,155,091) | \$ (55,549,573) | \$ (44,957,777) |
| GENERAL REVENUES AND OTHER CHANGES IN NET POSITION | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property Taxes | \$ 34,438,304 | \$ 33,513,713 | \$ 29,175,867 | \$ 27,754,060 | \$ 23,498,496 | \$ 21,669,691 | \$ 20,943,529 | \$ 20,550,483 | \$ 19,923,296 | \$ 18,507,872 |
| Sales Taxes | 37,885,432 | 30,083,963 | 36,738,255 | 35,966,827 | 31,807,317 | 28,591,360 | 23,077,255 | 18,666,954 | 18,339,589 | 19,712,982 |
| Gross Receipts Taxes | 11,075,120 | 10,481,505 | 10,874,639 | 10,246,409 | 9,833,158 | 9,923,693 | 9,033,646 | 9,215,471 | 8,914,736 | 8,965,937 |
| Hotel-Motel Taxes | 4,718,990 | 3,353,289 | 5,572,738 | 6,013,374 | 5,382,248 | 5,244,625 | 3,342,560 | 2,028,217 | 2,230,089 | 2,784,886 |
| Industrial Contracts | 2,789,059 | 2,716,943 | 4,244,196 | 4,258,646 | 3,285,615 | 2,885,016 | 2,507,876 | 2,598,135 | 1,562,380 | 1,270,769 |
| Unrestricted Investment Earnings | 1,088,510 | 1,000,863 | 702,957 | 419,971 | 216,151 | 253,807 | 133,408 | 187,157 | 415,596 | 1,566,562 |
| Miscellaneous | 759 | 1,929 | 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) | (200,000) | (200,000) | (470,515) | (200,000) | (2,305,085) | 350,000 | (200,000) | (200,000) | (161,569) |
| Total Governmental Activities | 91,796,174 | 80,952,205 | 87,181,937 | 84,279,764 | 73,851,325 | 66,392,909 | 59,416,000 | 53,115,985 | 49,612,667 | 50,257,838 |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | 252,896 | 152,043 | 95,225 | 62,968 | 102,867 | 156,607 | 204,228 | 285,550 | 730,758 | 2,638,202 |
| Contributed Capital | - | - | - | - | - | - | - | (52,628) | 1,704,008 | 2,389,601 |
| Transfers | 200,000 | 200,000 | 200,000 | 470,515 | 200,000 | 2,305,085 | (350,000) | 200,000 | 200,000 | 161,569 |
| Total Business-Type Activities | 452,896 | 352,043 | 295,225 | 533,483 | 302,867 | 2,461,692 | (145,772) | 432,922 | 2,634,766 | 5,189,372 |
| Total Primary Government | \$ 92,249,070 | \$ 81,304,248 | \$ 87,477,162 | \$ 84,813,247 | \$ 74,154,192 | \$ 68,854,601 | \$ 59,270,228 | \$ 53,548,907 | \$ 52,247,433 | \$ 55,447,210 |
| CHANGE IN NET POSITION | | | | | | | | | | |
| Governmental Activities | \$ 24,330,952 | \$ 1,668,556 | \$ 17,604,912 | \$ 17,387,806 | \$ 22,451,119 | \$ 13,062,121 | \$ 7,328,343 | \$ 1,574,895 | \$ (5,149,881) | \$ 5,317,663 |
| Business-Type Activities | 13,483,317 | 13,014,289 | 5,607,815 | 15,438,756 | 10,039,386 | 1,078,605 | 1,547,446 | 1,818,921 | 1,847,741 | 5,171,770 |
| Total Primary Government | \$ 37,814,269 | \$ 14,682,845 | \$ 23,212,727 | \$ 32,826,562 | \$ 32,490,505 | \$ 14,140,726 | \$ 8,875,789 | \$ 3,393,816 | \$ (3,302,140) | \$ 10,489,433 |

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

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

| FUNCTION/PROGRAM | PROGRAM REVENUES | | | | | | | | | |
|-----------------------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2017</u> | <u>2016</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> |
| Governmental Activities: | | | | | | | | | | |
| General Government | \$ 222,179 | \$ 472,016 | \$ 512,936 | \$ 248,007 | \$ 410,723 | \$ 111,421 | \$ 86,316 | \$ 93,066 | \$ 108,861 | \$ 101,499 |
| Finance | 608,445 | 478,234 | 473,807 | 297,926 | 214,231 | 223,453 | 203,192 | 277,002 | 281,508 | 300,335 |
| Public Works | 10,582,715 | 9,556,847 | 9,525,429 | 10,304,639 | 20,114,326 | 5,129,613 | 5,031,534 | 6,794,186 | 2,392,970 | 1,266,616 |
| Planning & Inspection | 496,083 | 457,752 | 612,662 | 740,404 | 894,857 | 806,596 | 408,991 | 347,018 | 330,748 | 482,551 |
| Public Safety | 9,325,029 | 9,690,265 | 9,257,680 | 8,393,559 | 7,792,915 | 8,684,417 | 9,377,596 | 8,595,267 | 7,652,703 | 8,149,259 |
| Welfare | 1,206,303 | 1,119,942 | 1,430,806 | 1,055,305 | 1,299,216 | 1,270,118 | 1,789,910 | 3,046,627 | 1,766,697 | 1,503,434 |
| Culture & Recreation | 1,126,998 | 8,365,143 | 101,356 | 79,445 | 111,833 | 102,663 | 86,201 | 85,400 | 69,363 | 493,643 |
| Subtotal Governmental Activities | <u>23,567,752</u> | <u>30,140,199</u> | <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> |
| Business-Type Activities: | | | | | | | | | | |
| Water and Sewer | 64,327,868 | 66,188,609 | 52,891,208 | 58,270,859 | 56,053,512 | 42,137,289 | 41,120,056 | 41,269,107 | 40,042,191 | 38,338,297 |
| Solid Waste | 14,327,330 | 13,427,645 | 12,624,671 | 12,570,275 | 10,618,107 | 10,376,680 | 10,219,496 | 9,932,349 | 9,627,155 | 9,304,565 |
| Natural Gas ** | - | - | - | - | - | - | - | 14,263,383 | 10,559,184 | 21,148,085 |
| Ratliff Golf Course * | 1,524,210 | 1,674,220 | 1,625,147 | 1,502,951 | 1,467,027 | 1,343,284 | 1,281,974 | 1,208,940 | 1,149,169 | 274,831 |
| Liquid Waste | 93,598 | 90,356 | 101,256 | 97,527 | 100,971 | 85,686 | 61,071 | 41,182 | 41,723 | 39,452 |
| Storm Water | 1,768,532 | 864,472 | 758,475 | 746,764 | 727,691 | 702,592 | 703,060 | 703,054 | - | - |
| Subtotal Business-Type Activities | <u>82,041,538</u> | <u>82,245,302</u> | <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> |
| Total Primary Government | <u>\$ 105,609,290</u> | <u>\$ 112,385,501</u> | <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> |

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

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

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

| | FISCAL YEAR | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2017</u> | <u>2016</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> |
| GENERAL FUND | | | | | | | | | | |
| Reserved for Encumbrances | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,612,613 | \$ 5,733,380 |
| Unreserved, Reported in: | | | | | | | | | | |
| Designated for Contingencies | - | - | - | - | - | - | - | - | 9,692,830 | 9,608,235 |
| Designated for Budget Stabilization | - | - | - | - | - | - | - | - | 4,038,679 | 4,003,431 |
| Designated for Compensated Absences | - | - | - | - | - | - | - | - | 1,143,523 | 1,143,523 |
| Undesignated, Reported in General Fund | - | - | - | - | - | - | - | - | 7,878,225 | 7,625,703 |
| Nonspendable | 3,257,719 | 428,950 | 109,885 | 1,155,884 | 6,073 | 2,305 | 2,019 | 94 | - | - |
| Committed | - | - | - | - | - | - | 512,589 | 192,075 | - | - |
| Assigned | 11,233,893 | 15,439,797 | 14,598,381 | 16,027,653 | 17,775,677 | 17,837,824 | 7,764,667 | 3,477,559 | - | - |
| Unassigned | 33,886,826 | 28,815,204 | 38,421,286 | 33,414,232 | 28,834,767 | 26,750,335 | 26,734,646 | 23,404,156 | - | - |
| Total General Fund | <u>\$ 48,378,438</u> | <u>\$ 44,683,951</u> | <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> |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | | | | | | |
| Reserved, Reported in: | | | | | | | | | | |
| Reserved for Encumbrances | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 642,999 | \$ 9,975,556 |
| Reserved for Debt service | - | - | - | - | - | - | - | - | 517,217 | 406,646 |
| Unreserved, Reported in: | | | | | | | | | | |
| Capital Projects Fund | | | | | | | | | | |
| Designated for Obligated Projects | - | - | - | - | - | - | - | - | 5,013,991 | 896,809 |
| Undesignated | - | - | - | - | - | - | - | - | 1,526,181 | 517,036 |
| Special Revenue Funds | | | | | | | | | | |
| Undesignated | - | - | - | - | - | - | - | - | 3,343,053 | 2,170,104 |
| Restricted | 51,550,477 | 64,886,171 | 65,462,693 | 70,064,356 | 67,055,037 | 10,434,889 | 7,124,686 | 6,282,586 | - | - |
| Committed | 4,205,027 | 5,994,590 | - | - | - | - | 17,311 | 71,036 | - | - |
| Assigned | 213,595 | 328,833 | 616,278 | 607,541 | 731,106 | 587,587 | 565,095 | 580,992 | - | - |
| Unassigned | - | - | - | - | - | - | (10,972) | (6,958) | - | - |
| Total All Other Governmental Funds | <u>\$ 55,969,099</u> | <u>\$ 71,209,594</u> | <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> |

Note: The City implementd 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>2017</u> | <u>2016</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> |
| REVENUES | | | | | | | | | | |
| Property Tax, Penalties and Interest | \$ 34,339,976 | \$ 33,270,925 | \$ 29,011,350 | \$ 27,650,148 | \$ 23,515,138 | \$ 21,994,886 | \$ 20,952,246 | \$ 20,405,012 | \$ 20,074,762 | \$ 18,510,874 |
| City Sales Tax | 37,885,432 | 30,083,963 | 36,738,255 | 35,966,827 | 31,807,317 | 28,591,360 | 23,077,255 | 18,666,954 | 18,339,589 | 19,712,982 |
| Franchise and Gross Receipts | 11,075,120 | 10,481,505 | 10,874,639 | 10,246,409 | 9,833,158 | 9,923,693 | 9,033,646 | 9,215,471 | 8,914,736 | 8,965,937 |
| Fines and Forfeitures | 3,679,167 | 3,558,883 | 3,331,287 | 3,298,917 | 3,019,152 | 3,269,352 | 3,952,441 | 3,566,112 | 2,778,923 | 3,171,568 |
| Permits and Licenses | 944,462 | 1,067,386 | 1,259,348 | 1,162,582 | 1,448,932 | 1,021,736 | 525,418 | 441,524 | 596,579 | 627,010 |
| Grants and Entitlements | 5,212,209 | 5,098,180 | 7,391,496 | 6,082,876 | 9,623,440 | 5,782,548 | 5,509,208 | 8,765,475 | 2,552,137 | 2,583,844 |
| Hotel and Motel Occupancy Tax | 4,718,990 | 3,353,289 | 5,572,738 | 6,013,374 | 5,382,248 | 5,244,625 | 3,342,560 | 2,028,217 | 2,230,089 | 2,784,886 |
| Investment Income | 666,639 | 593,601 | 356,401 | 182,456 | 136,387 | 135,357 | 108,553 | 132,113 | 355,691 | 1,436,525 |
| Donations | 1,301,510 | 8,338,178 | 89,327 | 10,000 | 5,984 | 100,000 | 100,000 | 70,000 | 100,000 | 100,000 |
| Industrial Contracts | 2,789,059 | 2,716,943 | 4,244,196 | 4,258,646 | 3,285,615 | 2,885,016 | 2,507,876 | 2,598,135 | 1,562,380 | 1,270,769 |
| Other | 4,176,038 | 4,144,374 | 3,942,700 | 3,493,447 | 3,498,526 | 3,394,323 | 3,678,179 | 3,321,252 | 3,494,528 | 3,098,048 |
| Intergovernmental | 1,058,578 | 1,247,543 | 1,065,506 | 1,134,591 | 1,154,831 | 1,052,619 | 1,035,003 | 1,089,869 | 1,099,872 | 1,034,149 |
| Sale of Confiscated Property | - | 145,042 | 50,999 | 215,585 | 106,731 | 135,498 | 214,064 | 67,416 | 51,685 | 73,908 |
| Total Revenues | 107,847,180 | 104,099,812 | 103,928,242 | 99,715,858 | 92,817,459 | 83,531,013 | 74,036,449 | 70,367,550 | 62,150,971 | 63,370,500 |
| EXPENDITURES | | | | | | | | | | |
| General Government | 5,988,624 | 5,802,316 | 5,261,659 | 4,816,892 | 4,614,981 | 3,886,153 | 3,738,075 | 3,766,157 | 3,940,662 | 3,411,384 |
| Finance | 1,942,379 | 1,772,120 | 1,839,515 | 1,171,950 | 1,432,676 | 800,716 | 1,011,168 | 503,217 | 676,440 | 957,891 |
| Public Works | 16,006,534 | 17,033,914 | 17,866,529 | 16,815,062 | 18,375,563 | 13,088,769 | 12,058,306 | 13,484,502 | 10,467,201 | 7,393,176 |
| Planning & Inspection | 1,674,656 | 1,967,849 | 1,562,735 | 1,522,539 | 943,643 | 749,346 | 699,959 | 697,351 | 565,315 | 533,890 |
| Public Safety | 52,332,088 | 50,798,914 | 49,689,880 | 44,251,096 | 41,245,798 | 37,561,741 | 35,754,263 | 35,244,368 | 35,825,377 | 33,247,688 |
| Welfare | 1,229,299 | 1,099,190 | 1,430,806 | 1,072,810 | 1,279,237 | 1,101,632 | 1,808,151 | 2,852,906 | 1,819,953 | 1,417,966 |
| Culture & Recreation | 9,346,806 | 9,870,141 | 9,007,666 | 8,096,999 | 7,168,376 | 6,087,068 | 6,035,266 | 6,168,304 | 6,176,343 | 5,739,989 |
| Capital Outlay | 22,869,548 | 10,578,355 | 10,928,324 | 9,327,971 | 8,658,125 | 3,121,325 | 1,407,548 | 5,418,090 | 6,227,457 | 9,769,480 |
| Debt Service | | | | | | | | | | |
| Interest and Fiscal Charges | 3,147,669 | 3,294,319 | 3,399,039 | 3,328,890 | 1,502,106 | 1,398,138 | 1,585,546 | 1,647,450 | 1,498,335 | 1,501,798 |
| Principal Retirement | 4,655,585 | 4,997,672 | 4,740,264 | 4,742,017 | 2,737,129 | 1,987,039 | 1,879,666 | 1,792,976 | 1,425,000 | 1,135,000 |
| Payments to Escrow Agent | - | - | - | - | - | - | - | - | - | - |
| Bond Issuance Costs | - | - | 39,276 | 168,289 | 495,331 | 145,914 | - | - | 68,103 | 69,444 |
| Total Expenditures | 119,193,188 | 107,214,790 | 105,765,693 | 95,314,515 | 88,452,965 | 69,927,841 | 65,977,948 | 71,575,321 | 68,690,186 | 65,177,706 |
| Excess Of Reveunes Over (Under) Expenditures | (11,346,008) | (3,114,978) | (1,837,451) | 4,401,343 | 4,364,494 | 13,603,172 | 8,058,501 | (1,207,771) | (6,539,215) | (1,807,206) |

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

| | FISCAL YEAR | | | | | | | | | |
|---------------------------------------|------------------------|-----------------------|-----------------------|---------------------|----------------------|----------------------|---------------------|-----------------------|-----------------------|---------------------|
| | <u>2017</u> | <u>2016</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> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Certificates of Obligations Issued | \$ - | \$ - | \$ - | \$ - | \$ 51,335,000 | \$ - | \$ - | \$ - | \$ 3,280,000 | \$ 4,345,000 |
| Reoffering Premium | - | - | 602,681 | 1,184,597 | 3,000,508 | 412,401 | - | - | 58,128 | 169,626 |
| Refunding Bonds Issued | - | - | 3,740,000 | 10,060,000 | - | 6,780,000 | - | - | - | - |
| Payments to Escrow Agent | - | - | (4,366,373) | (11,227,819) | - | (7,148,058) | - | - | (3,270,025) | - |
| Capital Lease Proceeds | - | - | - | 3,100,529 | 289,718 | 1,560,469 | - | - | - | - |
| Transfers In | 1,864,585 | 18,400,000 | 139,912 | 60,372 | 26,654 | 126,678 | 882,749 | 17,766 | 21,624 | 140,059 |
| Transfers Out | <u>(2,064,585)</u> | <u>(18,600,000)</u> | <u>(339,912)</u> | <u>(712,016)</u> | <u>(226,654)</u> | <u>(2,431,763)</u> | <u>(232,749)</u> | <u>(217,766)</u> | <u>(221,624)</u> | <u>(301,628)</u> |
| Total Other Financing Sources (Uses) | <u>(200,000)</u> | <u>(200,000)</u> | <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> |
| Net Changes In Fund Balances | <u>\$ (11,546,008)</u> | <u>\$ (3,314,978)</u> | <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> |
| Debt Service As A | | | | | | | | | | |
| Percentage of Noncapital Expenditures | 8.10% | 8.58% | 8.58% | 9.39% | 5.31% | 5.07% | 5.37% | 5.20% | 4.68% | 4.76% |

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> |
|---------------------|---|------------------|---|--------------------------------------|------------------|---------------|
| 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 | 36,738,225 | 10,874,639 | 5,572,738 | 4,955,180 | 87,152,132 |
| 2016 | 33,270,925 | 30,083,963 | 10,481,505 | 3,353,289 | 3,284,947 | 80,474,629 |
| 2017 | 34,339,976 | 37,885,432 | 11,075,120 | 4,718,990 | 3,317,687 | 91,337,205 |
| Change 2008-2017 | 85.51% | 92.19% | 23.52% | 69.45% | 99.61% | 76.88% |

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 |
|--------------------|-----------------------------|----------------------------|----------------------------|----------------------------------|-------------------------------------|------------------------------|
| 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 |
| 2016 | 4,961,338,857 | 3,241,640,868 | 119,411,017 | 1,640,733,283 | 6,681,567,459 | 0.4706 |
| 2017 | 5,191,818,212 | 3,628,287,873 | 127,123,008 | 1,678,099,036 | 7,269,130,057 | 0.4706 |

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 | | |
| 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 |
| 2016 | 0.3664 | 0.1042 | 0.4706 | 0.3350 | 0.0733 | 1.1500 | 0.1912 | 1.7495 | 2.2201 |
| 2017 | 0.3709 | 0.0997 | 0.4706 | 0.3700 | 0.0825 | 1.1500 | 0.2047 | 1.8072 | 2.2778 |

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> | <u>2017</u> | | | <u>2008</u> | | |
|---------------------------------|-------------------------------|-------------|--|-------------------------------|-------------|--|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Halliburton Energy Services Inc | \$ 311,772,722 | 1 | 4.67% | * | N/A | N/A |
| Odessa Regional Hospital LP | 69,879,193 | 2 | 1.05% | \$ 20,021,574 | 5 | 0.64% |
| Family Dollar Distribution LP | 65,171,430 | 3 | 0.98% | * | N/A | N/A |
| Pumpco Energy Services | 49,946,525 | 4 | 0.75% | | | |
| Oncor Electric Delivery Co. | 47,248,666 | 5 | 0.71% | * | N/A | N/A |
| B J Tital Service Co. | 46,591,837 | 6 | 0.70% | * | N/A | N/A |
| Nabors Drilling USA Inc | 32,260,427 | 7 | 0.48% | | | |
| MCM Properties LTD | 28,507,713 | 8 | 0.43% | 25,692,330 | 4 | 0.82% |
| Brixmor Winwood Town Cntr LLC | 27,048,772 | 9 | 0.40% | * | N/A | N/A |
| Excel Odessa LLC | 25,295,597 | 10 | 0.38% | * | N/A | N/A |
| Four Star Oil & Gas | * | N/A | N/A | 66,242,972 | 1 | 2.11% |
| TXU Electric Delivery Oil & Gas | * | N/A | N/A | 34,807,440 | 2 | 1.11% |
| Ultra Premium Oilfield Service | * | N/A | N/A | 26,734,905 | 3 | 0.85% |
| CA New Plan DIF TX I | * | N/A | N/A | 18,287,523 | 6 | 0.58% |
| Southwestern Bell Telephone Co. | * | N/A | N/A | 17,387,060 | 7 | 0.55% |
| Lithia Real Estate, Inc. | * | N/A | N/A | 12,441,573 | 8 | 0.40% |
| ICA Properties, Inc. | * | N/A | N/A | 9,359,420 | 9 | 0.30% |
| Wal-mart Stores East | * | N/A | N/A | 8,451,872 | 10 | 0.27% |
| | <u>\$ 703,722,882</u> | | <u>10.53%</u> | <u>\$ 239,426,669</u> | | <u>7.64%</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 |
| 2008 | \$ 18,166,797 | \$ 17,607,299 | 96.92% | \$ 521,850 | \$ 18,129,149 | 99.79% |
| 2009 | 19,936,310 | 19,180,760 | 96.21% | 717,450 | 19,898,209 | 99.81% |
| 2010 | 20,280,971 | 19,419,554 | 95.75% | 816,764 | 20,236,319 | 99.78% |
| 2011 | 20,454,919 | 19,755,373 | 96.58% | 646,619 | 20,401,992 | 99.74% |
| 2012 | 21,206,265 | 20,745,059 | 97.83% | 397,134 | 21,142,193 | 99.70% |
| 2013 | 23,026,161 | 22,494,624 | 97.69% | 437,873 | 22,932,497 | 99.59% |
| 2014 | 27,326,183 | 26,719,602 | 97.78% | 459,414 | 27,179,016 | 99.46% |
| 2015 | 28,983,294 | 28,240,450 | 97.44% | 475,712 | 28,716,162 | 99.08% |
| 2016 | 33,239,566 | 32,352,364 | 97.33% | 426,920 | 32,779,284 | 98.62% |
| 2017 | 34,235,787 | 33,270,296 | 97.18% | - | 33,270,296 | 97.18% |

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 |
|--------------------|-------------------------|---------------------------------------|--------------|--------------------------|-----------------------|
| 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 |
| 2016 | 1.00 | 0.25 | 1.25 | 0.75 | 0.50 |
| 2017 | 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 2017 AND 2008
 (Unaudited)

| | FISCAL YER 2017 | | FISCAL YEAR 2008 | |
|--------------------------|----------------------|---------------------|----------------------|---------------------|
| | Tax Liability | Percentage Of Total | Tax Liability | Percentage Of Total |
| Agriculture & Mining | \$ 5,517,416 | 12.38% | \$ 1,304,910 | 5.33% |
| Construction | 944,249 | 2.12% | 473,537 | 1.93% |
| Manufacturing | 3,904,948 | 8.76% | 1,037,361 | 4.24% |
| Transportation/Utilities | 1,276,942 | 2.87% | 2,350,865 | 9.60% |
| Wholesale Trade | 6,568,938 | 14.74% | 1,347,595 | 5.50% |
| Retail Trade: | | | | |
| Building Materials | 2,338,166 | 5.25% | 611,674 | 2.50% |
| General Merchandise | 3,505,590 | 7.87% | 2,192,959 | 8.95% |
| Automotive | 2,380,273 | 5.34% | 913,879 | 3.73% |
| Home Furnishings | 830,218 | 1.86% | 646,470 | 2.64% |
| Food Services | 4,082,433 | 9.16% | 2,918,312 | 11.92% |
| Miscellaneous Retail | 6,342,504 | 14.24% | 4,833,012 | 19.73% |
| Total Retail Trade | <u>19,479,184</u> | <u>43.72%</u> | <u>12,116,306</u> | <u>49.47%</u> |
| Services | 2,764,765 | 6.21% | 1,754,862 | 7.17% |
| Other | <u>4,095,628</u> | <u>9.19%</u> | <u>4,104,642</u> | <u>16.76%</u> |
| Total | <u>\$ 44,552,070</u> | <u>100.00%</u> | <u>\$ 24,490,078</u> | <u>100.00%</u> |

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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 | | | |
| 2008 | \$ 31,156,145 | \$ 5,865,000 | \$ 3,739,018 | \$ 78,610,108 | \$ 14,681,459 | \$ - | \$ 134,051,730 | 4.26% | \$ 1,365 |
| 2009 | 26,622,664 | 9,108,128 | 3,231,226 | 82,464,786 | 7,207,624 | - | 128,634,428 | 3.76% | 1,326 |
| 2010 | 25,549,183 | 8,777,565 | 2,823,250 | 82,156,376 | 3,695,146 | - | 123,001,520 | 3.99% | 1,274 |
| 2011 | 24,845,702 | 8,012,280 | 2,398,584 | 81,847,964 | - | - | 117,104,530 | 3.36% | 1,154 |
| 2012 | 17,182,221 | 14,402,940 | 3,517,014 | 77,670,315 | - | - | 112,772,490 | 2.67% | 1,052 |
| 2013 | 70,809,248 | 13,378,288 | 2,754,603 | 73,350,687 | - | - | 160,292,826 | 3.29% | 1,441 |
| 2014 | 57,700,738 | 23,419,249 | 4,698,115 | 68,863,731 | - | - | 154,681,833 | 2.80% | 1,219 |
| 2015 | 51,077,067 | 26,429,566 | 3,502,850 | 67,210,214 | - | - | 148,219,697 | 2.52% | 1,186 |
| 2016 | 48,641,233 | 24,772,431 | 2,268,023 | 62,300,768 | - | - | 137,982,455 | 2.63% | 1,204 |
| 2017 | 46,640,400 | 22,525,294 | 1,532,437 | 57,209,862 | - | - | 127,907,993 | 1.90% | 1,068 |

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

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

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

| Fiscal Year | General Bonded Debt Outstanding | | | | | Percentage of Estimated Taxable Value of Property ^a | Per Capita ^b |
|-------------|---------------------------------|--------------------------|--------------------------|---|---------------|--|-------------------------|
| | Governmental Activities | | Business-Type | Less: Amounts Available in Debt Service | Total | | |
| | Certificate of Obligation Bonds | General Obligation Bonds | General Obligation Bonds | Fund | | | |
| 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 | 2.7085% | 1,135 |
| 2016 | 48,641,233 | 24,772,431 | 62,300,768 | 715,229 | 134,999,203 | 2.0205% | 1,178 |
| 2017 | 46,640,400 | 22,525,294 | 57,209,862 | 729,501 | 125,646,055 | 1.7285% | 1,049 |

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, 2017
(Unaudited)**

| <u>GOVERNMENTAL UNIT</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 | \$ 32,070,000 | 38.07% | \$ 12,209,049 |
| Ector County Independent School District | 171,567,817 | 39.19% | 67,237,427 |
| Odessa Jr. College District | 64,320,000 | 38.02% | 24,454,464 |
| Midland County | 16,620,000 | 2.39% | 397,218 |
| Midland County Hospital District | 98,380,000 | 2.35% | 2,311,930 |
| Midland Independent School District | 213,784,756 | 2.63% | 5,622,539 |
| Midland Jr. College District | 34,819,760 | 2.49% | <u>867,012</u> |
| Subtotal, Overlapping Debt | | | <u>113,099,641</u> |
| CITY DIRECT DEBT | | | <u>70,698,131</u> |
| TOTAL DIRECT AND OVERLAPPING DEBT | | | <u><u>\$ 183,797,772</u></u> |

Sources: 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>2017</u> | <u>2016</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> |
| Debt Limit | \$ 145,382,601 | \$ 133,631,349 | \$ 121,863,442 | \$ 106,340,578 | \$ 89,776,277 | \$ 81,131,707 | \$ 78,139,006 | \$ 77,564,577 | \$ 70,970,028 | \$ 62,702,886 |
| Total Net Debt Applicable to Limit | <u>64,405,499</u> | <u>68,339,771</u> | <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> |
| Legal Debt Margin | <u>\$ 80,977,102</u> | <u>\$ 65,291,578</u> | <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> |
| Total Net Debt Applicable to the Limit As a Percentage of Debt Limit | 44.30% | 51.14% | 59.18% | 71.41% | 89.12% | 37.44% | 41.12% | 43.33% | 49.32% | 58.14% |

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 2016

| | |
|--|----------------------|
| Assessed Value | \$ 7,269,130,057 |
| Debt Limit (2% of Assessed Value) | <u>145,382,601</u> |
| Debt Applicable to Limit: | |
| Certificates of Obligation | 44,240,000 |
| General Obligation Bonds | 20,895,000 |
| Less: Amount Set Aside for Repayment of GO Bonds and CO Bonds | <u>729,501</u> |
| Total Net Debt Applicable to Limit | <u>64,405,499</u> |
| Legal Debt Margin | <u>\$ 80,977,102</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 | Net Available Revenue ^b | Debt Service ^a | | Coverage |
| | | | | | | Principal | Interest | |
| 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 |
| 2016 | 57,158,005 | 49,905,292 | 7,785,722 | 148,285 | 15,186,720 | 4,120,000 | 2,563,600 | 2.27 |
| 2017 | 60,442,081 | 50,242,311 | 8,082,815 | 245,198 | 18,527,783 | 3,920,000 | 3,085,275 | 2.64 |

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% |
|--------------------|-------------------|---|-----------------------------------|-------------------|------------------------|--------------------------|---------------------------|
| 2008 | 98,214 | \$ 3,144,419 | \$ 32,016 | 32.1 | 12.4 | 26,650 | 3.9 |
| 2009 | 96,987 | 3,423,738 | 35,301 | 30.8 | 12.4 | 28,848 | 8.3 |
| 2010 | 96,526 | 3,084,295 | 31,953 | 30.7 | 12.4 | 27,795 | 8.6 |
| 2011 | 101,459 | 3,487,044 | 34,369 | 31.0 | 12.4 | 28,049 | 5.3 |
| 2012 | 107,158 | 4,228,133 | 39,457 | 31.1 | 12.4 | 27,621 | 4.5 |
| 2013 | 111,270 | 4,874,071 | 43,804 | 30.9 | 12.4 | 28,566 | 3.9 |
| 2014 | 126,930 | 5,520,566 | 43,493 | 30.9 | 12.4 | 28,805 | 3.1 |
| 2015 | 124,981 | 5,882,731 | 47,069 | 30.8 | 12.4 | 29,977 | 4.5 |
| 2016 | 114,597 | 5,249,230 | 45,806 | 31.0 | 12.4 | 30,903 | 5.4 |
| 2017 | 119,762 | 6,377,806 | 53,254 | 30.8 | 12.4 | 31,481 | 4.2 |

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>2017</u> | | | <u>2008</u> | | |
|-----------------------------|------------------|-------------|------------------------------------|------------------|-------------|------------------------------------|
| | <u>Employees</u> | <u>Rank</u> | <u>Total City Employment %</u> | <u>Employees</u> | <u>Rank</u> | <u>Total City Employment %</u> |
| ECISD | 3,873 | 1 | 5.35 | 3,340 | 1 | 4.74 |
| Saulsbury Companies | 2,441 | 2 | 3.37 | 1,165 | 3 | 1.65 |
| Medical Center Hospital | 2,250 | 3 | 3.11 | 1,786 | 2 | 2.53 |
| Keane Group | 2,200 | 4 | 3.04 | 0 | * | N/A |
| Haliburton Services | 1,700 | 5 | 2.35 | 685 | 8 | 0.97 |
| Odessa Regional Medical Ctr | 953 | 6 | 1.32 | 740 | 7 | 1.05 |
| City of Odessa | 897 | 7 | 1.24 | 867 | 6 | 1.23 |
| Walmart | 855 | 8 | 1.18 | 923 | 5 | 1.31 |
| Weatherford | 800 | 9 | 1.11 | 0 | * | N/A |
| Ector County | 678 | 10 | 0.94 | 617 | 10 | 0.88 |
| UTPB | - | | N/A | 659 | 9 | 0.93 |
| Holloman Companies | - | | N/A | 1,000 | 4 | 1.42 |
| Total Employment Population | <u>72,380</u> | | <u>23.00</u> | <u>70,482</u> | | <u>16.72</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>2017</u> | <u>2016</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> |
| General Government | 47 | 48 | 48 | 45 | 43 | 42 | 39 | 39 | 36 | 36 | 36 |
| Finance | 62 | 66 | 56 | 52 | 55 | 52 | 56 | 57 | 60 | 58 | 56 |
| Public Works | 104 | 107 | 103 | 87 | 88 | 89 | 81 | 87 | 90 | 83 | 81 |
| Planning & Inspection | 23 | 20 | 20 | 18 | 14 | 13 | 14 | 13 | 13 | 12 | 11 |
| Public Safety | 406 | 430 | 403 | 403 | 383 | 399 | 394 | 405 | 392 | 372 | 381 |
| Welfare | 4 | 4 | 4 | 4 | 4 | 5 | 4 | 6 | 5 | 5 | 5 |
| Culture & Recreation | 46 | 49 | 45 | 36 | 37 | 37 | 35 | 35 | 38 | 37 | 33 |
| Golf Course | 12 | 11 | 12 | 14 | 10 | 10 | 10 | 10 | 10 | 8 | 6 |
| Water & Sewer | 110 | 115 | 108 | 104 | 96 | 95 | 105 | 108 | 122 | 109 | 106 |
| Solid Waste | 51 | 54 | 46 | 48 | 45 | 47 | 45 | 46 | 46 | 46 | 43 |
| Liquid Waste | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 |
| Equipment Services | 16 | 17 | 14 | 18 | 18 | 19 | 22 | 18 | 22 | 21 | 22 |
| Risk Management | 15 | 15 | 15 | 14 | 15 | 13 | 15 | 15 | 14 | 14 | 14 |
| Total | 897 | 936 | 874 | 843 | 808 | 821 | 820 | 839 | 849 | 802 | 795 |

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

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

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

| FUNCTION/PROGRAM | FISCAL YEAR | | | | | | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| PUBLIC SAFETY | | | | | | | | | | |
| Police | | | | | | | | | | |
| Physical Arrests | 8,519 | 8,205 | 6,364 | 6,242 | 6,723 | 6,065 | 7,600 | 9,489 | 8,711 | 7,469 |
| Parking Violations | 2,747 | 2,803 | 2,380 | 673 | 1,297 | 661 | 683 | 696 | 4,215 | 3,231 |
| Traffic Violations | 27,970 | 37,776 | 29,107 | 28,105 | 25,777 | 19,191 | 22,354 | 31,984 | 12,821 | 29,382 |
| Fire | | | | | | | | | | |
| Number Of Calls Answered | 18,363 | 17,096 | 18,402 | 18,473 | 18,172 | 17,300 | 16,357 | 14,406 | 15,511 | 15,248 |
| Inspections | 2,883 | 2,632 | 3,691 | 3,631 | 3,237 | 3,682 | 2,678 | 2,165 | 2,236 | 1,831 |
| PUBLIC WORKS | | | | | | | | | | |
| Street Resurfacing (miles) | 22.70 | 11.09 | 14.2 | 9.78 | 4.82 | 13 | 29 | 30 | 56 | 7 |
| Potholes Repaired | 375 | 402 | 348 | 165 | 15 | 17 | 21 | 53 | 25 | 33 |
| New Construction Permits Issued | 694 | 601 | 812 | 839 | 886 | 691 | 382 | 358 | 230 | 337 |
| SOLID WASTE | | | | | | | | | | |
| Refuse Collected (tons) | 106,683 | 106,010 | 113,587 | 102,249 | 104,833 | 103,334 | 100,606 | 86,841 | 90,800 | 93,000 |
| Recyclables Collected (tons) | 1,990 | 1,000 | 1,716 | 1,934 | 1,042 | 1,410 | 1,327 | 1,210 | 1,365 | 812 |
| CULTURE & RECREATION | | | | | | | | | | |
| Community Center Rentals | 963 | 1,123 | 969 | 960 | 1013 | 961 | 684 | 797 | 928 | 875 |
| GOLF COURSE | | | | | | | | | | |
| Number Of Paid Rounds Played | 37,406 | 37,013 | 40,722 | 40,909 | 41,209 | 40,272 | 41,080 | 36,471 | 36,863 | 7,002 |
| WATER & SEWER | | | | | | | | | | |
| Customer Connections | 39,303 | 36,108 | 20,492 | 21,065 | 19,227 | 17,871 | 16,459 | 16,384 | 14,601 | 15,358 |
| New Connections-Fire Hydrants | 66 | 55 | 48 | 82 | 76 | 46 | 16 | 35 | 72 | 28 |
| Water Main Breaks | 85 | 54 | 129 | 199 | 88 | 92 | 185 | 124 | 83 | 105 |
| Average Daily Consumption (million gallons day) | 16.5 | 15.14 | 14.76 | 16.34 | 15.78 | 14.12 | 19.72 | 18.60 | 19.81 | 18.42 |
| LIQUID WASTE | | | | | | | | | | |
| Average Daily Sewage Treatment (millions of gallons) | 6.48 | 6.14 | 6.28 | 5.98 | 6.08 | 7.02 | 6.56 | 6.61 | 6.46 | 6.34 |

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)

| <u>FUNCTION/PROGRAM</u> | <u>FISCAL YEAR</u> | | | | | | | | | |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2017</u> | <u>2016</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> |
| PUBLIC WORKS | | | | | | | | | | |
| Streets (miles) | 484 | 486 | 486 | 483 | 461 | 441 | 441 | 441 | 428 | 410 |
| Streetlights | 6,373 | 6,369 | 6,313 | 6,244 | 6,178 | 6,095 | 6,038 | 6,033 | 5,930 | 5,872 |
| Metered sectors | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Traffic signals | 130 | 129 | 129 | 128 | 128 | 127 | 126 | 126 | 124 | 124 |
| PUBLIC SAFETY | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Stations/Storefronts | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 143 | 130 | 125 | 112 | 59 | 58 | 42 | 48 | 49 | 43 |
| Fire Stations | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| CULTURE AND RECREATION | | | | | | | | | | |
| Parks Acreage | 560 | 560 | 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 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| GOLF COURSE | | | | | | | | | | |
| Golf Course Acreage | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 |
| WATER & SEWER | | | | | | | | | | |
| Water Mains (miles) | 706 | 701 | 710 | 686 | 656 | 656 | 645 | 642 | 634 | 618 |
| Fire Hydrants | 2,908 | 2,802 | 2,719 | 2,638 | 2,623 | 2,290 | 2,244 | 2,228 | 2,194 | 2,106 |
| Maximum Daily Capacity (millions of gallons) | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| SOLID WASTE | | | | | | | | | | |
| Collection Trucks | 46 | 37 | 37 | 37 | 39 | 39 | 39 | 32 | 32 | 32 |
| Sanitary Sewers (miles) | 538 | 550 | 526 | 519 | 519 | 512 | 506 | 504 | 495 | 489 |
| Storm Sewers (miles) | 19.1 | 14.82 | 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