NEW ISSUE BOOK-ENTRY-ONLY

Rating: S&P: "AA" (BAM Insured)
S&P: "AA-" (Underlying)
(See "OTHER PERTINENT INFORMATION - Rating", BOND INSURANCE" and "BOND INSURANCE GENERAL RISK" herein)

OFFICIAL STATEMENT
Dated: November 2, 2021

In the opinion of McCall, Parkhurst & Horton, L.L.P., Bond Counsel to the City, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Bonds, subject to the matters described under "TAX MATTERS" herein.

The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

$2,120,000
CITY OF SULPHUR SPRINGS, TEXAS
(Hopkins County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

Dated Date: November 1, 2021 **Due: September 1, as shown on page ii**

The $2,120,000 City of Sulphur Springs, Texas (the "City" or the "Issuer") General Obligation Refunding Bonds, Series 2021 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Council on November 2, 2021. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds are direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Bonds will accrue from November 1, 2021 (the "Dated Date") as shown above and will be payable on March 1, 2022, and on each September 1 and March 1thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (1) refunding a portion of the City's outstanding debt as identified in Schedule I hereto (the "Refunded Obligations") for debt service savings, and (2) paying the costs of issuance of the Bonds. (See "THE BONDS – Purpose of the Bonds" herein.)

The Issuer reserves the right to redeem the Bonds maturing on and after September 1, 2032, on September 1, 2031, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS - Redemption Provisions" herein.)

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY (See "BOND INSURANCE" and "BOND INSURANCE RISK

STATED MATURITY SCHEDULE
(On Page ii)

The Bonds are offered for delivery, when, as and if issued and received by Robert W. Baird & Co., Inc., the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Bond" herein). It is expected that the Bonds will be available for delivery through DTC on or about December 1, 2021.

STATED MATURITY SCHEDULE
(Due September 1)
Base CUSIP – 865525[a]

Stated Maturity September 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[a]
2023	$ 165,000	5.000	0.350	VT3
2024	170,000	5.000	0.450	VU0
2025	185,000	5.000	0.550	VV8
2026	195,000	2.000	0.750	VW6
2027	200,000	5.000	0.900	VX4
2028	215,000	5.000	1.100	VY2
2029	230,000	5.000	1.250	VZ9
2030	240,000	5.000	1.350	WA3
2031	255,000	5.000	1.450	WB1
2032	265,000	2.000	1.550[b]	WC9

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on and after September 1, 2032, on September 1, 2031, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS - Redemption Provisions" herein.)

[a] *CUSIP numbers are included solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.*

[b] *Yield is calculated to the first call date, September 1, 2031.*

CITY OF SULPHUR SPRINGS, TEXAS
Business Office
125 South Davis Street
Sulphur Springs, Texas 75482
(903) 885-7541

ELECTED OFFICIALS

Name	Position	On Council Since	Term Expires May	Occupation
John A. Sellers	Mayor	2011	2023	Marketing-City National Bank
Freddie Taylor	Council Member	2004	2022	Business Manager – VF Outlet
Jay W. Julian	Council Member	2020	2024	Assistant Vice President-Alliance Bank
Harold Nash, Sr.	Council Member	2019	2024	Pastor-Morning Chapel Baptist Church
Oscar Aguilar	Council Member	2020	2024	Funeral Director
Gary Spraggins	Council Member	2020	2022	Self Employed
Doug Moore	Mayor Pro Tem	2018	2023	Self Employed

ADMINISTRATION

Name	Position	Length of Service With the City
Marc Maxwell	City Manager	25 Years
Lesa Smith	ACM/Finance Director	3.5 Year
Gale Roberts	City Secretary	15 Years
Jim McLeroy	City Attorney	28 Years
Tory Niewiadomski	ACM/Development Director	4.5 Years
Oscar Aguayo	Accounting Specialist	2.5 Year
Gordon Frazier	ACM/H.R. Director	15 Years
Dave Reed	City Engineer	33 Years
David James	Fire Chief	2 Years
Jason Ricketson	Police Chief	2 Years
James Jordan	Director of Utilities	2 Years

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Certified Public Accountants	K. Evans & Associates, CPA's Frisco, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

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Finance Director
City of Sulphur Springs
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Sulphur Springs, Texas 75482
(903) 439-3755
lsmith@sulphurspringstx.org

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
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San Antonio, Texas 78209
(210) 832-9760
mmcliney@samcocapital.com

Mr. Andrew Friedman
Managing Director
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San Antonio, Texas 78209
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afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bond or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E - Specimen Municipal Bond Insurance Policy."

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC OR THE BOND INSURER AND ITS MUNICIPAL BOND INSURANCE POLICY.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

TABLE OF CONTENTS

The cover page, subsequent pages hereof Schedule I and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Sulphur Springs, Texas (the "Issuer" or "City") is a political subdivision of the State of Texas and located in Hopkins County. The Issuer is a Home Rule City which operates under a Council-Manager form of government, with the City Council comprised of seven members including the Mayor. All members are elected by place number and at-large for three-year staggered terms. The City's population according to the 2020 census estimate is 16,532. (See "Appendix B - General Information Regarding the City of Sulphur Springs and Hopkins County, Texas" herein.)
The Bonds	The $2,120,000 City of Sulphur Springs, Texas General Obligation Refunding Bonds, Series 2021 (the "Bonds") are being issued by the City of Sulphur Springs, Texas (the "Issuer" or the "City") in accordance with the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Council on November 2, 2021.
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas Texas.
Security	The Bonds are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature on and after September 1, 2032, on September 1, 2031, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. (See "THE BONDS - Redemption Provisions" herein.)
Tax Matters	In the opinion of McCall, Parkhurst & Horton, L.L.P., Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Bonds, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (1) refunding a portion of the City's outstanding debt as identified in Schedule I hereto (the "Refunded Obligations") for debt service savings, and (2) paying the costs of issuance of the Bonds. (See "THE BONDS – Purpose of the Bonds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Bond Insurance	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**. See "BOND INSURANCE," "BOND INSURANCE RISK FACTORS," and "APPENDIX E" herein.)
Rating	The Bonds are rated "AA" (stable outlook) by S&P Global Ratings, a division of S&P Global ("S&P"), by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. S&P has assigned an underlying, unenhanced rating of "AA-" to the Bonds without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P (See "OTHER PERTINENT INFORMATION – Ratings" herein.)
Qualified Tax Exempt Obligations	The City will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
Issuance of Additional Debt	The City currently has no plans to issue additional ad valorem tax supported debt in 2021 or 2022 except potentially refunding bonds for debt service savings.
Payment Record	The City has not defaulted since 1921, when there was a slight delay due to an error in bookkeeping.
Delivery	When issued, anticipated on or about December 1, 2021.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Sulphur Springs, Texas (the "City" or the "Issuer") of its $2,120,000 General Obligation Refunding Bonds, Series 2021 (the "Bonds") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a home-rule municipality under the statutes and the constitution of the State of Texas (the "State"). The Bonds are being issued pursuant to the Constitution and general laws of the State, an ordinance (the "Ordinance") adopted by the City Council authorizing the issuance of the Bonds, and the City's Home Rule Charter. (See "THE BONDS - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained from the Issuer or the Financial Advisor noted on page iii hereof.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas (the "State"). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID- 19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic which has been subsequently extended and remains in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on March 2, 2021 (but effective as of March 10, 2021), the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, the Governor issued Executive Order GA-36, which rescinds certain provisions of GA-34 and provides that no governmental entity, including the City, may require any person to wear a face covering or to mandate that another person wear a face covering. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Bonds. The City, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the City.

The City collects a sales and use tax on all taxable transactions within the City's boundaries, revenue from the sale of water and the collection of sewage, franchise fees based on private utility sales, and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes, utility system revenue, and utility franchise and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

PLAN OF FINANCING

Purpose of Bonds

Proceeds from the sale of the Bonds will be used (1) to refund certain of the City's currently outstanding Bonds, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings, and (2) to pay costs of issuance and expenses relating to the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with BOKF, NA, Dallas, Texas, a national banking association (the "Escrow Agent") pursuant to an Escrow Deposit Agreement (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the City (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled date of early redemption (the "Redemption Date"). Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the City, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Ordinance was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA". Cash and investments, if any, held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

THE BONDS

General

The Bonds are dated November 1, 2021 (the "Dated Date"). The Bonds are stated to mature on September 1 in the years and in the principal amounts set forth on page ii hereof. The Bonds shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable on March 1, 2022, and on each September 1 and March 1 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Bonds, initially BOKF, NA, Dallas, Texas. Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial

Owners of the Bonds. Such Book-Entry-Only System may change the method and timing of payment for the Bonds and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, as amended, Texas Government Code, the City's Home Rule Charter, and an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on November 2, 2021.

Security for Payment

The Bonds are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Redemption Provisions

The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature, on or after September 1, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on September 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, two or more consecutive maturities of the Bonds may be grouped together as a "Term Bond" by the Purchaser, and such "Term Bonds" would also be subject to mandatory sinking fund redemption. If less than all of the Bonds within a stated maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the City shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than $5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "Book-Entry-Only System" herein.)

Sources and Uses

Sources		
Par Amount of the Bonds	$	2,120,000.00
Accrued Interest on the Bonds		7,683.33
Reoffering Premium		404,941.75
City Cash Contribution		8,218.76
Total Sources of Funds		2,540,843.84
Uses		
Deposit to Escrow Fund	$	2,430,846.58
Costs of Issuance (Includes insurance premium)		73,438.52
Purchaser’s Discount		28,875.41
Deposit to Bond Fund		7,683.33
Total Uses of Funds	$	2,540,843.84

Payment Record

The City has not defaulted since 1921, when there was a slight delay due to an error in bookkeeping.

Legality

The Bonds are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that, on the date the City authorizes the defeasance of the Bonds, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Bonds have been made as described above, all rights of the City to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. As noted above, the Ordinance provides that Bond holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Bond on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "Book-Entry-Only System" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer or Exchange of Bonds

The Paying Agent/Registrar shall not be required to transfer or exchange any Bonds or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or with respect to any Bond or portion called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption.

Replacement Bonds

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $488.6 million, $165.5 million and $323.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE GENERAL RISKS

General

If a Policy is purchased as a result of the City accepting a bid for the Bonds that incorporate the acquisition of such a policy, the following are risk factors relating to the bond insurance.

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Beneficial Owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable from the ad valorem taxes further described under "THE BONDS – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the enhanced long-term rating on the Bonds will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Bonds, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. See the disclosure described in "OTHER PERTINENT INFORMATION – Ratings" herein.

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Underwriter, or the City's Financial Advisor have made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P Global Ratings and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, in recent years, downgraded and/or placed on negative watch the claims-paying and financial strength of many providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, events in the credit markets over the past ten years have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the investment.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Direct Participant as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Financial Advisor, or the initial purchaser of the Bonds.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

THE SYSTEM

Water Supply

The City has ownership in two surface water sources in the Hopkins County area. The main source of water is Cooper Lake Reservoir. The City has contracted with the U.S. Army Corps of Engineers for 13.3 million gallons of raw water per day from that reservoir.

The City can also obtain raw water from Lake Sulphur Springs, with a firm yield of 8.75 million gallons per day (mgd), pursuant to a water purchase contract (the "Contract") entered into on April 10, 1970 with the Sulphur Springs Water District (the "District"). Under the terms of the Contract, the District issued Water Revenue Bonds for the sole purpose of construction of a reservoir and all other facilities necessary to supply water to the City of Sulphur Springs. Payments by the City to the District began on August 1, 1972 and were equal to the District's ensuing semiannual debt service payments. No debt remains outstanding. The City operates the District's facilities and pays all of the District's operating and maintenance expenses. All payments made by the City under the Contract are operating expenses of the City's System within the meaning of Texas., Government Code, Chapter 1502, as amended.

Raw water is treated at the City's water treatment plant with an estimated treatment capacity of 10 million gallons per day. The plant is a conventional classification plant utilizing rapid mixing, flocculation, sedimentation, filtration, and disinfection. The City has ground storage capacity for treated water in the amount of three million gallons at the water plant site. Elevated storage capacity is provided by three elevated storage tanks located throughout the City with a total capacity of 2.25 million gallons.

Sewer System

The City owns and operates its wastewater treatment facilities under NPDES permit number TX 0058955. The System consists of two trunk lines of 27-inch diameter entering the plant. High flows are equalized in a 3.5 million gallon influent storage basin. Treatment consists of screening, grit collection, primary clarification, activated sludge treatment, final clarification, tertiary filtration, chlorination, and de-chlorination. The average rated plant capacity is 5.4 million gallons per day and average daily flow is 2.99 million gallons.

The City currently has an $18,200,000 loan with the Texas Water Development Board to upgrade the wastewater treatment plant to be able to properly treat the current organic loading of the plant with additional capacity for an estimated twenty years of residential growth. The flow capacity will remain at 5.4 million gallons per day, which is adequate for the estimated growth. Construction is underway at this time.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with and investment policies approved by the City Council. The City Council appoints the Finance Director as the "Investment officer" of the City. Both State law and the City's investment policies are subject to change.

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit, (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which are guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) 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; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas, (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the SEC that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (12) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or AAAm or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaam or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived.” At least quarterly the City’s investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City’s entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City’s investment policy; (6) provide specific investment training for the City’s designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Authorized Investments

The City maintains portfolios which utilize specific investment strategy consideration, designed to address the unique characteristics of the following fund groups represented in the investment portfolios:

- Operating Funds and Commingled Pools Containing Operating Funds
- Debt Service Funds
- Debt Service Reserve Funds
- Capital Projects and Special Purpose Funds

All investment instruments must be approved by resolution of the City Council. Assets of funds of the City may be invested in the following instruments:

- US Treasury obligations with stated maturities not to exceed three (3) years and not to exceed 100% of the overall portfolio;
- Obligations of US Government agencies and instrumentalities with stated maturities not to exceed three (3) years and not to exceed 60% of the overall portfolio;
- Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas of the United States or its agencies and instrumentalities with stated maturity not to exceed three years;
- Repurchase agreements and reverse repurchase agreements as defined by Public Funds Investment Act and collateralized by US Government Obligations and obligations of US Government Agencies and Instrumentalities, undertaken under an executed Master Repurchase Agreement with primary dealer and not to exceed six (6) months. The portfolio may not contain more than 40% repurchase agreements;
- Certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or secured by obligation that are described in investment vehicles above and not to exceed 40% of the overall portfolio;
- Constant dollar investment pools as defined by the Public Funds Investment Act rated no lower than AAA or AAA-m or its equivalent by at least one national rating agency and with a weighted average maturity not to exceed sixty (60) days. All investment pools must be approved by resolution from the City Council; and
- No-load money market mutual funds as permitted by the Public Funds Investment Act.

Current Investments

As of August 31, 2021 (unaudited), the following percentages of the City's investable funds were invested in the following categories of investments.

Fund and Investment Type	Amount	Percentage of Portfolio
Checking Account	$ 1,080,067	5.82%
Certificate of Deposit (Consolidated Cash)	500,000	2.69%
TexPool	16,975,854	91.48%
Total Investments	**$18,555,921**	**100.00%**

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Sulphur Springs participates as one of 888 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 includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

For more information see the City's Comprehensive Annual Financial Reports – Notes beginning on page 60.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Hopkins County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. The City has elected to grant $40,000 for persons 65 years of age or older and the disabled.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $50 million for the 2020 tax year and $50.6 million for the 2021 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX RATE LIMITATIONS – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants an exemption of $10,000 to the market value of the residence homestead of persons 65 years of age or older.

The City does not grant the additional up to 20% of the market value of residence homesteads.

The City taxes only business personal property.

The City collects its own property taxes and does not allow discounts.

The City took action in December 1989 to tax Article VIII, Section 1-j property ("freeport property"), but may elect to exempt freeport property anytime in the future.

The City does not grant an exemption for "goods-in-transit".

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004, as described above under "Homestead Tax Limitation" herein.

The City created a Tax Increment Reinvestment Zone ("TIRZ") in December 2007. The 2007 property values were used as the "base values" for the TIRZ and the first year for property value to be captured by the TIRZ was the 2008 tax year. The TIRZ expires December 31, 2032.

The City has entered into tax abatement agreements with Saputo, CMH, backstory Beverages, and BEF and has adopted criteria therefore, which are prerequisites to the execution of abatement agreements. For the 2020 Tax Year, the total aggregate amount of the City's assessed valuation loss due to abatement agreements equals $75,072,209 and the latest expiration date for any of the agreements is 2027.

ADDITIONAL TAX COLLECTIONS

Municipal Sales Tax Collections

The City has adopted the provisions of Chapter 321 of the Tax Code, as amended, which provides for the maximum levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of obligations or other indebtedness.

Optional Sales Tax

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further the Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election.

At a special election held on January 19, 1991 the City's registered voters approved an additional one-half percent (½%) sales tax to be collected for economic development purposes in accordance with Section 4A, Article 5190.6 of Vernon's Annotated Texas Civil Statutes. Collections of the 4A sales tax began July 1, 1991.

The City has not held an election regarding an additional sales tax for the purpose of 4B economic development or reduction of its ad valorem taxes.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C -- Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters and (c) the certificate verifying the sufficiency of the deposit to the escrow fund established to redeem the refunded obligations. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer<s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Issuer expects that the Bonds will be designated as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”).

Annual Reports

The City will provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement. The information to be updated in the Annual Operating Report includes the information in Tables 1, 2, 3, 11, 12, 13, and 14 of Appendix A. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D to this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in 2021. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Website or filed with the SEC, as permitted by SEC Rule 15c2-12 (the “Rule”).

The Issuer’s current fiscal year end is September 30. Accordingly, it must provide its Annual Operating Report by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are yet available) must be provided by the last day in September in each year by the last day in March in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information from MSRB

The Issuer has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

In the opinion of the City Staff, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the City.

Future Debt Issuance

The City currently has no plans to issue additional ad valorem tax supported debt in 2021 or 2022 except potentially refunding bonds for debt service savings.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes. Additionally, with respect to the Bonds, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under “TAX MATTERS,” the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Bonds, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Though it represents the Financial Advisor and certain entities that may bid on the Bonds from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Rating

S&P Global Ratings ("S&P") S&P has assigned a rating of "AA" to the Bonds with the understanding that concurrently with the delivery of the Bonds a municipal bond insurance policy will be issued by BAM. See "BOND INSURANCE" herein. The City received from S&P an underlying, unenhanced rating of "AA-" to the Bonds.

An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of such company at the time the rating is given, and the City makes no representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

Winning Bidder

After requesting competitive bids for the Bonds, the City accepted the bid of Robert W. Baird & Co., Inc. (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the page ii of this Official Statement at a price of par, plus a reoffering premium of $404,941.75, less a Purchaser's discount of $ 28,875.41, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement relating to the Bonds, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Bonds, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2020, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Official Statement will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the City Council on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City' expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Concluding Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the City's records, audited financial statements and other sources which the City considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Ordinance authorized the issuance of the Bonds and approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Purchaser.

This Official Statement was approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF SULPHUR SPRINGS, TEXAS

John A. Sellers
Mayor
City of Sulphur Springs, Texas

ATTEST:

Gale Roberts
City Secretary
City of Sulphur Springs, Texas

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

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SCHEDULE I
SCHEDULE OF REFUNDED BONDS

SULPHUR SPRINGS, TEXAS

Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2011
(Redemption Date 12-08-21 @ par)
Current Interest Bonds

Original Dated Date	Original Maturity (September 1)	Original Principal Amount	Principal Being Refunded	Interest Rate
December 1, 2011	2023	$ 200,000.00	$ 200,000.00	3.000%
	2024	205,000.00	205,000.00	3.000%
	2025	215,000.00	215,000.00	3.000%
	2026	225,000.00	225,000.00	3.000%
	2027	235,000.00	235,000.00	3.000%
	2028	245,000.00	245,000.00	3.250%
	2029	255,000.00	255,000.00	3.250%
	2030	265,000.00	265,000.00	3.375%
	2031	275,000.00	275,000.00	3.500%
	2032	290,000.00	290,000.00	3.500%
		$ 2,410,000.00	$ 2,410,000.00	

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — TABLE 1

2021 Actual Market Value of Taxable Property (100% of Actual)[(a)]		$ 1,540,480,545
Less Exemptions:		
Local, Optional Over-65 or Disabled Homestead Exemptions	12,661,910	
Disabled and Deceased Veterans' Exemptions	5,990,910	
Pollution Control	791,475	
Productivity Loss/Agricultural Use	19,179,720	
Abatement Loss	71,278,849	
Homestead Cap Adjustment	30,603,420	
$500 Minimum Value Loss	11,824	
Totally Exempt Property	172,051,302	
Certified Value Captured by the Tax Increment Reinvestment Zone 4 ("TIRZ")	16,320,330	328,889,740
2021 Net Taxable Assessed Valuation Excluding Value Captured by the TIRZ		$ 1,211,590,805

(a) *See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE TEXAS TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*
Source: Hopkins County Appraisal District and the Issuer.

GENERAL OBLIGATION BONDED DEBT — TABLE 2

General Obligation Debt Principal Outstanding: (As of September 30, 2021)		
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2011	$	285,000 [(c)]
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2012		4,550,000
General Obligation Refunding Bonds, Series 2012		190,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2014		2,915,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016		15,815,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2017		3,775,000
General Obligation Refunding Bonds, Series 2017		970,000
Limited Tax Note, Series 2019		150,000
General Obligation Refunding Bonds, Series 2019		3,185,000
Combination Tax and Revenue Certificates of Obligation, Series 2020		2,680,000
Total Gross General Obligation Debt Principal Outstanding:	$	34,515,000
Current Issue General Obligation Debt Principal:		
General Obligation Refunding Bonds, Series 2021 (the "Bonds")	$	2,120,000
Total **Gross** General Obligation Debt Principal Outstanding Following the Issuance of the Bonds	$	36,635,000
Less: Self-Supporting General Obligation Debt Principal [(a)]		
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2011 (100% W&S)	$	285,000 [(c)]
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2012 (27.58% W&S)		1,255,000
General Obligation Refunding Bonds, Series 2012 (100% W&S)		190,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2014 (21.61% W&S and 59.86% Capital Improvement Fund)		2,375,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016 (100% W&S)		15,815,000
Combination Tax and Revenue Certificates of Obligation, Series 2017 (86.75% W&S)		3,275,000
General Obligation Refunding Bonds, Series 2017 (100% W&S)		970,000
General Obligation Refunding Bonds, Series 2019 (6.91% W&S and 87.44% TIRZ)		3,005,000
Combination Tax and Revenue Certificates of Obligation, Series 2020 (100% EDC)		2,680,000
General Obligation Refunding Bonds, Series 2021 (the "Bonds") (100% W&S)		2,120,000
Total Self-Supporting General Obligation Debt Principal	$	31,970,000
Total **Net** General Obligation Debt Outstanding (Following the issuance of the Bonds):	$	4,665,000
General Obligation Interest and Sinking Fund Balance as of September 30, 2021 (unaudited).	$	24,407
Ratio of Gross General Obligation Debt Principal to 2021 TIRZ Adjusted Net Taxable Assessed Valuation		3.02%
Ratio of Net General Obligation Debt Principal to 2021 TIRZ Adjusted Net Taxable Assessed Valuation		0.39%
2021 TIRZ Adjusted Net Taxable Assessed Valuation [(b)]	$	1,211,590,805
Population: 1980 -12,804; 1990 - 14,007; 2000 - 14,551; 2010 - 15,449; 2020 Census		16,532
Per Capita 2021 TIRZ Adjusted Net Taxable Assessed Valuation -	$	73,288
Per Capita **Gross** General Obligation Debt Principal -	$	2,216
Per Capita **Net** General Obligation Debt Principal -	$	282

(a) *Self-supporting percentages are based on the original portion of the bond issue dedicated to Water & Sewer, EDC, and TIRZ purposes. Although the City intends to pay such self-supporting debt from indicated sources, in the event such revenues are not sufficient or the City determines not to appropriate or otherwise provide for payment of such obligations from water and sewer revenues or other sources, the City will be required to levy an ad valorem tax to pay such debt.*

(b) *See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE TEXAS PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*

(c) *Excludes the Refunded Obligations*

Notes Payable:

During the year ended September 30, 2020, the following changes occurred in liabilities reported for the EDC:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	$ 10,723,760	$ -	$ (866,625)	$ 9,857,135	$ 1,080,408
	$ 10,723,760	$ -	$ (866,625)	$ 9,857,135	$ 1,080,408

On October 31, 2005, the Corporation purchased four tracts of land totaling approximately 352 acres from the Hopkins County Industrial Fund, Inc. The land was fully financed by the Fund through a note that bears no interest and is payable upon sale of the land by the Corporation. On September 12, 2014, the Corporation received a cash advance from the Hopkins County Industrial Fund, Inc. of $400,000, which were to be added to the purchase price of the original tracts and paid back in accordance with the original agreement.

On May 18, 2017, the Corporation borrowed $2,236,847 from Southside Bank. The loan is being repaid in 113 monthly payments of $21,051 (beginning June 1, 2017 and 24 monthly payments of $8,611 (beginning November 1, 2026), including interest computed at 3.05 percent. The note will be paid in full after the final payment on January 1, 2029.

On February 20, 2019 the Corporation converted a revolving line of credit to a note payable of $7,800,000, with an interest rate of 5.75%. On August 5, 2020, the Corporation refinanced the remaining note balance of $6,795,507 to a seven-year term with a computed interest rate of 3.75%. The note is being repaid in monthly installment payments of $92,274, including interest. The note will be paid in full after the final payment on August 5, 2027.

Leases:

On August 12, 2015, the City entered into a 60-month lease agreement with De Lage Landen for a copy machine. Payments are due monthly at a rate of $188.

On November 12, 2015, the City entered into a 60-month lease agreement with Pitney Bowes for a postage machine. Payments are due quarterly at a rate of $1,473.

On February 14, 2017, the City entered into a 60-month lease agreement with De Lage Landen for a copy machine. Payments are due monthly at a rate of $269.

On August 15, 2018, the City entered into a 60-month lease agreement with Canon for a cassette feeding unit. Payments are due monthly at a rate of $53.

On August 28, 2019, the City entered into two 48-month lease agreements with Enterprise for vehicles. The first leased vehicle is a 2019 Ford F-150. Payments are due monthly at a rate of $486. The second leased vehicle is a 2019 Nissan Frontier. Payments are due monthly at a rate of $363.

During the fiscal year ended September 30, 2020, the City entered into twenty-four 48-month lease agreements with Enterprise for vehicles. The lease term and monthly summary are as follows:

Lease Term		Monthly
11/01/19 - 11/01/23	One Vehicle	$ 328
12/01/19 - 12/01/23	Four Vehicles	1,622
01/01/20 - 01/01/24	Twelve Vehicles	5,732
02/01/20 - 02/01/24	Two Vehicles	1,189
03/01/20 - 03/01/24	One Vehicle	607
04/01/20 - 04/01/24	Two Vehicles	1,105
05/01/20 - 05/01/24	Four Vehicles	2,399
		$ 12,982

Future minimum lease payments for the fiscal years ending September 30 are as follows:

2021	$ 170,576
2022	168,764
2023	164,861
2024	51,984
	$ 556,185

Source: The Issuer's 2020 Comprehensive Annual Financial Reports

TAXABLE ASSESSED VALUATION HISTORY FOR TAX YEARS 2012-2021 **TABLE 4**

	Net Taxable	Change From Preceding Year	
Year	Assessed Valuation	Amount ($)	Percent
2012-13	$ 822,588,145	8,809,170	1.08%
2013-14	839,678,857	17,090,712	2.08%
2014-15	850,758,123	11,079,266	1.32%
2015-16	878,179,613	27,421,490	3.22%
2016-17	887,649,352	9,469,739	1.08%
2017-18	912,204,964	24,555,612	2.77%
2018-19	919,433,113	7,228,149	0.79%
2019-20	967,459,688	48,026,575	5.22%
2020-21	1,030,288,588	62,828,900	6.49%
2021-22	1,211,590,805	181,302,217	17.60%

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas and Hopkins County Appraisal District.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 5**

Fiscal Year 30-Sep	Currently Outstanding Debt Service [(a)]	Less: Refunded Obligations	The Bonds Principal	The Bonds Interest	The Bonds Total	Combined Debt Service[(a)]	Less: Self Supporting Debt Service[(b)]	Net General Obligation Debt Service[(b)]*
2022	$ 4,015,027	$ 77,369	$ -	$ 76,833	$ 76,833	$ 4,014,492	$ 3,226,252	$ 788,240
2023	3,047,692	277,369	165,000	92,200	257,200	3,027,523	2,674,485	353,037
2024	3,060,348	276,369	170,000	83,950	253,950	3,037,929	2,676,266	361,662
2025	2,780,650	280,219	185,000	75,450	260,450	2,760,881	2,400,969	359,912
2026	2,653,922	283,769	195,000	66,200	261,200	2,631,353	2,268,341	363,012
2027	2,662,545	287,019	200,000	62,300	262,300	2,637,826	2,273,364	364,462
2028	2,168,783	289,969	215,000	52,300	267,300	2,146,114	1,785,502	360,612
2029	2,172,246	292,006	230,000	41,550	271,550	2,151,790	1,790,215	361,575
2030	1,941,766	293,719	240,000	30,050	270,050	1,918,097	1,790,860	127,237
2031	1,930,756	294,775	255,000	18,050	273,050	1,909,031	1,784,731	124,300
2032	1,943,386	300,150	265,000	5,300	270,300	1,913,536	1,787,173	126,363
2033	1,644,124	-	-	-	-	1,644,124	1,520,911	123,213
2034	1,643,871	-	-	-	-	1,643,871	1,518,808	125,063
2035	1,641,946	-	-	-	-	1,641,946	1,520,208	121,738
2036	1,588,868	-	-	-	-	1,588,868	1,480,455	108,413
2037	1,576,503	-	-	-	-	1,576,503	1,471,065	105,438
2038	1,338,081	-	-	-	-	1,338,081	1,230,831	107,250
2039	1,331,407	-	-	-	-	1,331,407	1,227,532	103,875
2040	929,230	-	-	-	-	929,230	828,730	100,500
2041	928,660	-	-	-	-	928,660	826,535	102,125
2042	927,695	-	-	-	-	927,695	829,133	98,563
2043	746,333	-	-	-	-	746,333	746,333	-
2044	746,322	-	-	-	-	746,322	746,322	-
2045	746,098	-	-	-	-	746,098	746,098	-
2046	745,658	-	-	-	-	745,658	745,658	-
	$ 44,911,911	$ 2,952,731	$ 2,120,000	$ 604,183	$ 2,724,183	$ 44,683,363	$ 39,896,773	$ 4,786,590

[(a)] *Includes general obligation self-supporting debt.*

[(b)] *Includes debt being paid from water and sewer system revenues. See Table 2, page A-1 for more detailed information.*

TAX ADEQUACY (Includes Self-Supporting Debt) **TABLE 6**

2021 Certified Net Taxable Assessed Valuation	$ 1,211,590,805
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2022)	$ 4,014,492
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.33810

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt) **TABLE 7**

2021 Certified Net Taxable Assessed Valuation	$ 1,211,590,805
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2022)	$ 788,240
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.06639

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

INTEREST AND SINKING FUND MANAGEMENT INDEX		TABLE 8
Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2021 Unaudited.	$	24,407
2021 Interest and Sinking (I&S) Fund Tax Levy of $0.6451 at 100% Collections Produces		792,125
Plus: Other City Funds		3,226,252
Total Available for Debt Service	$	4,042,784
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-22		4,014,492
Estimated Surplus at Fiscal Year Ending 9-30-22	$	28,292

COMPUTATION OF WATERWORKS AND SEWER SYSTEM SELF-SUPPORTING DEBT		TABLE 9
Net System Revenues Available, Fiscal Year End September 30, 2020	$	4,981,934
Less: 2021 Annual Debt Service Requirement on Outstanding Revenue Bonds		-
Less: 2021 Annual Debt Service Requirement on Self Supporting Debt		2,048,270 [(a)]
Balance Available for Other Purposes	$	2,933,664

[(a)] *Self-supporting general obligation debt being paid from revenues of the Waterworks and Sewer System. Based upon the City's 2020 Audit*

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 10**

	Principal Repayment Schedule				Bonds	Percent of
Fiscal Year Ending 9-30	Outstanding Principal	Less: Refunded Obligations	The Bonds	Total	Unpaid at End of Year	Principal Retired (%)
2022	$ 3,185,000	$ -	$ -	$ 3,185,000	$ 33,450,000	8.69%
2023	2,290,000	200,000	165,000	2,255,000	31,195,000	14.85%
2024	2,355,000	205,000	170,000	2,320,000	28,875,000	21.18%
2025	2,130,000	215,000	185,000	2,100,000	26,775,000	26.91%
2026	2,050,000	225,000	195,000	2,020,000	24,755,000	32.43%
2027	2,110,000	235,000	200,000	2,075,000	22,680,000	38.09%
2028	1,670,000	245,000	215,000	1,640,000	21,040,000	42.57%
2029	1,715,000	255,000	230,000	1,690,000	19,350,000	47.18%
2030	1,525,000	265,000	240,000	1,500,000	17,850,000	51.28%
2031	1,550,000	275,000	255,000	1,530,000	16,320,000	55.45%
2032	1,600,000	290,000	265,000	1,575,000	14,745,000	59.75%
2033	1,340,000	-	-	1,340,000	13,405,000	63.41%
2034	1,370,000	-	-	1,370,000	12,035,000	67.15%
2035	1,400,000	-	-	1,400,000	10,635,000	70.97%
2036	1,380,000	-	-	1,380,000	9,255,000	74.74%
2037	1,400,000	-	-	1,400,000	7,855,000	78.56%
2038	1,195,000	-	-	1,195,000	6,660,000	81.82%
2039	1,215,000	-	-	1,215,000	5,445,000	85.14%
2040	840,000	-	-	840,000	4,605,000	87.43%
2041	855,000	-	-	855,000	3,750,000	89.76%
2042	870,000	-	-	870,000	2,880,000	92.14%
2043	705,000	-	-	705,000	2,175,000	94.06%
2044	715,000	-	-	715,000	1,460,000	96.01%
2045	725,000	-	-	725,000	735,000	97.99%
2046	735,000	-	-	735,000	-	100.00%
	$ 36,925,000	$ 2,410,000	$ 2,120,000	$ 36,635,000		

CLASSIFICATION OF ASSESSED VALUATION

TABLE 11

Category	2021-2022	% of Total	2020-2021	% of Total	2019-2020	% of Total	2018-2019	% of Total	2017-2018	% of Total
Real, Residential, Single-Family	$ 507,344,500	32.93%	$ 436,533,140	33.10%	$ 425,302,870	34.88%	$ 390,365,990	33.18%	$ 384,341,350	33.36%
Real, Residential, Multi-Family	34,847,140	2.26%	33,876,410	2.57%	34,063,350	2.79%	33,481,310	2.85%	33,513,430	2.91%
Real, Vacant Lots/Tracts	9,981,760	0.65%	10,253,010	0.78%	10,285,700	0.84%	11,047,060	0.94%	10,623,650	0.92%
Real, Acreage (Land Only)	19,970,960	1.30%	21,081,430	1.60%	21,339,960	1.75%	20,679,730	1.76%	20,752,490	1.80%
Farm & Ranch Improvements	20,199,850	1.31%	15,923,130	1.21%	15,039,090	1.23%	15,336,230	1.30%	15,017,700	1.30%
Real, Commercial	359,895,221	23.36%	239,744,049	18.18%	216,860,627	17.79%	212,254,711	18.04%	200,697,890	17.42%
Real, Industrial	50,977,100	3.31%	51,839,473	3.93%	40,623,823	3.33%	38,717,910	3.29%	38,617,810	3.35%
Real & Tangible, Personal Utilities	27,607,217	1.79%	25,175,971	1.91%	22,793,248	1.87%	22,297,067	1.90%	21,407,490	1.86%
Tangible Personal, Business	119,891,379	7.78%	117,747,048	8.93%	109,045,212	8.94%	103,061,195	8.76%	104,515,720	9.07%
Tangible Personal, Industrial	212,134,540	13.77%	206,266,516	15.64%	164,198,244	13.47%	170,127,918	14.46%	171,690,609	14.90%
Mobile Homes	1,313,500	0.09%	1,298,690	0.10%	1,303,470	0.11%	2,187,441	0.19%	1,297,590	0.11%
Real / Special Inventory	12,096,768	0.79%	10,602,370	0.80%	10,691,861	0.88%	9,100,369	0.77%	8,864,810	0.77%
Totally Exempt Property	163,839,730	10.64%	148,632,250	11.27%	147,743,150	12.12%	147,726,020	12.56%	140,871,780	12.23%
Total Appraised Value	$ 1,540,480,545	99.98%	$ 1,318,973,487	100.00%	$ 1,219,290,605	100.00%	$ 1,176,382,951	100.00%	$ 1,152,212,319	100.00%
Less Exemptions:										
Over -65 or Disabled Homestead	$ 12,661,910		$ 12,733,180		$ 17,439,430		$ 16,357,180		$ 12,824,320	
Disabled and Deceased Veterans	5,990,910		5,129,150		833,370		870,370		852,370	
Pollution Control	791,475		835,338		2,370,841		2,345,425		2,432,537	
Productivity Value Loss/Ag Use	19,179,720		20,182,450		20,439,780		19,760,300		19,934,180	
Abatement Loss	71,278,849		75,072,199		34,574,294		54,271,707		48,368,177	
Homestead Cap Adjustment	30,603,420		7,282,300		10,863,710		149,310		319,220	
$500 Minimum Value Loss	11,824		11,102		11,157		11,188		10,400	
Exempt Property/Miscellaneous	172,051,302		157,418,840		156,292,240		155,472,523		148,524,481	
Total Exemptions	$ 312,569,410		$ 278,664,559		$ 242,824,822		$ 249,238,003		$ 233,265,685	
Net Taxable Valuation	$ 1,227,911,135		$ 1,040,308,928		$ 976,465,783		$ 927,144,948		$ 918,946,634	
Value Captured by Tax Increment Reinvestment Zone (TIRZ)	$ (16,320,330)		$ (10,020,340)		$ (9,006,095)		$ (7,711,835)		$ (6,741,670)	
Net Taxable Assessed Valuation After TIRZ Adjustment	$ 1,211,590,805		$ 1,030,288,588		$ 967,459,688		$ 919,433,113		$ 912,204,964	

Source: Hopkins County Appraisal District. Figures represent Certified Appraisal Rolls and do not inclue property values under review or arbitration.

Note: Assessed Valuations shown are Certified Values and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

PRINCIPAL TAXPAYERS TABLE 12

Name	Type of Business	2020 Assessed Valuation	% of Total 2020 Assessed Valuation
Saputo Dairy Foods USA LLC	Manufacturing	$ 40,469,166	3.93%
Ocean Spray Cranberries	Food Service / Processing	23,455,730	2.28%
Flowserve US Inc.	Food Processing	21,866,509	2.12%
BEF Foods Inc.	Retail Sales	19,565,771	1.90%
Wal-Mart Stores Inc.	Retail Sales	14,488,910	1.41%
Load Trail LLC	Manufacturing	11,560,764	1.12%
Oncor Electric Delivery	Utility	11,553,314	1.12%
Jeld-Wen Inc	Manufacturing	9,789,228	0.95%
Sulphur Springs/Hop Co EDC	Manufacturing	9,624,750	0.93%
Grocery Supply Company	Grocery supply	8,549,420	0.83%
	Total	$ 170,923,562	16.59%

Based on a 2020 TIRZ Adjusted Net Taxable Assessed Valuation of $1,030,288,588

Note: 2021 Principal Taxpayers not available at this time.

Source: Hopkins County Appraisal District.

PROPERTY TAX RATES AND COLLECTIONS [(a)] TABLE 13

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections Current	% Collections Total	Year Ended
2012-13	$ 824,633,437	$ 0.440000	$ 3,671,928	99.10%	99.50%	9/30/2013
2013-14	842,233,437	0.440000	3,756,497	98.00%	100.16%	9/30/2014
2014-15	853,749,433	0.440000	3,878,647	99.10%	98.88%	9/30/2015
2015-16	881,510,683	0.440000	3,921,008	98.10%	101.15%	9/30/2016
2016-17	892,859,072	0.440000	3,928,580	98.20%	100.34%	9/30/2017
2017-18	918,946,634	0.440000	4,043,365	98.40%	100.15%	9/30/2018
2018-19	927,144,948	0.440000	4,079,438	98.50%	100.94%	9/30/2019
2019-20	976,455,823	0.440000	4,296,406	99.00%	99.00%	9/30/2020
2020-21	1,040,308,928	0.440000	4,577,359	97.63% *	98.84% *	9/30/2021
2021-22	1,227,911,135	0.426920	5,242,198	(In process of collection)		9/30/2022

**As of August 31, 2021 (Unaudited).*

[(a)] See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE TEXAS TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.

Source: The Issuer.

TAX RATE DISTRIBUTION TABLE 14

	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018
General Fund	$0.362410	$0.367100	$0.372400	$0.382600	$0.383200
I & S Fund	0.064510	0.072900	0.067600	0.057400	0.056800
TOTAL	$0.426920	$0.440000	$0.440000	$0.440000	$0.440000

Source: The Issuer.

MUNICIPAL SALES TAX **TABLE 15**

The Issuer has adopted the provision of Chapter 321, as amended, Texas Tax Code. The voters of the City of Sulphur Springs approved a ½% sales tax for the benefit of the Sulphur Springs-Hopkins County Economic Development Corporation on January 19, 1991. Collection began on July 1, 1991. Net collections on a calendar year basis are as follows:

Calendar Year	Total Collected	1.00% City	City Collections as % of Ad Valorem Tax Levy	($) Equivalent of Ad Valorem Tax Rate	0.50% EDC
2009	4,286,558.00	2,857,705.33	81.60%	0.34	1,428,852.67
2010	4,174,100.00	2,782,733.33	75.82%	0.33	1,391,366.67
2011	4,208,885.00	2,805,923.33	75.38%	0.33	1,402,961.67
2012	4,414,565.00	2,943,043.33	82.41%	0.36	1,471,521.67
2013	4,928,977.00	3,285,984.67	92.33%	0.41	1,642,992.33
2014	5,160,969.66	3,440,646.44	93.70%	0.41	1,720,323.22
2015	5,286,182.99	3,524,121.99	93.81%	0.41	1,762,061.00
2016	5,670,544.28	3,780,362.85	96.41%	0.42	1,890,181.43
2017	5,601,068.14	3,734,045.43	95.05%	0.42	1,867,022.71
2018	6,217,781.90	4,145,187.93	102.52%	0.45	2,072,593.97
2019	6,676,970.48	4,451,313.65	109.12%	0.48	2,225,656.83
2020	6,926,786.61	4,617,857.74	107.48%	0.47	2,308,928.87
2021	6,293,278.76 *	4,195,519.17	91.66%	0.40	2,097,759.59

* Through September 2021.

Source: Texas Comptroller of Public Accounts, the City's 2020 CAFR and the Issuer.

Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the City, which is two months after they are generated/collected. The City accrues sales tax revenues to the month in which they are earned.

OVERLAPPING DEBT DATA AND INFORMATION **TABLE 16**

(As of August 31, 2021)

Taxing Body	Gross Debt Principal Outstanding	% Overlapping	Amount Overlapping
Hopkins County	$ 15,060,000	44.59%	$ 6,715,254
Sulphur Springs ISD	46,610,000	64.47%	30,049,467
Total Gross Overlapping Debt			$ 36,764,721
City of Sulphur Springs	36,635,000 [(a)]	100.00%	36,635,000 [(a)]
Total **Gross** Direct and Overlapping Debt			$ 73,399,721 [(a)]

Ratio of Gross Direct and Overlapping Debt to 2021 TIRZ Adjusted Net Taxable Assessed Valuation	6.06% [(a)]
Ratio of Direct and Overlapping Debt to 2021 Actual Value	4.76% [(a)]
Per Capita Direct and Overlapping Debt	$ 4,440 [(a)]

Note: The above figures show **Gross** General Obligation Debt Principal for the City of Sulphur Springs, Texas
The Issuer's Net General Obligation Debt Principal is $ 4,665,000
Calculations on the basis of Net General Obligation Debt Principal would change the above figures as follows:

Total **Net** Direct and Overlapping Debt Principal	$ 41,429,721
Ratio of Gross Direct and Overlapping Debt to 2021 TIRZ Adjusted Net Taxable Assessed Valuation	3.42% [(a)]
Ratio of Direct and Overlapping Debt to 2021 Actual Value	2.69% [(a)]
Per Capita Direct and Overlapping Debt	$ 2,506 [(a)]

[(a)] *Includes the Bonds.*

Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas and the Issuer.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES **TABLE 17**

Governmental Entity	2020 Assessed Valuation	% of Actual	2020 Tax Rate
Hopkins County	$ 2,086,902,869	100%	$ 0.609000
Sulphur Springs ISD	1,468,234,477	100%	1.251000

Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES **TABLE 18**

Taxing Body	Date of Authorization	Purpose		Amount Authorized	Issued To Date	Unissued
Hopkins County	N/A			$ -	$ -	$ -
City of Sulphur Springs	N/A			-	-	-
Sulphur Springs ISD	N/A			-	-	-
			Total	$ -	$ -	$ -

Source: Texas Municipals Reports published by the Municipal Advisory Council of Texas

FUND BALANCES **TABLE 19**

	Audited Balance As of 9/30/2020	Unaudited Balance As of 9/30/2021
General Operating Fund	$ 3,283,338	$ 4,488,506
General Obligation Interest and Sinking Fund (Debt Service)	24,406	17,990
Special Revenue Fund	850,214	3,020,595
Water and Sewer Interest and Sinking Fund	416,041	396,786
Waterworks and Sewer System Operating Fund	5,526,349	6,081,872
Meter Deposit Fund	554,868	584,816
Internal Service Fund	590,025	854,232
Capital Projects Fund (General Fund Projects)	3,106,525	2,600,663
Tourism Fund	252,614	306,985
Total	$ 14,604,380	$ 18,352,445

Source: The Issuer.

GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES **TABLE 20**

	Fiscal Year Ended September 30				
	2020	**2019**	**2018**	**2017**	**2016**
Revenues:					
Taxes:					
Property	$ 3,703,504	$ 3,588,870	$ 3,536,514	$ 3,437,869	$ 3,405,007
Sales	4,405,088	4,424,059	4,102,033	3,703,431	3,722,191
Franchise	1,107,672	1,138,774	1,115,734	1,148,633	1,131,471
Alcoholic Beverage	40,060	46,960	42,226	36,892	30,522
Licenses and Permits	142,131	139,496	196,412	133,202	92,351
Intergovernmental	39,375	179,500	179,500	179,500	179,500
Charges for Services	4,871	4,302	9,838	1,995	2,889
Fines & Forfeitures	800,920	870,306	896,479	926,805	869,004
Interest	39,524	118,474	76,281	17,305	10,098
Grants &Contributions	667,883	-	-	-	-
In-Kind	8,890,090	-	-	-	-
Miscellaneous	205,809	343,983	450,051	301,495	152,630
Total Revenues	$ 20,046,927	$ 10,854,724	$ 10,605,068	$ 9,887,127	$ 9,595,663
Expenditures:					
Current:					
General Government	$ 2,496,083	$ 2,640,795	$ 2,462,792	$ 2,432,065	$ 2,489,486
Public Safety	5,511,021	5,451,322	5,193,186	5,203,985	4,955,109
Transportation	656,500	739,996	590,145	696,006	701,051
Culture & Recreation	1,225,570	1,448,584	1,260,434	1,309,559	1,268,557
Capital Outlay	9,170,154	-	649,331	643,560	208,013
Debt Service:					
Principal	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Total Expenditures	$ 19,059,328	$ 10,280,697	$ 10,155,888	$ 10,285,175	$ 9,622,216
Excess (Deficit) of Revenues Over Expenditures	$ 987,599	$ 574,027	$ 449,180	$ (398,048)	$ (26,553)
Other Financing Sources (Uses):					
Transfers In	$ 1,684,151	$ 1,656,198	$ 1,747,633	$ 1,751,035	$ 1,621,041
Transfers Out	(2,110,962)	(2,249,328)	(1,943,867)	(1,900,628)	(2,072,323)
Bond Proceeds	-	445,000	-	1,140,000	-
Other Uses - Bond Issuance	-	(9,000)	-	-	-
Total Other Financing Sources (Uses)	$ (426,811)	$ (157,130)	$ (196,234)	$ 990,407	$ (451,282)
Net Change in Fund Balances	560,788	416,897	252,946	592,359	(477,835)
Fund Balance - Beginning	3,492,741	3,075,844	2,822,898	2,230,539	2,708,374
Fund Balance - Ending	$ 4,053,529	$ 3,492,741	$ 3,075,844	$ 2,822,898	$ 2,230,539

Source: The Issuer's 2020 Comprehensive Annual Financial Reports

The City anticipates ending the fiscal year ending September 30, 2021 with an unaudited general fund balance of $4,416,511.

CONDENSED WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT **TABLE 21**

	Fiscal Year Ended September 30				
	2020	**2019**	**2018**	**2017**	**2016**
Revenues	$ 10,241,181	$ 10,315,801	$ 10,143,915	$ 9,414,662	$ 9,298,273
Expenses	5,259,247	5,814,250	5,404,014	5,356,721	4,871,498
Net Available for Debt Service	$ 4,981,934	$ 4,501,551	$ 4,739,901	$ 4,057,941	$ 4,426,775
Annual Revenue Bond Debt Service Requirements	$ -	$ -	$ -	$ -	$ -
Coverage of Annual Revenue Bond Requirements	N/A	N/A	N/A	N/A	N/A
Annual Requirements on all Bonds Paid from System Revenues	$ 2,284,296	$ 2,362,076	$ 2,340,712	$ 1,552,404	$ 1,306,980
Coverage of Annual Requirements on all Bonds Paid from System Revenues	2.18	1.91 x	2.02 x	2.61 x	3.39 x
Customer Count:					
Water	6,645	6,555	6,554	6,525	6,441
Sewer	5,956	5,885	5,864	5,841	5,759

Note: All revenues and expenses associated with sanitation services are EXCLUDED from these figures.
Source: The City's Comprehensive Annual Financial Reports and the Issuer.

WATER RATES **TABLE 22**

Existing Rates

(Rates Effective October 1, 2021-September 30, 2022)

Residential Rates		
Meters Less Than Four inches in Size		
Monthly Demand Charge	$ 8.02	
Usage Fee	$ 4.05	/1,000 Gallons
Commercial Rates		
Meters Four inches in Size or Larger		
0 to 230,000 Gallons (minimum)	$ 939.52	
above 230,000	3.78	per 1000

Previous Rates

(Rates Effective October 1, 2019-September 30, 2021)

Residential Rates		
Meters Less Than Four inches in Size		
Monthly Demand Charge	$ 7.86	
Usage Fee	$ 3.97	/1,000 Gallons
Commercial Rates		
Meters Four inches in Size or Larger		
0 to 230,000 Gallons (minimum)	$ 920.96	

PRINCIPAL WATER CUSTOMERS 2020-2021 — TABLE 23

Name of Customer	Average Monthly Consumption (Gallons)	Average Monthly Bill
North Hopkins Water Supply District	16,833,808	$ 63,992
Saputo Foods, Inc	15,738,225	58,681
Ocean Spray, Inc.	8,437,075	31,369
BEF Foods, Inc.	5,657,425	21,134
Brashear Water District	4,135,642	15,458
Shady Grove Water District	2,543,333	7,474
Brinker Water Supply District	1,454,875	5,781
Christus Hospital	1,380,083	5,452
Kalashine Holdings Apartments	1,280,900	5,116
Canyon Creek	670,192	2,676
Totals	58,131,558	$ 217,133

SEWER RATES — TABLE 24

Existing Rates

(Rates Effective October 1, 2021-September 30, 2022)

Avg. of 0-4000 Gal.	$	28.10	
Avg. of 4000+ Gal.	$	28.10	+$4.07 per 1000 gal over 4000

Previous Rates

(Rates Effective October 1, 2019-September 30, 2021)

Avg. of 0-4000 Gal.	$	27.55	
Avg. of 4000+ Gal.	$	27.55	+$3.99 per 1000 gal over 4000

PRINCIPAL SEWER CUSTOMERS 2020-2021 — TABLE 25

Name of Customer	Average Monthly Consumption (Gallons)	Average Monthly Bill
Saputo Foods, Inc	14,475,125	$ 57,788
BEF Foods, Inc.	4,937,625	20,331
Ocean Spray, Inc.	3,555,388	14,186
Kalashine Holdings Apartments	1,195,217	4,811
Canyon Creek Apartments	607,017	2,443
Christus Hospital	605,595	3,106
Rahman Properties	475,033	1,917
Hopkins County Law	418,058	1,679
Coldspring Holding	399,183	1,603
Hillcrest Village Mobile Home	321,817	1,295
Totals	26,990,058	$ 109,159

Source: Information from the Issuer

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF SULPHUR SPRINGS AND HOPKINS COUNTY, TEXAS

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GENERAL INFORMATION REGARDING THE CITY OF SULPHUR SPRINGS AND HOPKINS COUNTY, TEXAS

CITY OF SULPHUR SPRINGS, TEXAS

Location

The City of Sulphur Springs (the "City") is 80 miles east of Dallas, 100 miles west of Texarkana, 65 miles north of Tyler and 40 miles south of Paris.

Population:

Census Report	City of Sulphur Springs	Hopkins County
2020	16,532	36,787
2010	15,449	35,161
2000	14,551	31,960
1990	14,062	28,833
1980	12,804	25,257
1970	10,642	20,170

Sources: United States Bureau of the Census and the Issuer.

Major Employers within the City for 2020

Employer	Type of Business	Approximate Number of Employees 2020
Sulphur Springs ISD	Public Education	702
Grocery Supply Company	Wholesale Grocery	550
Saputo Foods, Inc.	Dairy Products	454
Hopkins County Hospital	Health Care Services	402
Wal-Mart Stores, Inc.	Retail Sales	375
Hopkins County	Government	322
CMH Manufacturing	Mobil Home Construction	294
BEF Foods	Grocery	200
City of Sulphur Springs	Government	189
Flowserve Inc.	Manufacturing	102

Source: Issuer's 2020 Comprehensive Annual Financial Report

HOPKINS COUNTY, TEXAS

General

Hopkins County (the "County") is a northeast Texas county with an economy based on agriculture. The Texas Almanac designates dairy cattle, beef cattle, hay, and wheat as principal sources of agricultural income. Hopkins County is the second leading dairy county in Texas and the Southwest United States. Minerals produced in the County include oil, gas, and lignite. The County was created in 1846 from Lamar and Nacogdoches Counties. Sulphur Springs, Texas is the County seat (current population estimate, 16,162) and has an economy based on dairy farming, food processing and distribution, varied manufacturing and tourism. Other towns include Como, Cumby and Tira.

**Source: Latest Texas Municipal Report published by the Municipal Advisory Council of Texas, the U.S. Census Report and the Issuer.*

Labor Force Statistics

	Hopkins County		State of Texas	
	August 2021	August 2020	August 2021	August 2020
Civilian Labor Force	17,394	17,770	14,192,497	14,090,773
Total Employed	16,646	17,002	13,433,358	13,117,102
Total Unemployed	748	768	759,139	973,671
% Unemployed	4.3%	4.3%	5.3%	6.9%
% Unemployed (United States)	5.3%	8.5%	5.3%	8.5%

Source: Texas Workforce Commission, Labor Market Information.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

CITY OF SULPHUR SPRINGS, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

IN THE AGGREGATE PRINCIPAL AMOUNT OF $2,120,000

AS BOND COUNSEL FOR THE CITY OF SULPHUR SPRINGS, TEXAS (the ***Issuer***) in connection with the issuance of the General Obligation Refunding Bonds described above (the ***Bonds***), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds and in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the ***Ordinance***). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Bonds, including executed Bond Number T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to sovereign immunity of political subdivisions, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the ***Code***). Except as said above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the ordinance adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project being refinanced and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds and the certificate as to the sufficiency of the deposit to the escrow fund established to defease the obligations refunded by the Bonds. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the ***Service***); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX D

ISSUER’S GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

(Independent Auditor's Report, Management Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Comprehensive Annual Financial Report for further information.)

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CITY OF SULPHUR SPRINGS, TEXAS

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2020

Prepared by:

Department of Finance

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INTRODUCTORY SECTION

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March 5, 2021

To the Honorable Mayor, Members of the Governing Council, and Citizens of
the City of Sulphur Springs, Texas

State law requires that every general-purpose local government publish and file in the office of the municipal secretary within 180 days of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

K. Evans & Associates, CPA's, have issued an unmodified ("clean") opinion on the City of Sulphur Springs, Texas financial statements for the year ended September 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Sulphur Springs, Texas, incorporated in 1859, is located in the northeastern part of the state. It currently occupies 32 square miles and serves a population of 16,134. The City of Sulphur Springs, Texas is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, although recent legislation has greatly reduced this ability.

The City of Sulphur Springs, Texas has operated under the council-manager form of government since 1947. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and six other members, all elected on a non-partisan basis. The Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve three-year terms. The mayor is appointed each year by vote of the City Council. The mayor and council members are elected at large.

The City of Sulphur Springs, Texas provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and recreational and cultural activities. The City of Sulphur Springs, Texas also is financially accountable for a legally separate economic development corporation which is reported separately within the City of Sulphur Springs, Texas financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Sulphur Springs, Texas financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the City Manager.

Local Economy

The economic outlook for Sulphur Springs and Hopkins County continues to remain positive. Over the years, the economy of Sulphur Springs has included a rich history of dairy farming and now includes 3 major food processing industries and over 20 manufacturing businesses. The combined efforts of the SS/Hop Co EDC and local governments has brought the area two new manufacturers in FY 2020 that relocated or expanded to the area from other states. With the City's acquisition of the Thermo Mine property in November 2019, the EDC has ramped up efforts in hope of attracting some major industries to the area. In addition to these industrial businesses, Sulphur Springs has seen tremendous growth in restaurant and retail industries over the past few years. While much of the retail growth has come from the investments our citizens are choosing to make here in their hometown, we are slowly attracting new nationwide retailers such as Family Dollar, Dollar Tree, NAPA Auto Parts, and Harbor Freight. In addition to business growth, the City has experienced residential growth as well. In 2020, 27 residential structures were constructed. In an effort to address the single family home shortage, in addition to filling in vacant lots within the City, the City Council established the Housing Infill Program in 2020. This program provides incentives to builders that construct a new single family home in certain areas of town. To date, the program has entered into 380 Agreements for 8 new homes. The City's revitalization efforts downtown continue to serve as an attractant to businesses and new citizens because of the value it adds to the quality of life here in Sulphur Springs. With the combination of our vibrant downtown, parks, schools, new jobs, and expansion along the I-30 corridor, the City expects to see our local economy flourish in the coming years.

With the COVID-19 pandemic came an increase in the unemployment rate nationally and locally. At the end of 2020, the unemployment rate was 4.6%, which is a significant change from 2019, when the unemployment rate for the area was 3.1%. Despite the pandemic situation, local sales tax generation remained resilient with a 4.62% increase in FY 20. Sales tax revenue increased 3.4% in 2014, 4.3% in 2015 and 5.1% in 2016 but showed no increase in 2017. In 2018, sales tax revenue increased by 10.17%, 7.17% in 2019, 4.62% in 2020, and as of March 2021, sales tax is up 6.43%.

Long-Term Financial Planning

In 1998, the City of Sulphur Springs started budgeting significant resources for its Capital Improvement Plan (CIP). The annual CIP was part of a long-term planning document which had been finalized in 1997. Funding was designed to be ongoing year by year. Significant progress was made from 2008-2016 on capital projects but has been scaled back in recent years due to budgetary constraints and increase in the cost of materials over time. In 2018, a new CIP was adopted that includes the reconstruction of 10 streets, and associated utilities and drainage. Along with the 10 streets being reconstructed over the next 5 years, 24 streets are a part of the Street Improvement Plan (SIP) in which they will receive maintenance and overlays. The CIP and SIP are budgeted in conjunction with the annual adopted operating budget. In the past, the City has used debt to fund a significant portion of the capital projects. Our new 5-year plan does not include the issuance of any new debt for these projects.

In December 2018, the City Council approved a Street Maintenance Fee (SMF). A Street Maintenance Fee (SMF) is a fee collected from benefitted properties within the city limits for the purpose of maintaining the street system. The collected fees will go into a separate fund named a Street Improvement Fund. Monies collected are separate from the General Fund and can only be applied to activities related to maintaining the street system. January 2019 marked the first month of collection of the SMF. The City initially planned to spend roughly $560,000 annually over the next five years which would allow us to maintain about 2 miles of street network a year. The additional $500,000 annually has allowed the City to essentially double our efforts for street maintenance. To fully fund the street maintenance that needs to be done, we would need an additional $500,000 annually.

During FY 2008, the City of Sulphur Springs created a Tax Increment Financing Reinvestment Zone to redevelop its downtown core. The Project and Financial Plan was adopted in 2009 and financially guided that work through its completion. Work on the downtown started in the latter part of 2009 and continued through 2012. Work was completed in 2013. At this point the city is diligently working to increase commercial activity in its downtown district. Since 2007, taxable values of properties located in the TIFRZ have increased 71%.

Major Initiatives

In 2010, the State completed construction on a new section of highway linking Hwy 154 with Hwy 19 by extending Hwy 11, essentially completing a long anticipated southern section of a loop around Sulphur Springs. The section continues a road upon which both Walmart and Lowes have frontage, creating the opportunity for additional commercial development. Eight years ago, the school district opened a new Middle School on that highway. In 2012, two new apartment complexes were started on that highway and completed as of 2014. Development in that area had been largely stalled because of a Pro Rata agreement that the school district had for the water and sewer lines that they paid for. The agreement ended on February 1, 2019 and since then, a storage unit business was constructed and a funeral home is currently under construction.

In March 2019, the City Council annexed two industrial parks into the City limits. At the time of annexation, it was anticipated that businesses located in the parks would provide the City with an increase in property tax revenue of $63,500 annually. FY 2021 will be the first year that we receive property taxes from those properties. The actual property taxes generated from the annexation at the time of this letter is $139,998 due to finished and additional construction.

In October 2018, the City signed a development agreement with Luminant Mining Company in which they agreed to deed 4,857 acres located just outside of the City limits to the City. On November 22, 2019, the transfer of the land was complete. Part of the agreement is that the City will annex the land into the City limits. The City Council annexed the City's land into the city limits on March 3, 2020. The donation of this land provides the City and its citizens with significant possibilities in the near future such as industrial parks.

Awards & Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sulphur Springs, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2019. This was the thirtieth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized annual report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period on one year only. We believe that our current annual 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.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Sulphur Springs, Texas finances.

Respectfully submitted,

Marc Maxwell
City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

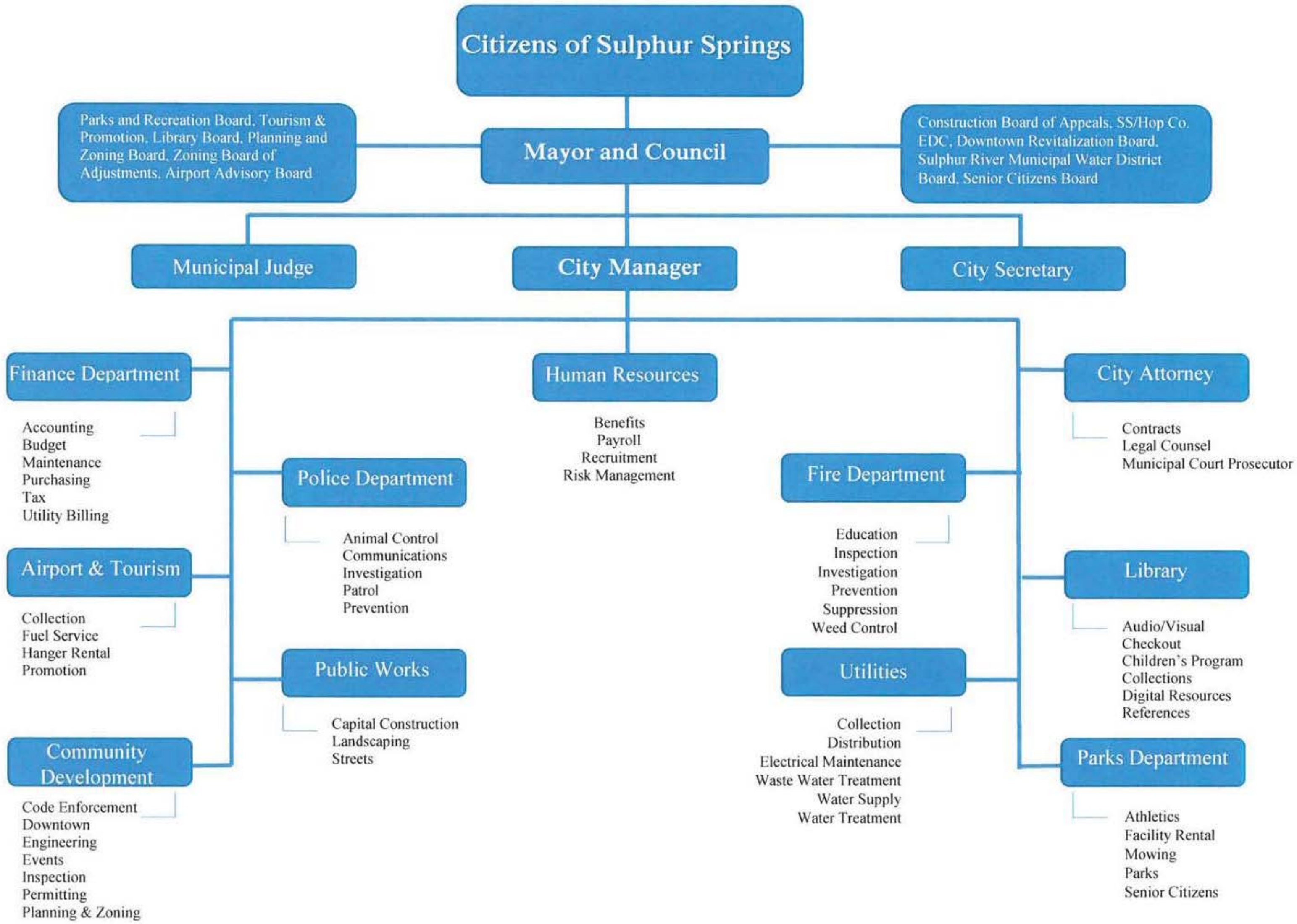
City of Sulphur Springs
Texas

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morrill

Executive Director/CEO



Citizens of Sulphur Springs
Parks and Recreation Board, Tourism & Promotion, Library Board, Planning and Zoning Board, Zoning Board of Adjustments, Airport Advisory Board
Mayor and Council
Construction Board of Appeals, SS/Hop Co. EDC, Downtown Revitalization Board, Sulphur River Municipal Water District Board, Senior Citizens Board
Municipal Judge
City Manager
City Secretary
Finance Department
Accounting
Budget
Maintenance
Purchasing
Tax
Utility Billing
Human Resources
Benefits
Payroll
Recruitment
Risk Management
City Attorney
Contracts
Legal Counsel
Municipal Court Prosecutor
Police Department
Animal Control
Communications
Investigation
Patrol
Prevention
Fire Department
Education
Inspection
Investigation
Prevention
Suppression
Weed Control
Airport & Tourism
Collection
Fuel Service
Hanger Rental
Promotion
Library
Audio/Visual
Checkout
Children's Program
Collections
Digital Resources
References
Public Works
Capital Construction
Landscaping
Streets
Utilities
Collection
Distribution
Electrical Maintenance
Waste Water Treatment
Water Supply
Water Treatment
Community Development
Code Enforcement
Downtown
Engineering
Events
Inspection
Permitting
Planning & Zoning
Parks Department
Athletics
Facility Rental
Mowing
Parks
Senior Citizens

CITY OF SULPHUR SPRINGS, TEXAS

List of Principal Officials
September 30, 2020

Title	Name
Mayor	Norman Sanders
Mayor Pro-Tem	Freddie Taylor
Councilman	Doug Moore
Councilman	Oscar Aguilar
Councilman	Harold Nash
Council Place 1	- Vacant -
Council Place 5	- Vacant -
City Manager	Marc Maxwell
City Secretary	Gale Roberts
City Attorney	Jim McLeroy
Finance Director	Lesa Smith
City Engineer	David Reed
Community Development Director	Tory Niewiadomski
Director of Human Resources	Gordon Frazier
Library Director	Hope Cain
Parks and Recreation Director	Jerry Maynard
Director of Airport and Tourism	Joseph Baker
Police Chief	Jason Ricketson
Fire Chief	David James
Utilities Director	James Jordan
Public Works Director	Russ Nuss
Accounting Specialist	Oscar Aguayo

FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of Sulphur Springs, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sulphur Springs, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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.

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sulphur Springs, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4433 Punjab Way | Suite 102 | Frisco, TX 75033
972-335-9754 *main* | 972-335-9758 *fax*
www.kevanscpas.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Schedule of Changes in Net Pension Liability, Schedule of Changes in Net OPEB Liability and Related Ratios and Schedule of Contributions 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 of Sulphur Springs, Texas' basic financial statements. The combining and individual fund financial statements and schedules and other information such as the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements*, *Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2021 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.

K. Evans & Associates

K. Evans & Associates, CPA's
Frisco, TX
March 5, 2021

Management's Discussion & Analysis

As management of the City of Sulphur Springs, we offer readers of the City of Sulphur Springs' financial statements this narrative overview and analysis of the financial activities of the City of Sulphur Springs for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 – 5 of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets and deferred outflows of resources of the City of Sulphur Springs exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $58,475,339 (net position). Of this amount, $11,612,420, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by $11,819,692. This increase can be attributed to the nearly $9 million value of donated land, increases in ad valorem tax revenue, sales tax revenue, charges for services, and grant revenue, as well as decreases in expenditures related to reduction of personnel and supplies due to the Covid-19 pandemic cancelling and delaying events and projects.
- As of the close of the most recent fiscal year, the City of Sulphur Springs governmental funds reported combined ending fund balances of $8,459,602, an increase of $3,624,474 in comparison with the prior year. The reasons for the increase in fund balances are issuance of almost $3 million in debt for parks capital projects, grant revenue, better than expected sales tax revenue, and police asset forfeiture revenue.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $4,053,529 or 21 percent of total general fund expenditures.
- The City of Sulphur Springs long-term debt decreased by $2,958,117 during the current fiscal year.

Overview of the Financial Statements

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

Government–Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Sulphur Springs' finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Sulphur Springs' assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Sulphur Springs is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sulphur Springs that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities)*. The governmental activities of the City of Sulphur Springs include general government, public safety, highways and streets, culture and recreation. The business-type activities of the City of Sulphur Springs include the water treatment plant and distribution system, wastewater treatment plant and collection system, as well as sanitation collection and disposal.

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

The government-wide financial statements can be found on pages 21 – 23 of this report.

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

Governmental Funds*.* *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as *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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City of Sulphur Springs maintains nine governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, debt service fund, three capital projects funds, and the street maintenance fund, all of which are considered to be major funds. Data from the four other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form at *combining statements* elsewhere in this report.

The City of Sulphur Springs adopts an annual appropriated budget for its general fund and the airport fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 24 – 34 of this report.

Proprietary Funds. The City of Sulphur Springs maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Sulphur Springs uses enterprise funds to account for its Water, Sewer and Sanitation operations. *Internal Services Funds* are an accounting device used to accumulate and allocate costs internally among the City of Sulphur Springs' various functions. The City of Sulphur Springs uses internal services funds to account for its various type of insurance program including its' partially self-funded employee health plan.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Sanitation operations, which is considered to be a major fund of the City of Sulphur Springs.

The basic proprietary fund financial statements can be found on pages 35 – 39 of this report.

Private Purpose Trust Funds. Private Purpose Trust funds are used to account for resources held for the benefit of parties outside the government. Private Purpose Trust funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sulphur Springs own programs. The accounting used for Private Purpose Trust funds is much like that used for proprietary funds.

The basic Private Purpose Trust funds financial statements can be found on pages 40 – 41 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42 – 66 of this report.

Other Information: The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. The individual fund schedule provides a budgetary comparison schedule for the enterprise fund. Combining and individual fund statements and schedules can be found on pages 73 – 77 of this report.

Government – Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sulphur Springs, assets exceed liabilities by $58,475,339 at the close of the most recent fiscal year.

A portion of the City of Sulphur Springs' net position (79 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Sulphur Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sulphur Spring'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 SULPHUR SPRINGS – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current & Other Assets	$ 9,648,910	6,072,994	8,239,813	9,609,152	17,888,723	15,682,146
Capital Assets	43,370,765	34,772,710	43,555,557	43,154,423	86,926,322	77,927,133
Total Assets	53,019,675	40,845,704	51,795,370	52,763,575	104,815,045	93,609,279
Deferred Outflows	586,149	2,109,214	323,694	855,828	909,843	2,965,042
Total Assets & Deferred Outflows	53,605,824	42,954,918	52,119,064	53,619,403	105,724,888	96,574,321
Long-Term Liabilities	16,310,983	17,358,335	24,227,917	26,138,682	40,538,900	43,497,017
Other Liabilities	2,519,454	2,295,051	2,650,790	3,661,415	5,170,244	5,956,466
Total Liabilities	18,830,437	19,653,386	26,878,707	29,800,097	45,709,144	49,453,483
Deferred Inflows	1,147,720	175,981	392,685	60,210	1,540,405	236,191
Total Liabilities & Deferred Inflows	19,978,157	19,829,367	27,271,392	29,860,307	47,249,549	49,689,674
Net Position						
Net Invested in Capital Assets	27,907,035	20,362,057	18,515,436	16,918,587	46,422,471	37,280,644
Restricted	24,407	24,349	416,041	435,333	440,448	459,682
Unrestricted	5,696,225	2,739,145	5,916,195	6,405,176	11,612,420	9,144,321
Total Net Position	$ 33,627,667	23,125,551	24,847,672	23,759,096	58,475,339	46,884,647

An additional portion of the City of Sulphur Springs' net position (1.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* $11,612,420 is available for capital outlay and to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Sulphur Springs is able to report positive balances in all three categories of net position for the government as a whole.

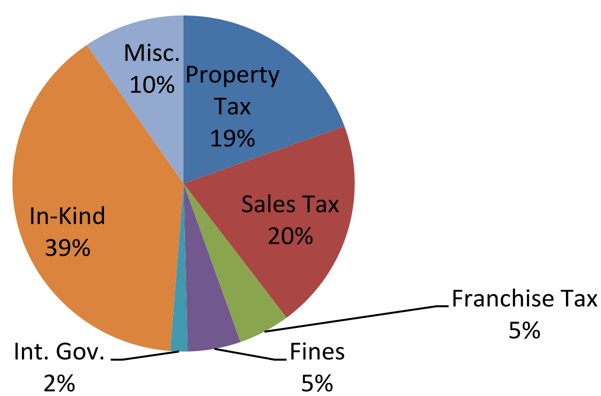
There was an increase of $8,999,189 in net investment in capital assets.

The government's net position increased by $11,819,692 during the current fiscal year. This increase can be attributed to the nearly $9 million value of donated land, increases in ad valorem tax revenue, sales tax revenue, charges for services, and grant revenue, as well as decreases in expenditures related to reduction of personnel and supplies due to the Covid-19 pandemic cancelling and delaying events and projects.

Governmental Activities

Governmental activities (after transfers) increased the City of Sulphur Springs' net position by $10,101,116. This can be attributed to the nearly $9 million value of donated land, as well as increases in grant revenue in the form of Covid-19 relief, and an increase in sales tax revenue due to a resilient local economy. Decreases in expenditures were a result of completed, canceled, or delayed events and projects.

Revenue by Source
Governmental Activities



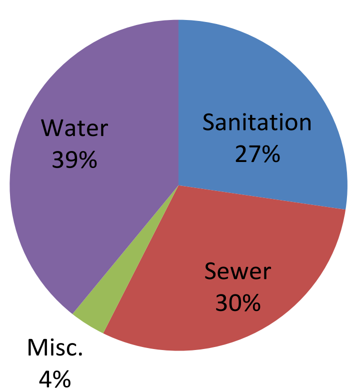
CITY OF SULPHUR SPRINGS – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	$ 1,796,767	1,679,002	13,802,723	13,381,589	15,599,490	15,060,591
Operating Grants & Contributions	927,631	635,730	-	-	927,631	635,730
Capital Grants & Contributions	202,389	203,595	-	-	202,389	203,595
General Revenues:						
Property Taxes	4,360,753	4,133,977	-	-	4,360,753	4,133,977
Other Taxes	5,703,547	5,804,218	-	-	5,703,547	5,804,218
Other	9,214,018	517,924	256,822	384,422	9,470,840	902,346
Total Revenues	22,205,105	12,974,446	14,059,545	13,766,011	36,264,650	26,740,457
Expenses:						
General Government	2,805,622	2,824,243	-	-	2,805,622	2,824,243
Public Safety	6,087,949	6,260,490	-	-	6,087,949	6,260,490
Transportation	2,801,049	2,663,961	-	-	2,801,049	2,663,961
Sanitation	-	-	3,072,841	2,775,028	3,072,841	2,775,028
Culture & Recreation	1,973,761	2,688,333	-	-	1,973,761	2,688,333
Interest on Long-Term Debt	402,106	260,298	-	-	402,106	260,298
Water & Sewer	-	-	7,301,631	7,662,967	7,301,631	7,662,967
Total Expenses	14,070,486	14,697,325	10,374,472	10,437,995	24,444,958	25,135,320
Increase/(Decrease) in Net Position Before Transfers	8,134,619	(1,722,879)	3,685,073	3,328,016	11,819,692	1,605,137
Transfers	1,966,497	1,282,710	(1,966,497)	(1,282,710)	-	-
Increase/(Decrease) in Net Position	10,101,116	(440,169)	1,718,576	2,045,306	11,819,692 -	1,605,137
Net Position - Beginning	23,125,551	23,565,720	23,759,096	21,713,790	46,884,647	45,279,510
Prior Period Adjustment	401,000	-	(630,000)	-	(229,000)	-
Net Position - Ending	$ 33,627,667	23,125,551	24,847,672	23,759,096	58,475,339	46,884,647

<u>Business-Type Activities</u>

Business-Type Activities (after transfers) increased the City of Sulphur Springs' net position by $1,718,576. This can be attributed to increases in charges for services as a result of increased utility consumption and a slight increase in utility service rates. Operating expenses were lower than budgeted due to decreased activity and overtime as a result of scheduling changes to mitigate Covid-19 exposure.

Program Revenue
Business Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Sulphur Springs' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Sulphur Springs' financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the current fiscal year, the City of Sulphur Springs' governmental funds reported combined ending fund balance of $8,459,602, an increase of $3,624,474 from the prior year. The reasons for the increases in fund balance are issuance of almost $3 million in debt for parks capital projects, grant revenue in the form of Covid-19 relief, better than expected sales tax revenue, and police asset forfeiture revenue. Of the current combined ending fund balance, a total of $3,066,139 is restricted for construction, $24,407 is restricted for debt service, $106,708 is classified as nonspendable, $1,208,819 is assigned, and the remaining $4,053,529 is unassigned in the General Fund.

The general fund is the chief operating fund of the City of Sulphur Springs. At the end of the current fiscal year, unassigned fund balance of the general fund was $4,053,529, which increased $560,788 from the prior year. The increase in fund balance can be attributed to increases in ad valorem tax resulting from higher taxable property values, sales tax revenue being higher than anticipated, Covid-19 relief for public safety salaries, and decreases in expenditures due to cancelled or delayed events and projects. Total unassigned fund balance represents 21% of total general fund expenditures.

The airport fund has a total fund balance of $267,683, which increased $59,432 from the prior year. The increase in fund balance is a result of a Covid-19 relief grant and reduced expenditures resulting from decreased activity at the airport.

The debt service fund has a total fund balance of $24,407, all of which is restricted for payment of debt service. The debt service fund had an increase of $58 in fund balance from the prior year.

The Capital Project Funds have a total fund balance of $3,115,917, of which all but $75,417 (nonspendable for inventory) is restricted for construction. The increase in fund balance of $2,692,003 represents proceeds from an almost $3 million debt issuance for park projects, which began during the fiscal year.

Proprietary Funds. The City of Sulphur Springs proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Enterprise Fund at the end of the year amounted to $5,916,195. The total increase in net position of the Enterprise Fund was $1,718,576. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Sulphur Springs' business type activities.

General Fund Budgetary Highlights

During the year, revenues were $8,578,811 more than budgetary estimates and expenditures were $8,117,550 more than budgetary estimates, both of which are a result of the $8,890,090 in donated land. The budget had called for a $526,338 increase in fund balance (prior to transfers, while actual results display an increase in fund balance of $461,261.

Capital Asset & Debt Administration

Capital Assets. The City of Sulphur Springs investment in capital assets for its governmental and business type activities as of September 30, 2020, amounts to $88,999,189 (net of accumulated depreciation). This investment in capital assets includes land and right-of-way, lakes and dams, buildings, systems, improvements, and equipment.

Major capital asset events during the current fiscal year included the following:

- Governmental activity:
  - Donated land valued at $8,890,090.
  - Construction Projects: Street improvements, Crosstown Trail, Grays Building, and Senior Center.
  - AC units (library), airfield lighting, Polaris police vehicle, and law enforcement training simulator.
- Business-Type activity:
  - Replacement of major sections of both the water distribution and sewer collection systems, completion of the Wastewater Treatment Plant, and a Freightliner Flush-Vac.

Additional information on the City of Sulphur Springs' capital assets can be found in the notes to the financial statements on pages 53 – 55 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Sulphur Springs had bonded debt outstanding of $43,030,000. Of this amount, $5,180,000 comprises General Obligation Bonds and $37,850,000 represents Combination Tax and Revenue Bonds.

Additional information on the City of Sulphur Springs' long-term debt can be found in the notes to the financial statements on pages 56 – 59 of this report.

Economic Factors and Next Year's Budgets & Rates

- Sales tax revenue will normally increase by at least the amount of inflation. In 2009, 2010 and in 2011 Sulphur Springs saw a contraction though modest of total sales tax revenue. The last half of FY 2012 and all of FY 2013 (increase of 10.7%) finally brought on a recovery. FY 2014 - FY 2016 continued to grow but more modestly at 3.4%, 4.3% and 5.1% respectively. Sales Tax Revenue regressed to no change in FY 2017. Sales tax increased 10.17% in 2018, 7.17% in 2019, and 4.62% in 2020.
- Typically, the City of Sulphur Springs only budgets for the next year what it receives in Sales Tax Revenue for the preceding year, saving any good news for the next year as well as to better protect against contraction. That will continue to be true going into FY 2021.
- The FY 2021 budget uses $377,845 of general fund balance which is being used for transfers to the Capital Fund, and equipment and vehicle purchases. Property tax rates stay the same at the long-term historical level of 44 cents per hundred. Water rates, Sewer rates, and Sanitation rates remained unchanged from FY 2020. Employees were given a 1.00% raise.

Request for Information

This financial report is designed to provide a general overview of the City of Sulphur Springs' 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 Office of the Finance Director, 125 S. Davis, City of Sulphur Springs, Texas 75482.

BASIC FINANCIAL STATEMENTS

CITY OF SULPHUR SPRINGS
Statement of Net Position
September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Economic Development
ASSETS				
Cash & Cash Equivalents	$ 8,093,899	4,269,697	12,363,596	5,245,908
Investments	-	-	-	-
Restricted Cash & Cash Equivalents	-	2,227,432	2,227,432	-
Receivables (Net of Allowance for Uncollectibles):				
Utility Bills	-	1,192,516	1,192,516	-
Delinquent Property Taxes	160,965	-	160,965	-
Other Taxes	643,182	19,073	662,255	184,284
Other	644,156	435,797	1,079,953	149,363
Notes Receivable	-	-	-	3,024,032
Inventory	95,703	95,298	191,001	-
Prepaid Items	11,005	-	11,005	30,933
Capital Assets Not Being Depreciated				
Land & Right of Way	9,857,180	1,452,760	11,309,940	1,775,575
Lakes	-	401,408	401,408	-
Dams/Spillways/Appurtenances	-	2,629,410	2,629,410	-
Construction in Progress	1,324,057	564,592	1,888,649	281,645
Capital Assets (Net of Accumulated Depreciation):				
Building, Systems & Improvements	13,824,845	37,799,073	51,623,918	16,001,286
Furniture & Equipment	1,312,179	708,314	2,020,493	3,371
Infrastructure	17,052,504	-	17,052,504	-
Total Assets	53,019,675	51,795,370	104,815,045	26,696,397
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflows - TMRS Pension	503,249	172,185	675,434	-
Deferred Outflows - TMRS OPEB	82,900	28,364	111,264	-
Deferred Outflows - Other	-	123,145	123,145	-
Total Deferred Outflow of Resources	586,149	323,694	909,843	-
Total Assets & Deferred Outflows	53,605,824	52,119,064	105,724,888	26,696,397
LIABILITIES				
Accounts Payable	585,593	288,727	874,320	17,464
Deposits	-	555,608	555,608	-
Accrued Interest Payable	52,887	49,299	102,186	-
Noncurrent Liabilities:				
Due Within One Year	1,880,974	1,757,156	3,638,130	1,080,408
Due in More than One Year	13,942,617	23,417,596	37,360,213	8,776,727
Net Pension Liability	1,893,646	647,899	2,541,545	-
Net OPEB Liability	474,720	162,422	637,142	-
Total Liabilities	18,830,437	26,878,707	45,709,144	9,874,599
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - TMRS Pension	1,124,135	384,615	1,508,750	-
Deferred Inflows - TMRS OPEB	23,585	8,070	31,655	-
Deferred Inflows - Other	-	-	-	85,931
Total Deferred Inflows of Resources	1,147,720	392,685	1,540,405	85,931
Total Liabilities & Deferred Inflows	19,978,157	27,271,392	47,249,549	9,960,530
NET POSITION				
Net Invested in Capital Assets	27,907,035	18,515,436	46,422,471	7,718,268
Restricted for:				
Debt Service	24,407	416,041	440,448	-
Economic Development	-	-	-	85,931
Unrestricted	5,696,225	5,916,195	11,612,420	8,931,668
Total Net Position	$ 33,627,667	24,847,672	58,475,339	16,735,867

The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS
Statement of Activities
For the Year Ended September 30, 2020

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 2,805,622	142,131	61,553	-
Public Safety	6,087,949	707,506	754,364	-
Transportation	2,801,049	942,259	-	49,077
Culture & Recreation	1,973,761	4,871	111,714	153,312
Interest & Fiscal Charges	402,106	-	-	-
Total Governmental Activities	14,070,486	1,796,767	927,631	202,389
Business-Type Activities:				
Water & Sewer	7,301,631	9,984,359	-	-
Sanitation	3,072,841	3,818,364	-	-
Total Business-Type Activities	10,374,472	13,802,723	-	-
Total Primary Government	24,444,958	15,599,490	927,631	202,389
Component Unit:				
Economic Development	2,185,191	-	-	-
Total Component Unit	$ 2,185,191	-	-	-

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Miscellaneous Revenue
Transfers
Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning
Prior Period Adjustment

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development
(2,601,938)		(2,601,938)	
(4,626,079)		(4,626,079)	
(1,809,713)		(1,809,713)	
(1,703,864)		(1,703,864)	
(402,106)		(402,106)	
(11,143,699)		(11,143,699)	
	2,682,728	2,682,728	
	745,523	745,523	
	3,428,251	3,428,251	
(11,143,699)	3,428,251	(7,715,448)	
			(2,185,191)
			(2,185,191)
4,360,753	-	4,360,753	-
4,555,815	-	4,555,815	2,297,452
1,107,672	-	1,107,672	-
40,060	-	40,060	-
64,432	99,134	163,566	116,070
9,149,586	157,688	9,307,274	1,595,767
1,966,497	(1,966,497)	-	-
21,244,815	(1,709,675)	19,535,140	4,009,289
10,101,116	1,718,576	11,819,692	1,824,098
23,125,551	23,759,096	46,884,647	14,911,769
401,000	(630,000)	(229,000)	-
33,627,667	24,847,672	58,475,339	16,735,867

The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS
Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Airport Fund	Debt Service Fund
ASSETS			
Cash & Cash Equivalents	$ 3,281,792	164,435	24,407
Investments	-	-	-
Receivables (Net of Allowance for Uncollectibles):			
Delinquent Property Taxes	136,069	-	24,896
Other Taxes	643,182	-	-
Other	489,689	73,824	-
Inventory	-	20,286	-
Prepaid Items	-	11,005	-
Total Assets	4,550,732	269,550	49,303
LIABILITIES			
Liabilities:			
Accounts Payable	349,088	1,867	-
Total Liabilities	349,088	1,867	-
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue Property Taxes	148,115	-	24,896
Total Deferred Inflow of Resources	148,115	-	24,896
FUND BALANCES:			
Nonspendable:			
Inventory	-	20,286	-
Prepaid Items	-	11,005	-
Restricted:			
Debt Service	-	-	24,407
Capital Projects	-	-	-
Assigned:			
Tourism	-	-	-
Police Contingency	-	-	-
Revolving Loan Fund	-	-	-
Airport Contingency	-	236,392	-
Unassigned	4,053,529	-	-
Total Fund Balances	4,053,529	267,683	24,407
Total Liabilities, Deferred Inflows, & Fund Balances	$ 4,550,732	269,550	49,303

The notes to the financial statements are an integral part of this statement.

Capital Project Funds	Street Improvement Fund	Special Revenue Funds	Total Governmental Funds
3,126,406	(15,013)	939,270	7,521,297
-	-	-	-
-	-	-	160,965
-	-	-	643,182
-	40,652	39,991	644,156
75,417	-	-	95,703
-	-	-	11,005
3,201,823	25,639	979,261	9,076,308
85,906	-	6,834	443,695
85,906	-	6,834	443,695
-	-	-	173,011
-	-	-	173,011
75,417	-	-	95,703
-	-	-	11,005
-	-	-	24,407
3,040,500	25,639	-	3,066,139
-	-	245,780	245,780
-	-	599,385	599,385
-	-	127,262	127,262
-	-	-	236,392
-	-	-	4,053,529
3,115,917	25,639	972,427	8,459,602
3,201,823	25,639	979,261	9,076,308

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CITY OF SULPHUR SPRINGS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2020

Total Fund Balances - Governmental Funds	$ 8,459,602
The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consideration is to increase net position.	430,704
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was $55,031,441 and the accumulated depreciation was $(20,258,731). In addition, long-term liabilities, including bonds payable of $(14,009,653), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	20,763,057
Current year capital outlays of $10,628,927 and long-term debt principal payments of $1,485,923 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	12,114,850
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net position.	(52,887)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(2,023,864)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of $(1,893,646), a deferred resource inflow in the amount of $(1,124,135), and a deferred resource outflow in the amount of $503,249. The net effect of the GASB 68 adjustment is to decrease net position.	(2,514,532)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of $(474,720), and a deferred resource inflow in the amount of $(23,585), and a deferred resourнce outflow in the amount of $82,900. The net effect of the GASB 75 adjustment is to decrease net position.	(415,405)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, recognizing the liabilities associated with compensated absences, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the gain or loss on disposal of capital assets. The net effect of these reclassifications is to increase net position.	(3,133,858)
Net Position of Governmental Activities	$ 33,627,667

The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2020

	General Fund	Airport Fund	Debt Service Fund
REVENUES			
Taxes:			
Property	$ 3,703,504	-	675,841
Sales	4,405,088	-	-
Franchise	1,107,672	-	-
Alcoholic Beverage	40,060	-	-
Licenses & Permits	142,131	-	-
Intergovernmental	39,375	49,077	-
Charges for Services	4,871	436,671	-
Fines & Forfeitures	800,920	-	-
Interest	39,524	1,784	3,280
Grants & Contributions	667,883	-	-
In-Kind	8,890,090	-	-
Miscellaneous	205,809	54,937	-
Total Revenues	20,046,927	542,469	679,121
EXPENDITURES			
Current:			
General Government	2,496,083	-	-
Public Safety	5,511,021	-	-
Transportation	656,500	425,409	-
Culture & Recreation	1,225,570	-	-
Capital Outlay	9,170,154	102,628	-
Debt Service:			
Principal	-	-	1,485,923
Interest & Fiscal Charges	-	-	469,334
Total Expenditures	19,059,328	528,037	1,955,257
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	987,599	14,432	(1,276,136)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,684,151	45,000	1,276,194
Transfers Out	(2,110,962)	-	-
Issuance of Debt	-	-	-
Other Financing Source - Bond Premium	-	-	-
Other Financing Uses - Cost of Issuance	-	-	-
Total Other Financing Sources (Uses)	(426,811)	45,000	1,276,194
Net Change in Fund Balances	560,788	59,432	58
Fund Balances - Beginning	3,492,741	208,251	24,349
Fund Balances - Ending	$ 4,053,529	267,683	24,407

The notes to the financial statements are an integral part of this statement.

Capital Project Funds	Street Improvement Fund	Special Revenue Funds	Total Governmental Funds
-	-	38,721	4,418,066
-	-	150,727	4,555,815
-	-	-	1,107,672
-	-	-	40,060
-	-	-	142,131
153,312	-	126,034	367,798
-	505,588	-	947,130
-	-	335,171	1,136,091
8,635	358	5,962	59,543
47,106	-	47,233	762,222
-	-	-	8,890,090
-	-	1,740	262,486
209,053	505,946	705,588	22,689,104
-	-	-	2,496,083
-	-	161,876	5,672,897
692,712	-	-	1,774,621
285,967	-	91,302	1,602,839
555,787	495,861	-	10,324,430
-	-	-	1,485,923
-	-	-	469,334
1,534,466	495,861	253,178	23,826,127
(1,325,413)	10,085	452,410	(1,137,023)
1,536,919	-	130,545	4,672,809
(519,503)	-	(280,847)	(2,911,312)
2,940,000	-	-	2,940,000
156,194	-	-	156,194
(96,194)	-	-	(96,194)
4,017,416	-	(150,302)	4,761,497
2,692,003	10,085	302,108	3,624,474
423,914	15,554	670,319	4,835,128
3,115,917	25,639	972,427	8,459,602

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CITY OF SULPHUR SPRINGS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2020

Total Net Change in Fund Balances - Governmental Funds	$ 3,624,474
The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The net loss of the internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.	(221,686)
Current year capital outlays of $10,628,927 and long-term debt principal payments of $1,485,923, are expenditures and sources in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	12,114,850
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net position.	7,228
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net position.	(2,023,864)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of $339,748. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling $(340,664). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by $(360,015). The net effect of the GASB 68 adjustment is to decrease net position.	(360,931)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of $10,872. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling $(10,901). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by $(34,605). The net effect of the GASB 75 adjustment is to decrease net position.	(34,634)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue, recognizing the liabilities associated with compensated absences and changes in unfunded pension obligation. The net effect of these reclassifications is to decrease net position.	(3,004,321)
Change in Net Position of Governmental Activities	$ 10,101,116

The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2020

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Taxes:			
Property	$ 3,651,421	3,703,504	52,083
Sales	4,300,000	4,405,088	105,088
Franchise	1,095,000	1,107,672	12,672
Alcoholic Beverages	45,000	40,060	(4,940)
License & Permits	153,450	142,131	(11,319)
Intergovernmental	29,500	39,375	9,875
Charges for Services	2,500	4,871	2,371
Fines & Forfeitures	881,800	800,920	(80,880)
Interest	80,000	39,524	(40,476)
Grants & Contributions	890,945	667,883	(223,062)
In-Kind	-	8,890,090	8,890,090
Miscellaneous	338,500	205,809	(132,691)
Total Revenues	11,468,116	20,046,927	8,578,811
EXPENDITURES			
General Government			
Administration	669,708	763,251	(93,543)
Finance & Tax	353,475	327,492	25,983
Municipal Court	539,542	495,660	43,882
Community Development	613,039	599,084	13,955
Maintenance - Purchasing	342,823	310,596	32,227
Department Capital	46,000	56,311	(10,311)
Contingency	480,000	-	480,000
Total General Government	3,044,587	2,552,394	492,193
Public Safety:			
Police	3,493,671	3,351,332	142,339
Fire	2,181,841	2,159,689	22,152
Department Capital	68,998	31,758	37,240
Total Public Safety	5,744,510	5,542,779	201,731
Transportation:			
Street	623,283	656,500	(33,217)
Department Capital	68,997	25,108	43,889
Total Transportation	692,280	681,608	10,672
Culture & Recreation:			
Library	334,909	301,181	33,728
Parks & Recreation	670,336	642,837	27,499
Downtown	377,356	281,552	95,804
Department Capital	77,800	9,056,977	(8,979,177)
Total Culture & Recreation	1,460,401	10,282,547	(8,822,146)
Total Expenditures	10,941,778	19,059,328	(8,117,550)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	$ 526,338	987,599	461,261

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2020
continued

	Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfer In	$ 1,684,151	1,684,151	-
Transfer Out	(2,110,962)	(2,110,962)	-
Total Other Financing Sources/(Uses)	(426,811)	(426,811)	-
Net Change in Fund Balances	99,527	560,788	461,261
Fund Balances - Beginning	3,492,741	3,492,741	-
Fund Balances - Ending	$ 3,592,268	4,053,529	461,261

The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Airport Fund

For the Fiscal Year Ended September 30, 2020

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
REVENUES			
Intergovernmental	$ 50,000	49,077	(923)
Charges for Services	530,005	436,671	(93,334)
Interest	2,258	1,784	(474)
Miscellaneous	3,810	54,937	51,127
Total Revenues	586,073	542,469	(43,604)
EXPENDITURES			
Transportation	519,499	425,409	94,090
Capital Outlay	100,000	102,628	(2,628)
Total Expenditures	619,499	528,037	91,462
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(33,426)	14,432	47,858
OTHER FINANCING SOURCES (USES)			
Transfer in	45,000	45,000	-
Transfer Out	-	-	-
Total Other Financing Sources/(Uses)	45,000	45,000	-
Net Change in Fund Balances	11,574	59,432	47,858
Fund Balances - Beginning	208,251	208,251	-
Fund Balances - Ending	$ 219,825	267,683	47,858

The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS
Statement of Net Position
Proprietary Fund
September 30, 2020

	Business-Type Activities: Enterprise Fund Current Year	Business-Type Activities: Enterprise Fund Prior Year	Governmental Activities: Internal Service Fund
ASSETS			
Current Assets:			
Cash & Cash Equivalents	$ 4,269,697	5,785,831	572,602
Investments	-	-	-
Restricted Cash & Cash Equivalents	2,227,432	2,567,904	-
Receivables (Net of Allowance of Uncollectibles)			
Utility Bills	1,192,516	844,259	-
Sales Taxes	19,073	14,455	-
Other	435,797	221,327	-
Inventory	95,298	147,014	-
Prepaid Items	-	28,362	-
Total Current Assets	8,239,813	9,609,152	572,602
Noncurrent Assets:			
Capital Assets:			
Land & Right-of-Way	1,452,760	1,452,760	-
Lakes	401,408	401,408	-
Dams/Spillways/Appurtenances	2,629,410	2,629,410	-
Buildings & Systems	64,602,188	42,107,133	-
Equipment	3,066,383	3,175,344	-
Construction in Progress	564,592	21,247,328	
Less: Accumulated Depreciation	(29,161,184)	(27,858,960)	-
Total Capital Assets (Net of Accumulated Depreciation)	43,555,557	43,154,423	-
Total Noncurrent Assets	43,555,557	43,154,423	-
Total Assets	51,795,370	52,763,575	572,602
Deferred Outflow of Resources:			
Deferred Outflows - TMRS Pension	172,185	711,411	-
Deferred Outflows - TMRS OPEB	28,364	10,244	-
Deferred Outflows - Other	123,145	134,173	-
Total Deferred Outflow of Resources	323,694	855,828	-
Total Assets & Deferred Outflows	$ 52,119,064	53,619,403	572,602

CITY OF SULPHUR SPRINGS
Statement of Net Position
Proprietary Fund
September 30, 2020
continued

	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 288,727	1,322,077	141,898
Deposits	555,608	529,693	-
Accrued Interest	49,299	49,299	-
Compensated Absences Payable	134,631	134,631	-
Current Portion of Revenue Certificates of Obligation Payable	1,077,525	1,065,715	-
Current Portion of General Obligation Enterprise Bonds Payable	545,000	560,000	-
Total Current Liabilities	2,650,790	3,661,415	141,898
Noncurrent Liabilities:			
Revenue Certificates of Obligation Payable	22,037,596	23,115,121	-
General Obligation Bonds Payable	1,380,000	1,495,000	-
Net Pension Liability	647,899	1,395,824	-
Net OPEB Liability	162,422	132,737	-
Total Noncurrent Liabilities	24,227,917	26,138,682	-
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - TMRS Pension	384,615	52,426	-
Deferred Inflows - TMRS OPEB	8,070	7,784	-
Deferred Inflows - Other	-	-	-
Total Deferred Inflows of Resources	392,685	60,210	-
Total Liabilities & Deferred Inflows	27,271,392	29,860,307	141,898
NET POSITION			
Net Invested in Capital Assets	18,515,436	16,918,587	-
Restricted for:			
Revenue Bond Current Debt Service	416,041	435,333	-
Unrestricted	5,916,195	6,405,176	430,704
Total Net Position	$ 24,847,672	23,759,096	430,704

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended September 30, 2020

	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
OPERATING REVENUES			
Charges for Sales & Services	$ -	-	1,312,560
Water Sales	5,395,662	5,015,176	-
Sewer Charges	4,189,812	4,219,882	-
Sanitation Charges	3,818,364	3,448,700	-
Service Charges	70,870	131,041	-
Water & Sewer Connections	74,806	76,475	-
Intergovernmental	253,209	490,315	-
Miscellaneous Revenues	157,688	143,943	8,218
Total Operating Revenues	13,960,411	13,525,532	1,320,778
OPERATING EXPENSES			
Cost of Sales & Services	-	-	1,664,955
Administration	-	-	84,408
Personnel Services	2,595,726	2,853,048	-
Supplies	1,154,325	1,193,856	-
Contractual Services	4,582,036	4,542,374	-
Depreciation	1,568,010	1,334,998	-
Total Operating Expenses	9,900,097	9,924,276	1,749,363
Operating Income (Loss)	4,060,314	3,601,256	(428,585)
NONOPERATING REVENUES/(EXPENSES)			
Interest Revenue	99,134	238,969	4,889
Interest Expense & Fiscal Charges	(474,375)	(513,719)	-
Insurance Proceeds	-	-	65,074
Insurance Claim Expenses	-	-	(68,064)
Total Nonoperating Revenues (Expenses)	(375,241)	(274,750)	1,899
Net Income/(Loss) Before Transfers	3,685,073	3,326,506	(426,686)
Transfers In	-	648,117	205,000
Transfers Out	(1,966,497)	(1,930,827)	-
Bonded Debt Proceeds	-	1,510	-
Change in Net Position	1,718,576	2,045,306	(221,686)
Net Position - Beginning	23,759,096	21,713,790	652,390
Prior Period Adjustment	(630,000)	-	-
Net Position - Ending	$ 24,847,672	23,759,096	430,704

The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS
Statement of Cash Flows
Proprietary Fund
For the Fiscsal Year Ended September 30, 2020

	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
Cash Flows from Operating Activities:			
Cash Received from Customers & Users	$ 13,418,981	13,563,242	1,320,778
Cash Payments to Suppliers for Goods & Services	(6,689,633)	(5,673,204)	(1,713,504)
Cash Payments to Employees for Services	(2,449,357)	(2,575,523)	-
Net Cash Provided/(Used) by Operating Activities	4,279,991	5,314,515	(392,726)
Cash Flows from Noncapital Financing Activities:			
Transfers to Other Funds	(1,966,497)	(1,930,827)	-
Transfers from Other Funds	-	648,117	205,000
Insurance Proceeds, Net	-	-	(2,990)
Net Cash Provided/(Used) by Noncapital Financing Activities	(1,966,497)	(1,282,710)	202,010
Cash Flows from Capital & Related Financing Activities:			
Acquisition & Construction of Capital Assets	(1,960,967)	(5,155,706)	-
Gain on Disposal of Assets	2,851	-	-
Principal Paid on Bonds	(1,825,715)	(2,494,770)	-
Interest Paid on Debt	(474,375)	(512,209)	-
Net Cash Provided/(Used) by Capital & Related Financing Activities	(4,258,206)	(8,162,685)	-
Cash Flows from Investing Activities:			
Proceeds from Sale of Investments	(11,028)	2,229,754	-
Interest on Deposits & Investments	99,134	238,969	4,889
Net Cash Provided/(Used) by Investing Activities	88,106	2,468,723	4,889
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,856,606)	(1,662,157)	(185,827)
Cash & Cash Equivalents - Beginning	8,353,735	10,015,892	758,429
Cash & Cash Equivalents - Ending	$ 6,497,129	8,353,735	572,602

CITY OF SULPHUR SPRINGS
Statement of Cash Flows
Proprietary Fund
For the Fiscsal Year Ended September 30, 2020
continued

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	Business-Type Activities Enterprise Fund Current Year	Business-Type Activities Enterprise Fund Prior Year	Governmental Activities Internal Service Fund
Operating Income/(Loss)	$ 4,060,314	3,601,256	(428,585)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities			
Depreciation Expense	1,568,010	1,334,998	-
(Increase)/Decrease in Accounts Receivable	(348,257)	67,230	-
(Increase)/Decrease in Sales Tax Receivable	(4,618)	(591)	-
(Increase)/Decrease in Other Receivables	(214,470)	(56,501)	-
(Increase)/Decrease in Inventory	51,716	37,005	-
(Increase)/Decrease in Prepaid Expenses	28,362	(28,362)	-
(Increase)/Decrease in Deferred Outflows	532,134	(523,266)	-
Increase/(Decrease) in Accounts Payable	(1,033,350)	54,383	35,859
Increase/(Decrease) in Customer Deposits	25,915	27,572	-
Increase/(Decrease) in Compensated Absences	-	9,404	-
Increase/(Decrease) in Net Pension Liability	(747,925)	1,066,405	-
Increase/(Decrease) in Net OPEB Liability	29,685	(1,330)	-
Increase/(Decrease) in Deferred Inflows	332,475	(273,688)	-
Total Adjustments	219,677	1,713,259	35,859
Net Cash Provided/(Used) by Operating Activities	$ 4,279,991	5,314,515	(392,726)

The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS
Statement of Fiduciary Net Position
Private Purpose Trust Funds
September 30, 2020

ASSETS	
Cash & Cash Equivalents	$ 44,473
Total Assets	44,473
LIABILITIES	
Accounts Payable	15,031
Total Liabilities	15,031
NET POSITION	
Net Position Restricted for Pensions	$ 29,442

The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS
Statement of Changes in Fiducirary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended September 30, 2020

ADDITIONS	
Contributions	$ 216,857
Interest Income	74
Total Additions	216,931
DEDUCTIONS	
General Government	198,455
Total Deductions	198,455
Change in Net Position	18,476
Net Position, Beginning	10,966
Net Position, Ending	$ 29,442

The notes to the financial statements are an integral part of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sulphur Springs, Texas, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The government is a municipal corporation governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Each discretely presented component unit has a September 30 year end.

Discretely Presented Component Unit. The Sulphur Springs Hopkins County Economic Development Corporation (EDC) serves all citizens of the government and is governed by a board appointed by the government's elected council. The government can impose its will on the EDC and affect the day-to-day operations of the EDC by removing appointed board members at will. The scope of public service of the EDC benefits the government and its citizens and is operated primarily within the geographic boundaries of the government. The EDC is presented as a governmental fund type.

Complete financial statements for the individual component unit may be obtained at the entity's administration offices.

Sulphur Springs Hopkins County
Economic Development Corporation
1200 Enterprise Lane
Sulphur Springs, Texas 75482

Government – Wide & Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus, Basis of Accounting & Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The *special revenue fund* accounts for revenues that are legally restricted for particular purposes, such as airport, tax increment financing, and tourism. The government's major special revenue fund is used to account for activity related to the City airport. The airports major revenue sources are fuel sales and hangar rentals.

- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

- The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The government reports the following proprietary funds:

- The *enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.

- The *internal service fund* accounts for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The government's internal service fund is for self-insurance.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus, Basis of Accounting & Financial Statement Presentation *(continued)*

Additionally, the government reports the following private purpose trust funds:

- The *volunteer firemen pension fund* is used to account for dues and contributions that are received pursuant to a trust agreement that restricts the use of those dues and contributions to providing payments to volunteer firemen. This was a volunteer single-employer defined contribution plan for volunteer fire fighters before the City established a fire department. No contributions are being made into the plan and once assets are depleted the plan will be closed.

- The *deferred compensation plan fund* is used to account for employee contributions and employers match to an employee supplemental retirement plan. This is a volunteer single-employer define contribution plan established under section 457(b) of the Internal Revenue Code. The 457 plan is a 67% match with the maximum city participation at $335 per month. Total City contributions were $197,229.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits & Investments

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments.

Short – Term Inter-Fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables." There were no inter-fund balances as of September 30, 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories & Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. When the government incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings	30-40
Building Improvements	20-30
Street Infrastructure	10-30
System Infrastructure	15-25
Equipment	5-10
Vehicles	5-7

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long – Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2020.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Manager to which the City Council delegates this authority. This delegation of authority was granted by ordinance.

- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of unassigned funds, then assigned funds, and finally committed funds, as needed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Equity *(continued)*

As of September 30, 2020, fund balances are composed of the following:

	General Fund	Airport Fund	Debt Service Fund	Capital Projects Funds	Street Improvement Fund	Special Revenue Funds	Total Governmental Funds
Nonspendable:							
Inventory	$ -	20,286	-	75,417	-	-	95,703
Prepaid Items	-	11,005	-	-	-	-	11,005
Restricted:							
Debt Service	-	-	24,407	-	-	-	24,407
Capital Projects	-	-	-	3,040,500	25,639	-	3,066,139
Assigned:							
Tourism	-	-	-	-	-	245,780	245,780
Police Contingency	-	-	-	-	-	599,385	599,385
Revolving Loan Fund	-	-	-	-	-	127,262	127,262
Airport	-	236,392	-	-	-	-	236,392
Unassigned	4,053,529	-	-	-	-	-	4,053,529
Total Fund Balances	$ 4,053,529	267,683	24,407	3,115,917	25,639	972,427	8,459,602

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

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.

RECONCILIATION OF GOVERNMENT–WIDE & FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet & the Government – Wide Statement of Net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this ($3,133,858) adjustment are as follows:

Long-Term Debt:	
Issuance of Bonds Payable	$ (2,940,000)
Compensated Absences Payable	(359,861)
Deferred Revenue:	
To Remove the Uncollected Tax Levy from Deferred Revenue	173,011
Capital Assets	
Disposal of Capital Assets	(7,008)
Net Adjustment to Decrease Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	$ (3,133,858)

RECONCILIATION OF GOVERNMENT–WIDE & FUND FINANCIAL STATEMENTS *(continued)*

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances & the Government – Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a 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 "various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this ($3,004,321) adjustment are as follows:

Long-Term Debt:	
Issuance of Bonds	$ (2,940,000)
Taxes:	
To Move the Uncollected Tax Levy to Revenue	173,011
To Remove the Prior Year Tax Collections from Current Year Revenue	(230,324)
	(57,313)
Capital Assets:	
Disposal of Capital Assets	(7,008)
Net Adjustment to Decrease Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	$ (3,004,321)

STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund, special revenue fund (airport fund), and water and sewer fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds. Annual budgets are not adopted for non-major special revenue funds or the debt service fund.

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

1. Prior to September 1, the City Manager and staff meet with the City Council in a series of workshops to work on the budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. On the first Tuesday in September, the City Manager officially presents the budget to the City Council for consideration. A second Council meeting and second reading of the budget ordinance is scheduled before October 1 to finalize the adoption of the new budget.

4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY *(continued)*

Budgetary Information *(continued)*

5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund and Special Revenue Fund. No supplemental appropriations were made during the fiscal year for the General Fund or Special Revenue Fund.

6. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from accounting principles generally accepted in the United States of America by not including depreciation in the approved budget. These amounts are reported at year end as part of the "actual" column. No supplemental appropriations were made during the fiscal year.

7. The Debt Service and Capital Project Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The non-major governmental funds are not budgeted.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbered amounts lapse at year end. At year end, encumbrances are canceled or re-appropriated as part of the following year budget.

Budget/GAAP Reconciliation

The following schedule reconciles the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual to the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund:

	Water & Sewer Fund
Net Position (Budget)	$ 26,415,682
Depreciation	(1,568,010)
Net Position (GAAP)	$ 24,847,672

DEPOSITS & INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were insured up to $250,000 or collateralized as required by State statutes at September 30, 2020. At year-end, the carrying amount of the City's demand deposits was a balance of $587,015 – bank balance, $1,081,217. The cash on hand carrying amount totaled $2,390. The bank balance and certificates of deposits for the primary government were covered by FDIC insurance and collateral held in the City's name by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the EDC, a discretely presented component unit, was $5,245,908 and the bank balance was $5,083,448. Of the bank balance, $500,000 was covered by federal depository insurance and $2,205,382 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name. The remaining $2,378,066 was uninsured at September 30, 2020.

<u>DEPOSITS & INVESTMENTS</u> *(continued)*

Investments – State statutes, city policies, and city resolutions authorize the City's investments. The Director of Financial Services and the Assistant Director of Financial Services are authorized by the City Council to invest all available funds consistent with the investment policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies, counties, cities, and other political subdivisions of any State having an investment rating of not less than "A" or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools organized and operating in compliance with the Inter-local Cooperation Act.

In compliance with the Public Funds Investment Act, the government has adopted a deposit and investment policy. That policy addresses the following risks:

<u>Credit Risk</u> is the risk that a security issuer may default on an interest or principal payment. It is the government's policy to limit its investments to those investments rated at least AAAm. The credit quality rating for TexPool at year end was AAAm by Standard & Poor's.

<u>Custodial Credit Risk</u> is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the government's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The government's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the government. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. The government's policy manages custodial credit risk by requiring securities purchased by a broker-dealer for the government to be held in a Safekeeping account in the government's name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis.

<u>Concentration of Credit Risk</u> is the risk of loss attributed to the magnitude of the government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the government's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The government is not exposed to concentration of credit risk.

<u>Interest Rate Risk</u> is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the government's investment in external investment pools is less than 60 days.

<u>Foreign Currency Risk</u> is the potential for loss due to fluctuations in exchange rates. The government's policy does not allow for any direct foreign investments, and therefore the government is not exposed to foreign currency risk.

DEPOSITS & INVESTMENTS *(continued)*

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs-other than quoted prices included within Level 1-that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The City has recurring fair value measurements as presented in the table below. Investment balances of such investments are as follows:

		Fair Value Measurements using		
Primary Government	September 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & Cash Equivalents:				
Bank Deposits	$ 589,405	-	-	-
Certificates of Deposit	500,000			
Total Cash & Cash Equivalents	1,089,405	-	-	-
Investments measured at Amortized Costs:				
Texpool	13,546,096	-	-	-
Total Investments	13,546,096	-	-	-
Total Cash & Investments	$ 14,635,501	-	-	-

Investment Pools are measured at amortized costs and are exempt from fair value reporting.

U.S. Treasury Notes 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.

DEPOSITS & INVESTMENTS *(continued)*

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 organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonable 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.

RECEIVABLES

Receivables at September 30, 2020 consist of the following:

	General	Airport	Debt Service	Street Improvement	Special Revenue Funds	Enterprise	Total
Receivables:							
Utility Bills	$ -	-	-	-	-	1,192,516	1,192,516
Delinquent Taxes	148,115	-	24,896	-	-	-	173,011
Sales Taxes	361,951	-	-	-	-	19,073	381,024
Alcoholic Beverage Taxes	7,894	-	-	-	-	-	7,894
Franchise Taxes	273,337	-	-	-	-	-	273,337
Grants	489,689	-	-	-	-	-	489,689
Other	-	73,824	-	40,652	39,991	435,797	590,264
Gross Receivables	1,280,986	73,824	24,896	40,652	39,991	1,647,386	3,107,735
Less: Allowance for Uncollectibles	(12,046)	-	-	-	-	-	(12,046)
Net Total Receivables	$ 1,268,940	73,824	24,896	40,652	39,991	1,647,386	3,095,689

Taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 up to the date collected by the government at the rate of 1% per month. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes applicable to personal property may be deemed uncollectible by the government. The government's current policy is to write-off uncollectible personal property taxes after four years.

At September 30, 2020, the EDC had sales taxes receivable of $184,284. No allowance for uncollectibles has been made.

Notes Receivable – Economic Development Corporation

On May 16, 2008, the Corporation sold certain real property and improvements for $700,000 and financed the purchase. The loan is collateralized by the real property and improvements. The $700,000 note is to be repaid in monthly payments of $8,000 each beginning August 28, 2013 and continuing until November 28, 2020 with one final payment of $4,000. The note was considered paid in full as of September 30, 2020.

RECEIVABLES - Notes Receivable – Economic Development Corporation *(continued)*

On November 17, 2016, the Corporation sold certain real property (technology center) for $1,248,694 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in interest free annual payments of $249,739 beginning December 26, 2016 and continuing until December 25, 2020.

On December 7, 2016, the Corporation sold certain real property (a lot at the municipal airport) for $280,000 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in interest free annual payments beginning December 30, 2016 and continuing until December 30, 2027.

On November 1, 2017, the Corporation sold certain real property to Plant Process Fabricators for $3,000,000 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in monthly payments of $25,000, including 4.0% interest, beginning December 1, 2017 and continuing until October 1, 2030.

The Corporation has made loans to small and emerging enterprises in the local areas. The loans are being repaid in monthly installments, including interest compute at two percent, and are secured by specific equipment.

The following summarizes changes in the EDC notes receivable for the fiscal year.

Beginning Balance	Additions	Retirements	Ending Balance
$ 3,538,406	25,000	(539,374)	$ 3,024,032

CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	943,938	8,913,242	-	9,857,180
Construction in Progress	1,157,587	1,131,764	(965,294)	1,324,057
Total Capital Assets Not Being Depreciated	2,101,525	10,045,006	(965,294)	11,181,237
Capital Assets Being Depreciated:				
Buildings & Improvements	20,998,501	987,674	-	21,986,175
Furniture & Equipment	5,537,580	96,030	(108,098)	5,525,512
Infrastructure	26,393,835	465,511	-	26,859,346
Total Capital Assets Being Depreciated	52,929,916	1,549,215	(108,098)	54,371,033
Less Accumulated Depreciation for:				
Buildings & Improvements	(7,496,111)	(665,219)	-	(8,161,330)
Furniture & Equipment	(3,938,454)	(375,969)	101,090	(4,213,333)
Infrastructure	(8,824,166)	(982,676)	-	(9,806,842)
Total Accumulated Depreciation	(20,258,731)	(2,023,864)	101,090	(22,181,505)
Total Capital Assets Being Depreciated, Net	32,671,185	(474,649)	(7,008)	32,189,528
Governmental Activities Net Investment in Capital Assets	$34,772,710	9,570,357	(972,302)	43,370,765

CAPITAL ASSETS *(continued)*

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 1,452,760	-	-	1,452,760
Lakes	401,408	-	-	401,408
Dam/Spillway	2,629,410	-	-	2,629,410
Construction in Progress	21,247,328	1,806,689	(22,489,425)	564,592
Total Capital Assets Not Being Depreciated	25,730,906	1,806,689	(22,489,425)	5,048,170
Capital Assets Being Depreciated:				
Buildings & Plant	42,107,133	22,495,055	-	64,602,188
Equipment	3,175,344	148,648	(257,609)	3,066,383
Total Capital Assets Being Depreciated	45,282,477	22,643,703	(257,609)	67,668,571
Less Accumulated Depreciation for:				
Buildings & Plant	(25,434,366)	(1,368,749)	-	(26,803,115)
Equipment	(2,424,594)	(188,233)	254,758	(2,358,069)
Total Accumulated Depreciation	(27,858,960)	(1,556,982)	254,758	(29,161,184)
Total Capital Assets Being Depreciated, Net	17,423,517	21,086,721	(2,851)	38,507,387
Business-Type Activities Net Investment in Capital Assets	$43,154,423	22,893,410	(22,492,276)	43,555,557

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

Governmental Activities:	
General Government	$ 167,038
Public Safety	213,427
Transportation	1,410,992
Culture & Recreation	232,407
Total Depreciation Expense - Governmental Activities	$ 2,023,864
Business-Type Activities: Water & Sewer	$ 1,556,982
Total Depreciation Expense - Business-Type Activities	$ 1,556,982

CAPITAL ASSETS *(continued)*

Capital asset activity for the EDC for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Component Unit:				
Capital Assets Not Being Depreciated:				
Land	$ 1,775,575	-	-	1,775,575
Constrution in Progress	250	3,212,145	(2,930,750)	281,645
Total Capital Assets Not Being Depreciated	1,775,825	3,212,145	(2,930,750)	2,057,220
Capital Assets Being Depreciated:				
Land Improvements	215,610	-	-	215,610
Buildings	17,392,199	2,930,750	(2,930,750)	17,392,199
Office Equipment	37,588	-	-	37,588
Total Capital Assets Being Depreciated	17,645,397	2,930,750	(2,930,750)	17,645,397
Less Accumulated Depreciation for:				
Land Improvements	-	(10,781)	-	(10,781)
Buildings	(1,160,938)	(434,804)	-	(1,595,742)
Office Equipment	(32,152)	(2,065)	-	(34,217)
Total Accumulated Depreciation	(1,193,090)	(447,650)	-	(1,640,740)
Total Capital Assets Being Depreciated, Net	16,452,307	2,483,100	(2,930,750)	16,004,657
Component Unit Net Investment in Capital Assets	$18,228,132	5,695,245	(5,861,500)	18,061,877

INTER-FUND TRANSFERS

Inter-fund transfer activity for the year ended September 30, 2020, was as follows:

	Transfers Out: General Fund	Capital Projects	Tax Increment Financing	Tourism	Water & Sewer Fund	Total
Transfers In:						
General Fund	$ -	-	-	50,000	1,634,151	1,684,151
Airport Fund	20,000	15,000	-	-	10,000	45,000
Debt Service Fund	358,917	504,503	230,847	-	181,927	1,276,194
Capital Projects	1,500,992	-	-	-	35,927	1,536,919
Tax Incremental Financing	130,545	-	-	-	-	130,545
Internal Services Fund	100,508	-	-	-	104,492	205,000
Total	$2,110,962	519,503	230,847	50,000	1,966,497	4,877,809

Purpose of Transfers

Each transfer represents a specific budgetary policy decision by the City Council. Starting with Fiscal Year 2005, the City Council assessed the three city utilities, Water, Sewer and Sanitation, all part of the Enterprise Fund, a franchise fee of 4% which is similar to franchise fees assessed on the other utilities such as electric, gas and communications. Thus, the Enterprise Fund sent the General Fund $1,634,151, which includes its percentage of Administration, Finance, Planning, and Engineering. The General Fund transferred $1,500,992 to the Capital Fund to pay for street and drainage projects. The Airport Fund received $20,000 from the General Fund, $15,000 from the Capital Fund, and $10,000 from the Enterprise Fund to assist with operations as well as match grants for capital work. The transfers from the General, Capital, Tax Increment Financing, and Enterprise Funds to the Debt Service Fund made specific debt service payments. The General Fund and Enterprise Fund transferred $100,508 and $104,492 respectively to the Internal Services Fund to pay for Property and Liability Insurance.

LEASES

On August 12, 2015, the City entered into a 60-month lease agreement with De Lage Landen for a copy machine. Payments are due monthly at a rate of $188.

On November 12, 2015, the City entered into a 60-month lease agreement with Pitney Bowes for a postage machine. Payments are due quarterly at a rate of $1,473.

On February 14, 2017, the City entered into a 60-month lease agreement with De Lage Landen for a copy machine. Payments are due monthly at a rate of $269.

On August 15, 2018, the City entered into a 60-month lease agreement with Canon for a cassette feeding unit. Payments are due monthly at a rate of $53.

On August 28, 2019, the City entered into two 48-month lease agreements with Enterprise for vehicles. The first leased vehicle is a 2019 Ford F-150. Payments are due monthly at a rate of $486. The second leased vehicle is a 2019 Nissan Frontier. Payments are due monthly at a rate of $363.

During the fiscal year ended September 30, 2020, the City entered into twenty-four 48-month lease agreements with Enterprise for vehicles. The lease term and monthly summary are as follows:

Lease Term		Monthly
11/01/19 - 11/01/23	One Vehicle	$ 328
12/01/19 - 12/01/23	Four Vehicles	1,622
01/01/20 - 01/01/24	Twelve Vehicles	5,732
02/01/20 - 02/01/24	Two Vehicles	1,189
03/01/20 - 03/01/24	One Vehicle	607
04/01/20 - 04/01/24	Two Vehicles	1,105
05/01/20 - 05/01/24	Four Vehicles	2,399
		$ 12,982

Future minimum lease payments for the fiscal years ending September 30 are as follows:

2021	$ 170,576
2022	168,764
2023	164,861
2024	51,984
	$ 556,185

LONG-TERM DEBT

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both governmental and business-type activities. The government also issues revenue bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

Long-term liability activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	$ 13,780,653	2,940,000	(1,464,923)	15,255,730	1,498,113
Note Payable	229,000	-	(21,000)	208,000	23,000
	14,009,653	2,940,000	(1,485,923)	15,463,730	1,521,113
Compensated Absences	359,861	359,861	(359,861)	359,861	359,861
Totals	$ 14,369,514	3,299,861	(1,845,784)	15,823,591	1,880,974

LONG-TERM DEBT *(continued)*

The bonds will be repaid by the debt service fund, while the note will be repaid by the general fund. Compensated absences will be liquidated by the general fund.

Bonds payable at September 30, 2020 are comprised of the following issues for the debt service fund:

Combination Tax and Revenue Certificates of Obligation A bond issue of $7,440,000 dated July 1, 2012 maturing serially September 1, 2013 to September 1, 2042. Interest rates range from 1.25% to 3.75%, payable March 1 and September 1 to September 1, 2042.	$ 4,915,000
Combination Tax & Limited Surplus Revenue Certificates of Obligation A bond issue of $5,350,000 (93.37% Debt Service Fund portion) dated December 4, 2014 maturing serially July 1, 2016 to July 1, 2035. Interest rates range from 1.5% to 3.5%, payable January 1 and July 1 to July 1, 2035.	3,340,000
Combination Tax & Limited Surplus Revenue Certificates of Obligation A bond issue of $5,230,000 (20.92% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1,	650,730
General Obligation Refunding Bonds A bond issue of $3,505,000 dated June 6, 2019 maturing serially September 1, 2020 to September 1, 2039. Interest rates range from 3.00% to 4.00%, payable March 1 and September 1 to September 1, 2039.	3,255,000
Limited Tax Note A tax note issue of $445,000 dated June 6, 2019 maturing serially September 1, 2020 to September 1, 2022. Interest rates range from 1.85% to 1.91%, payable September 1 to September 1, 2022.	300,000
Combination Tax and Revenue Certificates of Obligation A bond issue of $7,440,000 dated July 1, 2012 maturing serially September 1, 2013 to September 1, 2042. Interest rates range from 1.25% to 3.75%, payable March 1 and September 1 to September 1, 2042.	2,795,000
Combined Debt	$15,255,730

The annual requirements to amortize the long-term debt outstanding for the governmental funds as of September 30, 2020 are as follows:

Year Ending	Principal	Interest	Total
2021	1,521,113	457,171	1,978,284
2022	1,564,493	419,125	1,983,618
2023	1,157,872	379,993	1,537,865
2024	1,196,252	348,659	1,544,911
2025	1,054,000	316,763	1,370,763
2025-2030	3,765,000	1,170,138	4,935,138
2031-2035	2,575,000	693,288	3,268,288
2036-2040	2,285,000	271,000	2,556,000
2041-2042	345,000	4,095,135	4,440,135
Totals	$15,463,730	8,151,269	23,614,999

LONG-TERM DEBT *(continued)*

During the year ended September 30, 2020, the following changes occurred in liabilities reported in the Water and Sewer Fund.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable	$26,584,347	-	(1,810,077)	24,774,270	1,606,887
Compensated Absences	134,631	134,631	(134,631)	134,631	134,631
	26,718,978	134,631	(1,944,708)	24,908,901	1,741,518
Bond Premium	281,489	-	(15,638)	265,851	15,638
	$27,000,467	134,631	(1,960,346)	25,174,752	1,757,156

Bonds payable at September 30, 2020 are comprised of the following issues for the Water and Sewer fund:

Combination Tax & Revenue Certificates of Obligation A bond issue of $4,800,000 dated September 1, 2011 maturing serially September 1, 2013 to September 1, 2032. Interest rates range from 2.00% to 3.50%, payable March 1 and September 1 to September 1, 2032.	$ 2,970,000
General Obligation Refunding Bonds A bond issue of $1,755,000 dated August 1, 2012 maturing serially September 1, 2013 to September 1, 2022. Interest rates range from 2.00% to 2.20%, payable March 1 and September 1 to September 1, 2022.	375,000
Combination Tax & Revenue Certificates of Obligation A bond issue of $18,200,000 dated October 4, 2016 maturing serially September 1, 2017 to September 1, 2046. Interest rates range from 0.01% to 1.45%, payable March 1 and September 1 to September 1, 2046.	16,380,000
General Obligation Refunding Bonds A bond issue $1,555,000 dated August 17, 2017 maturing serially July 1, 2018 to July 1, 2027. Interest is 2.20%, payable January 1 and July 1 to July 1, 2027. These bonds were issued to redeem $1,515,000 of Combination Tax and Revenue Refunding Bonds dated July 1, 2007.	1,120,000
Combination Tax & Limited Surplus Revenue Certificates of Obligation A bond issue of $5,230,000 (79.08% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1,	3,499,270
General Obligation Refunding Bonds A bond issue of $630,000 dated June 6, 2019 maturing serially September 1, 2020 to September 1, 2039. Interest rates range from 3.00% to 4.00%, payable March 1 and September 1 to September 1, 2039.	430,000
Combined Debt	$24,774,270

These bonds will be repaid by the Water and Sewer Fund.

LONG-TERM DEBT *(continued)*

The annual requirements to amortize all bonded debt outstanding for the Water and Sewer Fund as of September 30, 2020 are as follows:

Year Ending	Principal	Interest	Total
2021	1,606,887	441,383	2,048,270
2022	1,645,507	410,903	2,056,410
2023	1,159,128	377,699	1,536,827
2024	1,187,748	356,689	1,544,437
2025	1,110,000	333,889	1,443,889
2026-2030	5,375,000	1,336,643	6,711,643
2031-2035	4,685,000	850,793	5,535,793
2036-2040	3,745,000	463,090	4,208,090
2041-2045	3,525,000	205,608	3,730,608
2046	735,000	10,658	745,658
Totals	$24,774,270	4,787,354	29,561,624

Notes Payable – Economic Development Corporation

During the year ended September 30, 2020, the following changes occurred in liabilities reported for the EDC:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	$ 10,723,760	-	(866,625)	9,857,135	$ 1,080,408
	$ 10,723,760	-	(866,625)	9,857,135	$ 1,080,408

On October 31, 2005, the Corporation purchased four tracts of land totaling approximately 352 acres from the Hopkins County Industrial Fund, Inc. The land was fully financed by the Fund through a note that bears no interest and is payable upon sale of the land by the Corporation. On September 12, 2014, the Corporation received a cash advance from the Hopkins County Industrial Fund, Inc. of $400,000, which were to be added to the purchase price of the original tracts and paid back in accordance with the original agreement.

On May 18, 2017, the Corporation borrowed $2,236,847 from Southside Bank. The loan is being repaid in 113 monthly payments of $21,051 (beginning June 1, 2017 and 24 monthly payments of $8,611 (beginning November 1, 2026), including interest computed at 3.05 percent. The note will be paid in full after the final payment on January 1, 2029.

On February 20, 2019 the Corporation converted a revolving line of credit to a note payable of $7,800,000, with an interest rate of 5.75%. On August 5, 2020, the Corporation refinanced the remaining note balance of $6,795,507 to a seven-year term with a computed interest rate of 3.75%. The note is being repaid in monthly installment payments of $92,274, including interest. The note will be paid in full after the final payment on August 5, 2027.

RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer Deposits	$ 555,608
Accrued Interest Payable	49,299
Current Revenue CO's Payable	1,077,525
Current GO Bonds Payable	545,000
Total Restricted Assets	$ 2,227,432

RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to $2,000,000 per insured event. There was no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

The government has chosen to establish a risk financing fund for risks associated with the employee's health insurance plan. The risk financing fund is accounted for as an internal service fund where assets are set aside for claim settlements. A premium is charged to each fund that accounts for full-time employees. The total charge allocated to each of the funds (the allocation is based upon number of employees in each fund) is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims. Stop-loss coverage is $80,000 per employee and $1,520,899 in the aggregate.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Changes in the medical claims liability amounts in fiscal year 2020 were as follows:

	2020
Unpaid Claims, Beginning of Year	$ 106,039
Incurred Claims (Including IBNR)	1,375,547
Claim Payments	(1,339,688)
Unpaid Claims, End of Year	$ 141,898

RETIREMENT SYSTEM – PENSION PLAN

Plan Description - The City of Sulphur Springs participates as one of 888 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 that can be obtained at www.tmrs.com.

All eligible employees of the city 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.

RETIREMENT SYSTEM – PENSION PLAN - **Benefits Provided** *(continued)*

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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 were as follows:

	Plan Year 2020	Plan Year 2019
Employee deposit rate	6%	6%
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%, Transfers	100%, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms - At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	125
Inactive Employees Entitled to but Not Yet Receiving Benefits	83
Active Employees	145
	353

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

Employees for the City of Sulphur Springs were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.50% and 8.18% in calendar year 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were $628,565 and were equal to required contributions.

Net Pension Liability - The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

- Inflation – 2.5% per year
- Overall payroll growth – 2.75% per year, adjusted down for population declines, if any
- Investment Rate of Return – 6.75%, net of pension plan investment expense, including inflation

RETIREMENT SYSTEM – PENSION PLAN – **Net Pension Liability** *(continued)*

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disable annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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 rates 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 targe asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asse allocation portfolios, GRS 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 real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
	100.00%	

Discount Rate – The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

RETIREMENT SYSTEM – PENSION PLAN – **Net Pension Liability** *(continued)*

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	$42,625,741	$37,150,271	$ 5,475,470
Changes for the Year:			
Service Cost	1,134,768	-	1,134,768
Interest	2,837,419	-	2,837,419
Change of Benefit Terms	-	-	-
Diff. Between Expected/Actual Experience	(142,855)	-	(142,855)
Changes of Assumptions	88,307	-	88,307
Contributions - Employer	-	636,073	(636,073)
Contributions - Employee	-	508,864	(508,864)
Net Investment Income	-	5,740,055	(5,740,055)
Benefit Payments, Including Refunds of Employee Contributions	(2,314,585)	(2,314,585)	-
Administrative Expenses	-	(32,453)	32,453
Other Changes	-	(975)	975
Net Changes	1,603,054	4,536,979	(2,933,925)
Balance at 12/31/2019	$44,228,795	$41,687,250	$ 2,541,545

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents 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 have been 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 (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
City's Net Pension Liability	$ 7,974,711	$ 2,541,545	$ (2,002,471)

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.tmrs.com.*

Pension Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2020, the City recognized pension expense in the amount of $1,119,265. At September 30, 2020, 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 & Actual Economic Experience (net of current year amortization)	$ 152,112	$ 212,524
Changes in Actuarial Assumptions	67,331	-
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	1,296,226
Contributions Subsequent to the Measurement Date	455,991	-
Total	$ 675,434	$ 1,508,750

RETIREMENT SYSTEM – PENSION PLAN -
Pension Expense and Deferred Outflows and Inflows of Resources *(continued)*

$455,991 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 for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2021	$ (401,668)
2022	(368,716)
2023	130,285
2024	(649,208)
2025	-
Thereafter	-
	$ (1,289,307)

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS

Plan Description - The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). SDBF is an unfunded multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Texas Municipal Retirement System (TMRS).

OPEB Plan Fiduciary Net Position - Detailed information about the TMRS SDBF's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. This report may be obtained at www.tmrs.com.

Benefits Provided – SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. 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). The death benefit for retirees is considered another postemployment benefit and is a fixed amount of $7,500.

Contributions – City contribution rates for the SDBF are established 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 pre-fund retiree term life insurance during employees' entire careers.

Employees for the City of Sulphur Springs were not required to contribute to the SDBF. The contribution rates for the City were 0.24% and 0.24% in calendar year 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were $19,655 and were equal to required contributions.

Employees Covered by Benefit Terms - At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	92
Inactive Employees Entitled to but Not Yet Receiving Benefits	14
Active Employees	145
	251

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS *(continued)*

Actuarial Assumptions - The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Discount Rate*	2.75%
Retirees' share of benefit related costs	$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - service retirees	2019 Municpal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - disabled retirees	2019 Municipal Reitrees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Note: The actuarial assumption used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 – December 31, 2018.

Total OPEB Liability - The City's Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019.

	Increase/(Decrease) Total OPEB Liability
Balance at 12/31/2018	$ 520,696
Changes for the Year:	
Service Cost	16,962
Interest	19,538
Change of Benefit Terms	-
Diff. Between Expected/Actual Experience	(8,906)
Changes of Assumptions	93,941
Contributions - Employer	-
Contributions - Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(5,089)
Administrative Expenses	-
Other Changes	-
Net Changes	116,446
Balance at 12/31/2019	$ 637,142

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS *(continued)*

Discount Rate Sensitivity Analysis - The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate.

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
City's total OPEB Liability	$ 756,774	$ 637,142	$ 541,977

OPEB Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2020, the City recognized OPEB expense in the amount of $51,535. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience (net of current year amortization)	$ -	$ 8,701
Changes in Actuarial Assumptions	96,672	22,954
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	-
Contributions Subsequent to the Measurement Date	14,592	-
Total	$ 111,264	$ 31,655

$14,592 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended December 31,	
2021	$ 15,035
2022	15,035
2023	14,315
2024	9,157
2025	11,475
Thereafter	-
	$ 65,017

TAX ABATEMENTS

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property taxes and may include other incentive payments such as fee reductions or construction cost reimbursements. Economic Development agreements are considered on a case by case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives. A summary of the tax abatements for the 2020 and 2019 tax years follow:

TAX ABATEMENTS *(continued)*

	Abatements			
Company	2020 Tax Year	2019 Tax Year	Begins	Ends
BEF Foods	$ 29,347,814	30,474,294	2013	2022
CMH Manufacturing	3,200,000	3,200,000	2016	2020
Saputo Dairy Foods	41,624,385	-	2018	2027
Backstory Beverages	547,153	547,153	2019	2023
Backstory Beverages	352,857	352,857	2019	2023
Total	$ 75,072,209	$ 34,574,304		

IN-KIND REVENUE

In October 2018, the City signed a development agreement with Luminant Mining Company in which they agreed to deed 4,857 acres located just outside of the City limits to the City. On November 22, 2019, the transfer of the land was complete. Part of the agreement is that the City will annex the land into the City limits. The City Council annexed the City's land into the city limits on March 3, 2020. The value of the land was determined to be $8,890,090. The donated land was recognized as In-Kind revenue and capital outlay within the general fund. The donation of this land provides the City and its citizens with significant possibilities in the near future such as industrial parks.

PRIOR PERIOD ADJUSTMENT

During fiscal year 2020, it was determined that $630,000 in previously issued bonded debt, was classified as a business-type activity, when it was in fact a governmental activity. It was further noted, that long-term note payable was previously not reported on in the governmental activities within the government-wide financial statements. These adjustments will result in a restatement of beginning Net Position. The details are as follows:

Net Position Restatement	Governmental	Business-Type
Net Position - As Originally Reported	$ 23,125,551	23,759,096
Transfer of Long-Term Debt	630,000	(630,000)
To recognize Note Payable	(229,000)	-
Net Position - Restated	23,526,551	23,129,096

EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 5, 2021 the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SULPHUR SPRINGS
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended September 30, 2020

	Plan Year Ended December 31,			
	2019	2018	2017	2016
Total Pension Liability				
Service Cost	$ 1,134,768	$ 1,098,723	$ 1,067,537	$ 1,071,312
Interest (on the Total Pension Liability)	2,837,419	2,705,236	2,605,150	2,487,880
Changes of Benefit Terms	-	-	-	-
Difference Between Expected & Actual Experience	(142,855)	278,872	(235,957)	(97,651)
Change of Assumptions	88,307	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(2,314,585)	(1,970,603)	(1,968,528)	(1,476,121)
Net Change in Total Pension Liability	1,603,054	2,112,228	1,468,202	1,985,420
Total Pension Liability - Beginning	42,625,741	40,513,513	39,045,311	37,059,891
Total Pension Liability - Ending (a)	$ 44,228,795	$ 42,625,741	$ 40,513,513	$ 39,045,311
Plan Fiduciary Net Position				
Contributions - Employer	$ 636,073	$ 606,304	$ 574,089	$ 458,959
Contributions - Employee	508,864	491,599	479,074	478,977
Net Investment Income	5,740,055	(1,174,423)	4,888,366	2,268,525
Benefit Payments, Including Refunds of Employee Contributions	(2,314,585)	(1,970,603)	(1,968,528)	(1,476,121)
Administrative Expense	(32,453)	(22,706)	(25,337)	(25,624)
Other	(975)	(1,186)	(1,286)	(1,381)
Net Change in Plan Fiduciary Net Position	4,536,979	(2,071,015)	3,946,378	1,703,335
Plan Fiduciary Net Position - Beginning	37,150,271	39,221,286	35,274,908	33,571,573
Plan Fiduciary Net Position - Ending (b)	$ 41,687,250	$ 37,150,271	$ 39,221,286	$ 35,274,908
Net Pension Liability - Ending (a) - (b)	$ 2,541,545	$ 5,475,470	$ 1,292,227	$ 3,770,403
Plan Fiduciary Net Position as Percentage of Total Pension Liability	94.25%	87.15%	96.81%	90.34%
Covered Payroll	$ 8,481,073	$ 8,193,314	$ 7,984,569	$ 7,982,952
Net Pension Liability as Percentage of Covered Payroll	29.97%	66.83%	16.18%	47.23%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates. For example: as of December 31, 2019 for fiscal year 2020.
This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2015	2014
$ 974,458	$ 881,939
2,409,813	2,280,911
-	-
(205,165)	119,290
638,184	-
(1,392,134)	(1,581,767)
2,425,156	1,700,373
34,634,735	32,934,362
$ 37,059,891	$ 34,634,735
$ 471,266	$ 481,593
456,065	429,994
50,194	1,877,990
(1,392,134)	(1,581,767)
(30,574)	(19,609)
(1,510)	(1,612)
(446,693)	1,186,589
34,018,266	32,831,677
$ 33,571,573	$ 34,018,266
$ 3,488,318	$ 616,469
90.59%	98.22%
$ 7,601,080	$ 7,166,568
45.89%	8.60%

CITY OF SULPHUR SPRINGS
Schedule of Pension Contributions
For the Year Ended September 30, 2020

	Fiscal Year Ended September 30,			
	2020	2019	2018	2017
Actuarially Determined Contribution	$ 628,565	$ 611,309	$ 576,057	$ 544,079
Contributions in Relation to the Actuarially Determined Contribution	(628,565)	(611,309)	(576,057)	(544,079)
Contribution Deficiency/(Excess)	-	-	-	-
Covered Payroll	$ 8,189,590	$ 8,178,552	$ 7,841,080	$ 7,745,406
Contributions as Percentage of Covered Payroll	7.68%	7.47%	7.35%	7.02%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of December 31, 2019.
This schedulde shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods & Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-Retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information: Granted 100% ad hoc USC with transfer.

2016	2015
$ 464,398	$ 471,266
(464,398)	(471,266)
-	-
$ 7,662,705	$ 7,601,080
6.06%	6.20%

CITY OF SULPHUR SPRINGS
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Year Ended September 30, 2020

	Plan Year Ended December 31,		
	2019	2018	2017
Total OPEB Liability			
Service Cost	$ 16,962	$ 18,025	$ 15,171
Interest (on the Total OPEB Liability)	19,538	17,638	17,543
Changes of Benefit Terms	-	-	-
Difference Between Expected & Actual Experience	(8,906)	(2,024)	-
Change of Assumptions	93,941	(34,756)	38,688
Benefit Payments, Including Refunds of Employee Contributions	(5,089)	(4,097)	(3,992)
Net Change in Total OPEB Liability	116,446	(5,214)	67,410
Total OPEB Liability - Beginning	520,696	525,910	458,500
Total OPEB Liability - Ending	$ 637,142	$ 520,696	$ 525,910
Covered Payroll	$ 8,481,073	$ 8,193,314	$ 7,984,569
Total OPEB Liability as a Percentage of Covered Payroll	7.51%	6.36%	6.59%

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE

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BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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Financial Advisory Services
Provided By:

SAMCO Capital