OFFICIAL STATEMENT
Dated February 9, 2022

NEW ISSUE - BOOK-ENTRY-ONLY

Enhanced/Unenhanced Rating: S&P - "AA"/"A+"
(See "BOND INSURANCE," "BOND INSURANCE GENERAL RISKS," and "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein)

In the opinion of Bond Counsel (identified below), interest on the Bonds (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein.

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

$6,390,000
CITY OF BIG SPRING, TEXAS
(A political subdivision of the State of Texas located in Howard County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2022

Dated Date: February 15, 2022 **Due: February 15, as shown on page -ii- herein**

The $6,390,000 City of Big Spring, Texas (the "City" or the "Issuer") General Obligation Refunding Bonds, Series 2022 (the "Bonds") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), and an ordinance (the "Bond Ordinance") adopted on December 14, 2021 by the City Council of the City, and the City's Home Rule Charter. In the Bond Ordinance, the City Council delegated to certain authorized officials of the City (each a "Pricing Officer"), pursuant to certain provisions of Chapter 1207, authority to establish certain terms related to the issuance and sale of the Bonds and to complete the sale of the Bonds. The terms of the sale are included in a Pricing Certificate, which completes the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). The Pricing Certificate was executed by a Pricing Officer on February 9, 2022. See "THE BONDS - Authority for Issuance" herein.

The Bonds are direct obligations of the City payable from an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. See "THE BONDS - Authority for Issuance," "THE BONDS - Security for Payment," and "TAX RATE LIMITATIONS" herein.

Interest on the Bonds will accrue from the Dated Date as shown above, will be payable on February 15 and August 15 of each year, commencing August 15, 2022 until stated 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. Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of Bonds 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 U.S. Bank Trust Company, National Association, Dallas, Texas, as the initial Paying Agent/Registrar, to Cede & Co., 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 to (i) provide funds sufficient to refund a portion of the City's currently outstanding obligations, as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings and (ii) pay for the costs of issuing the Bonds. (See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCING" herein.)

ASSURED GUARANTY MUNICIPAL

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** (See "BOND INSURANCE" herein.)

FOR MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS, SEE INSIDE PAGE OF THIS FRONT COVER

The Bonds are offered for delivery, when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and are 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. Certain legal matters will be passed upon for the Underwriters by their legal counsel, Norton Rose Fulbright US LLP, San Antonio, Texas. See "LEGAL MATTERS" herein for a discussion of Bond Counsel's opinion. It is expected that the Bonds will be available for delivery through the services of DTC on or about March 8, 2022.

FROST BANK **HILLTOPSECURITIES**

$6,390,000
CITY OF BIG SPRING, TEXAS
(A political subdivision of the State of Texas located in Howard County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2022
CUSIP NO. PREFIX:[1] 089545

MATURITY SCHEDULE

Principal Amount ($)	Stated Maturity (February 15)	Interest Rate (%)	Initial Yield (%)	CUSIP No. Suffix [1]
535,000	2023	4.000	0.910	MP9
560,000	2024	4.000	1.210	MQ7
585,000	2025	4.000	1.350	MR5
610,000	2026	4.000	1.480	MS3
630,000	2027	4.000	1.600	MT1
650,000	2028	3.000	1.670	MU8
675,000	2029	3.000	1.740	MV6
690,000	2030	3.000	1.790	MW4
715,000	2031	3.000	1.840[2]	MX2
740,000	2032	3.000	1.940[2]	MY0

(Interest to accrue from the Dated Date)

Redemption Provisions

The Bonds stated to mature on and after February 15, 2031 are subject to optional redemption, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030 or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption. See “THE BONDS - Redemption Provisions of the Bonds” herein.

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(1) CUSIP numbers are included solely for the convenience of the owners 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 Markets 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 Underwriters, the City, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2030, the first optional call date for the Bonds, at a redemption price of par, plus accrued interest to the redemption date.

CITY OF BIG SPRING, TEXAS
310 Nolan
Big Spring, Texas 79720

City Council

Name	Position	Years of Service	Term Expires May	Occupation
Shannon D. Thomason	Mayor	3	2022	Pilot
Nick Ornelas	Councilperson, District 1	2	2023	Healthcare Administrator
Diane Yanez	Councilperson, District 2	1	2024	Administrative Assistant
Cody Hughes	Councilperson, District 3	2	2023	Business Owner
Gloria McDonald	Councilperson, District 4	3	2024	Retired RN
Troy Tompkins	Councilperson, District 5	1	2022	Financial Advisor
Maury Smith	Councilperson, District 6	2	2024	Plant Operator

ADMINISTRATION

Name	Position	Length of Service With City
Todd Darden	City Manager	30
John Medina	Assistant City Manager	35
Sandy Smith	Finance Director/City Secretary	8
Gary Givens	Assistant Finance Director	5
Tami Davis	Assistant City Secretary	24
Andrew Hagen	City Attorney	2

CONSULTANTS AND ADVISORS

Bolinger, Segars, Gilbert & Moss, L.L.P. Lubbock, Texas	Auditors
McCall, Parkhurst & Horton L.L.P. Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Inc. San Antonio, Texas	Financial Advisor

For Additional Information Contact:

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San Antonio, Texas 78209
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Sandy Smith
Finance Director/City Secretary
City of Big Spring
310 Nolan
Big Spring, Texas 79720
(432) 264-2517
Fax (432) 264-8310
Email: sgsmith@mybigspring.com

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds, other than as 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 either of the foregoing.

This Official Statement, which includes the cover page, schedule, and appendices hereto, does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES 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 BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

None of the City, the Underwriters, or the Financial Advisor makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System as described herein under the caption "BOOK-ENTRY-ONLY SYSTEM" or with respect to any information concerning Bond insurer or its municipal bond guaranty policy as described herein (or incorporated by reference) under the captions "BOND INSURANCE," "BOND INSURANCE GENERAL RISKS" and APPENDIX E."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix E - Specimen Municipal Bond Insurance Policy".

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Bonds, is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

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The cover page hereof, the schedule and appendices herein and any addenda, supplement or amendment hereto are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere in this Official Statement:

THE ISSUER	The City of Big Spring, Texas (the "City"), located in Howard County, Texas, is a political subdivision, home rule municipality, and municipal corporation of the State of Texas (the "State"), operating pursuant to its Home Rule Charter. The City covers approximately 18.89 square miles. See "APPENDIX B - General Information Regarding the City of Big Spring and Its Economy."
THE BONDS	The Bonds are issued as "City of Big Spring, Texas General Obligation Refunding Bonds, Series 2022." Semi-annual interest payments begin on August 15, 2022 and continue on each February 15 and August 15 thereafter until stated maturity or prior redemption. The Bonds are being issued in the principal amount of $6,390,000. The Bonds will mature on the dates and pay interest at the rates indicated on page -ii- hereof.
DATED DATE	February 15, 2022.
AUTHORITY FOR ISSUANCE	The Bonds are being issued pursuant to the Constitution and general laws of the State, including Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), an ordinance (the "Bond Ordinance") passed by the City Council of the City on December 14, 2021, and the City's Home Rule Charter. In the Bond Ordinance, the City Council delegated to certain authorized officials (each a "Pricing Officer") of the City, pursuant to certain provisions of Chapter 1207, the authority to establish certain terms related to the issuance and sale of the Bonds and complete the sale of the Bonds. The terms of the sale are included in a Pricing Certificate, which completes the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). The Pricing Certificate was executed by a Pricing Officer on February 9, 2022. See "THE BONDS - Authority for Issuance" herein.
SECURITY FOR THE BONDS	The Bonds are direct obligations of the City, payable from a levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City. (See "THE BONDS - Security for Payment," "BOND INSURANCE," and "BOND INSURANCE GENERAL RISKS" herein.)
REDEMPTION PROVISIONS	The Bonds stated to mature on and after February 15, 2031 are subject to optional redemption, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption Provisions of the Bonds" herein.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas.
BOOK-ENTRY-ONLY SYSTEM	The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment as to principal and interest. See "BOOK-ENTRY-ONLY SYSTEM" herein.
TAX EXEMPTION	In the opinion of 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 thereof, subject to the matters described under the caption "TAX MATTERS" herein.
QUALIFIED TAX-EXEMPT OBLIGATIONS	The City has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS - Qualified Tax-Exempt Obligations").
USE OF PROCEEDS	The proceeds of the Bonds will be used to (i) provide funds sufficient to refund a portion of the City's currently outstanding obligations as identified in Schedule I attached hereto (the "Refunded Obligations"), for debt service savings and (ii) pay the costs related to the issuance of the Bonds. See "PLAN OF FINANCING - Purpose" herein.
BOND RATING	S&P Global Ratings ("S&P") has assigned its municipal bond 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 AGM. S&P has assigned its underlying, unenhanced rating of "A+" to the Bonds. See "RATING" 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 **ASSURED GUARANTY MUNICIPAL CORP. ("AGM")**. (See "BOND INSURANCE," "BOND INSURANCE GENERAL RISKS," and APPENDIX G herein.)
FUTURE BOND ISSUES	The City does not anticipate issuing additional general obligation debt in the next twelve months.
PAYMENT RECORD	The City has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated on or about March 8, 2022.
LEGALITY	The Bonds are subject to the approval of legality by 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 D - Form of Opinion of Bond Counsel" herein.

OFFICIAL STATEMENT

$6,390,000
CITY OF BIG SPRING, TEXAS
(A political subdivision of the State of Texas located in Howard County, Texas)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2022

INTRODUCTION

This Official Statement, which includes the cover page, schedule, and the appendices hereto, provides certain information in connection with the issuance by the City of Big Spring, Texas (the "City" or the "Issuer") of its General Obligation Refunding Bonds, Series 2022 (the "Bonds") in the aggregate principal amount of $6,390,000. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined herein), except as otherwise indicated herein.

This Official Statement contains descriptions of the Bonds and certain other information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the City and, during the offering period, from the City's Financial Advisor, SAMCO Capital Markets, Inc., 1020 N.E. Loop 410, Suite 640, San Antonio, Texas 78209, upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this final Official Statement pertaining to the Bonds will be filed by the Underwriters with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

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 Texas. 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 Texas in response to the Pandemic. 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, mitigation, and reopening of the State of Texas. These include, for example, the issuance on March 2, 2021 of Executive Order GA-34, which, among other things, removed any COVID-19 relating operating limits for any business or other establishment and ended the State-wide mask mandate, effective March 10, 2021. Executive Order GA-34 also maintained, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive Order GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to $1,000 for noncompliance, subject to certain exceptions. (Certain public entities and officials in the State have filed lawsuits challenging the enforcement of Executive Order GA-36. Many of those lawsuits are in various stages of litigation and have not been fully resolved at this time.) Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. 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.

In general, the City has been able to mitigate the impact of COVID-19 by freezing positions in the City through attrition and reducing capital expenditures. The City does not expect the Pandemic will have a negative impact on its operations; however, the City will continue to monitor the spread of COVID-19 and work with local, State, and national agencies to address the potential future impact of the Pandemic.

PLAN OF FINANCING

Purpose

The Bonds are being issued to: (i) refund a portion of the City's currently outstanding debt, identified on Schedule I attached hereto (the "Refunded Obligations") and (ii) pay the costs associated with the issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their call date at par. The refunding is being undertaken to realize debt service savings for the City.

Refunded Obligations

A description and identification of the Refunded Obligations appears in Schedule I attached hereto. The Refunded Obligations and the interest due thereon are to be paid on their redemption date from funds to be deposited pursuant to a Deposit Agreement (the "Deposit Agreement") between the City and U.S. Bank Trust Company, National Association, Dallas, Texas (the "Deposit Agent").

The Bond Ordinance provides that from the proceeds of the sale of the Bonds to the Underwriters, the City will deposit with the Deposit Agent an amount which, together with funds contributed by the City, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their redemption date. Such funds will be held uninvested by the Deposit Agent pending their disbursement to redeem the Refunded Obligations on the redemption date, and such funds will be irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Refunded Obligations.

The Deposit Agent, as paying agent for the Refunded Obligations, will execute a certificate (the "Sufficiency Certificate") certifying that the amount deposited into the Deposit Account will be sufficient to pay the principal of and interest on the Refunded Obligations on the redemption date.

By the deposit of cash with the Deposit Agent pursuant to the Deposit Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with State law and in reliance upon the Sufficiency Certificate. As a result of such defeasance and in reliance upon the Sufficiency Certificate, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Deposit Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City, payable from the sources and secured in the manner provided in the ordinance authorizing their issuance or for any other purpose.

SOURCES AND USES OF FUNDS

Sources of Funds:	
Par Amount of Bonds	$6,390,000.00
Reoffering Premium on the Bonds	503,580.55
Accrued Interest	14,113.06
Cash Contribution	26,022.44
Total	$6,933,716.05
Uses of Funds:	
Deposit to Current Refunding Deposit Account	$6,790,393.23
Underwriters' Discount	42,906.25
Deposit to Bond Fund	14,113.06
Bond Insurance Premium	13,736.81
Cost of Issuance	72,566.70
Total	$6,933,716.05

THE BONDS

Authority for Issuance

The Bonds are being pursuant to the constitution and laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), an ordinance (the "Bond Ordinance") adopted by the City Council of the City (the "City Council") on December 14, 2021, and the City's Home Rule Charter. In the Bond Ordinance, the City Council delegated to certain authorized officials of the City (each a "Pricing Officer"), pursuant to certain provisions of Chapter 1207, the authority to establish certain terms related to the issuance and sale of the Bonds and to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which completes the sale of the Bonds. The Pricing Certificate was executed by a Pricing Officer on February 9, 2022. The Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance."

General Description

The Bonds are dated February 15, 2022 (the "Dated Date") and accrue interest from the Dated Date, and such interest shall be payable on February 15 and August 15 in each year, commencing August 15, 2022, until stated maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 principal for any one maturity.

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 herein. **No physical delivery of the Bonds will be made to the owners thereof.** Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security for Payment

The Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance. See "TAX RATE LIMITATIONS" herein.

Payment Record

The City has never defaulted on the payment of its bonded indebtedness.

Legality

The Bonds are subject to the approval of legality by 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. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated to occur on or about March 8, 2022.

Future Issues

The City does not anticipate issuing additional general obligation debt in the next twelve months.

Redemption Provisions of the Bonds

The City reserves the right to redeem the Bonds maturing on and after February 15, 2031 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030 or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. The years of maturity of the Bonds called for redemption shall be selected by the City. If less than all of the Bonds are redeemed within a stated maturity at any time, the Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of $5,000 within any stated maturity.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books relating to the Bonds kept by the Paying Agent/Registrar (the "Security Register") at the close of business on the business day next preceding the date of mailing such notice.

NOTICE HAVING BEEN SO GIVEN AND ALL OTHER CONDITIONS FOR REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will mail 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, shall 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 held by the City 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 City or the Paying Agent/Registrar. Neither the City 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.

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal of and accrued interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment or (2) Defeasance Securities that will 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, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities.

The City additionally has reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the 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: (1) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) 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 governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

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 the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the 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 the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the 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.

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 may 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 as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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 registered owners of the Bonds, (ii) grant additional rights or security for the benefit of the registered owners of the Bonds, (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 registered owners of the Bonds, (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 registered owners of the Bonds.

The Ordinance further provides that the registered owners of Bonds aggregating in a majority of the principal amount of then outstanding Bonds that are the subject of the proposed amendment 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 registered owners of the Bonds in original principal amount of the then outstanding Bonds, 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. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

Defaults and Remedies

The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought 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. Texas cities are generally immune from suits for money damages for breach of contracts under the doctrine of sovereign immunity. 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. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance covenants. Even 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. 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas. 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. If the Bonds are not held in the Book-Entry-Only System, interest on the Bonds 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 on the Record Date (see “REGISTRATION, TRANSFER AND EXCHANGE - Record Date” herein) or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner, and principal of the Bonds will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar.

Successor Paying Agent/Registrar

The City covenants that until the Bonds are paid it will at all times maintain and provide a Paying Agent/Registrar. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, 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 by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the person entitled to the payment of interest on a Bond is the close of business on the last business day of the month next preceding each interest payment date.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment is the next succeeding day which is not such a day and payment on such date will have the same force and effect as if made on the original date payment was due.

Special Record Date for Interest Payment

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 (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed Bonds will be issued to the registered owners of the Bonds and thereafter 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 designated 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 at the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. Initially, the only registered owner of the Bonds will be Cede & Co., as DTC's nominee. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Certificates.

Limitation on Transferability of Bonds Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange of the Bonds (i) 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 (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen, or lost, such new Bond will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to establish to the City and the Paying Agent/Registrar that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with Bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

The following describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, 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, the Financial Advisor and the Underwriters 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, 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 securities 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 security certificate 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 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"). DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission (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 Direct and Indirect 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 Direct or Indirect 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 Direct and Indirect 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-Only 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 Direct and Indirect 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 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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).

Redemption proceeds and principal and interest 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 securities 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 (nor its nominee), the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption price and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC (or its nominee), and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect 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, Bond certificates 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, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City believes to be reliable, but the City, the Financial Advisor, and the Underwriters take no responsibility for the accuracy thereof.

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.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") 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 APPENDIX E 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.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At September 30, 2021:

- The policyholders' surplus of AGM was approximately $2,910 million.

- The contingency reserve of AGM was approximately $963 million.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,124 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOND INSURANCE GENERAL RISKS

As described above, the City may purchase a Policy from an Insurer in connection with the issuance of the Bonds. If this occurs, the following general municipal bond insurance policy risk factors will apply.

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 by the City 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 - Defaults and Remedies"). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners.

Additionally, the Insurer's consent may be required in connection with amendments to the Ordinance. 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 solely from the City revenues described in "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.

The enhanced long-term ratings 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 ratings 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 - Municipal Bond Rating" herein.)

INVESTMENT POLICIES

Investments

The City invests its funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

Legal Investments

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 is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are 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) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in 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 (7) or in any other manner and amount provided by law for City deposits; or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the Public Funds Investment Act; (9) 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; (10) 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; (11) 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; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission (the "SEC") and complies with SEC Rule 2a-7 (17 C.F.F. Section 270.2a-7) and (13) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the value of 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 (7) of the first paragraph under this subcaption, (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 (7) and (11) through (13) of the first paragraph under this subcaption, 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.

The 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.

Investment Policies

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 includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, 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 Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' 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, City 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 the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, ending market value and fully accrued interest for the reporting period for 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 strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

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 Treasurer, Chief Financial Officer and investment officers; (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.

Current Investments*

As of December 1, 2021, the following percentages of the City's investable funds from its Revenue Fund were invested as indicated below:

Category of Investments	Amount	Percentage	Term of Investments
Checking	$10,582,990.93	32.86%	Daily liquidity
Government Pools	8,382,317.21	26.02%	Daily liquidity
Bank Money Market	6,749,918.92	20.96%	Daily liquidity
Certificates of Deposit	5,494,017.76	17.06%	Various
Bonds	1,000,000.00	3.10%	Various
Total	$32,209,244.82	100.00%	

* *Unaudited.*

As of such date, the "fair" value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% their book "balance". 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.

PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS

The City provides pension benefits for all of its eligible employees (except for firemen, which are covered under their own defined benefit plan) through a non-traditional, joint contributory hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multi-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS. Plan members are required to contribute seven percent of their annual covered salary. The City contributes to the TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. See Note H - Pension Plan in the Notes to

Basic Financial Statements September 30, 2020 included in “APPENDIX C - Excerpts from the City of Big Spring, Texas Audited Financial Statement.”

Firemen of the City are covered by a defined benefit pension plan, which is administered by a seven-member board. This board consists of the Mayor or his designee, the Chief Financial Officer, three firemen and two outside citizens. Texas Local Fire Fighters' Retirement Act (TLFFREA) required that the Mayor, or his designee, and the Chief Financial Officer be permanent members of the Board. The City now provides a defined contribution to the fund of 12% of the firemen's salary and each fireman contributes 13%. See Firemen's Relief and Retirement Fund (Defined Benefit Plan) in the Notes to Basic Financial Statements September 30, 2020 included in “APPENDIX C - Excerpts from the City of Big Spring, Texas Audited Financial Statement.”

The City sponsors and administers an informal single-employer health/dental plan, which is available for employees who retire with a minimum of 20 years of service or five consecutive years of service at age 60 or above, at the time of qualified retirement to continue receiving medical coverage until they are age 65 and qualify for Medicare. See Note H. Other Post-Employment Benefits (OPEB) Big Spring Retiree Health Insurance Plan in the Notes to Basic Financial Statements September 30, 2020 included in “APPENDIX C - Excerpts from the City of Big Spring, Texas Audited Financial Statement.”

AD VALOREM TAX PROCEDURES

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. Prospective investors are encouraged to review 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 collective responsibility of the Howard 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 (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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 TAX PROCEDURES - 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.

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.

The City took official action before January 1, 1990 to tax freeport property. On November 8, 2011 the City Council took official action to tax goods-in-transit.

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. The City has not created and does not participate in any TIRZs created under Chapter 311 of the Tax Code. The City is, however, in the process of creating a TIRZ in the downtown area of the City. The City anticipates that the creation of such TIRZ will be finalized this fiscal year.

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. The City has established a tax abatement program to encourage economic development. The terms of all tax abatement agreements must be substantially the same. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The City's tax abatement program does not authorize residential tax abatements, only commercial-industrial tax abatements are permitted. The City has two tax abatement agreements currently in force.

Chapter 380 Agreements

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote State or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City entered into a Chapter 380 agreement with Spring Town Plaza Mall on August 10, 2021, which agreement will expire on August 10, 2031. This City is also in the process of entering into a second Chapter 380 agreement with another business that is moving into the City.

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.

Beginning in the 2020 tax year, 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 is set at $50 million for the 2020 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 City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM TAX PROCEDURES - 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. The City does not allow split payments or discounts.

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.

TAX RATE LIMITATIONS

No direct funded debt limitation is imposed on the City under current Texas law or the City's Home Rule Charter. 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 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which adopts this constitutional provision. The Texas Attorney General has adopted an administrative policy that generally prohibits the issuance of debt by a municipality such as the City if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at the time of issuance and based on a 90% collection rate. The issuance of the Bonds does not violate this constitutional provision or the Texas Attorney General's administrative policy.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, 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 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 D - Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Issuer, including information and representations contained in the Issuer's federal tax certificate, and (b) covenants of the Issuer contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith and (c) the Sufficiency Certificate. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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 is conditioned on compliance by the Issuer with the covenants and the requirements described in the preceding paragraph 3, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgement 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. 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 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 Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds or the Refunded Bonds. 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 Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer 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 maturity 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 statutes, regulations, published rulings and court decisions, all of which are 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 accumulated earnings and profits and excess passive investment income, 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 IRS. 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 has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer covenanted 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 specified events to the MSRB. The information provided to the MSRB through EMMA is available free of charge at www.emma.msrb.org.

Annual Report

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement in Appendix A (excluding the tables "Direct and Estimated Gross Overlapping Funded

Debt Payable from Ad Valorem Taxes", "Estimated Interest & Sinking Fund Management Index 2020/21" and "2021/22 Pro Forma Interest & Sinking Fund Management Index") and in Appendix C, which is the City's annual audited financial report. The City will update and provide the information in Appendix A (excluding the above-referenced tables) within six months after the end of each fiscal year ending in and after 2020 and, if not submitted as part of such annual financial information, the City will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will 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 statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Appendix A (excluding the above-referenced tables) 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 not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

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 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 or obligated person, 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 the 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 in accordance with its agreement described above under "Annual Reports." Neither the Bonds nor the Bond Ordinance provide for debt service reserves, liquidity enhancement, or credit enhancement (except with respect to the bond insurance, if obtained).

For these purposes, (a) any event described in clause (12) in 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, and (b) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and the definition of Financial Obligation in the immediately preceding paragraph to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information from MSRB

The City 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 City has agreed to update information and to provide notices of certain events only as described above. The City 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 City 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 City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure 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 City to comply with its agreement.

The City may amend its continuing disclosure 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 City, if (1) 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 (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Beneficial Owners of the Bonds. The City may also repeal or amend these provisions 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 City 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 Undertakings

During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

The City will furnish the Underwriters 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 City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, ("Bond Counsel"), to the effect that the Bonds are valid and legally binding obligations of the City 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, published rulings, regulations, and court decisions. Bond Counsel has been engaged by and only represents the City. A form of Bond Counsel's opinion appears in APPENDIX D attached hereto. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in their capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING - Refunded Obligations," "THE BONDS" (except under the subcaptions "Payment Record," "Delivery," "Future Issues," and "Defaults and Remedies," as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE," "TAX MATTERS," "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereof, as to which no opinion is expressed), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale," and "CONTINUING DISCLOSURE OF INFORMATION" (except matters discussed under the subcaptions "Compliance with Prior Undertakings" and "Availablity of Information from MSRB," as to which no opinion is expressed) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and the legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, San Antonio, Texas, whose compensation is contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on definitive bonds in the event of discontinuance of the Book-Entry-Only System.

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 out of the transaction.

LITIGATION

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

At the time of initial delivery of the Bonds, the City will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal 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 of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Municipal Bond 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 at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.
The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

OTHER PERTINENT INFORMATION

Authenticity of Financial Data and Other Information

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

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 act of any other jurisdiction. The City 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.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

Municipal Bond Rating

S&P Global Ratings ("S&P") has assigned its municipal bond 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 AGM. See "BOND INSURANCE" herein. S&P has assigned its underlying, unenhanced rating of "A+" 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. (the "Financial Advisor") is employed as the Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an underwriting discount of $42,906.25, plus accrued interest. The Underwriters' obligations are subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering price, and such public prices may be changed from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Forward Looking Statements

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's 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.

It is important to note that 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 thirdparties, 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 would prove to be accurate.

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.

Authorization of the Official 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.

In the Bond Ordinance, the City Council authorized the Pricing Officer to approve, and in the Pricing Certificate the Pricing Officer will approve, for and on behalf of the City, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriters' use of this Official Statement in connection with the public offering and sale of the Bonds in accordance with the provisions of the Rule.

CITY OF BIG SPRING, TEXAS

Sandra Smith

Pricing Officer

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Series	Principal Amount ($)	Maturities	Interest Rates (%)	Redemption Date and Price
City of Big Spring, Texas Combination Tax and Surplus Revenue, Certificates of Obligation, Series 2012	580,000	2/15/2023	3.000	3/15/2022 @ 100%
	600,000	2/15/2024	3.000	3/15/2022 @ 100%
	620,000	2/15/2025	3.000	3/15/2022 @ 100%
	640,000	2/15/2026	3.125	3/15/2022 @ 100%
	660,000	2/15/2027	3.250	3/15/2022 @ 100%
	680,000	2/15/2028	3.250	3/15/2022 @ 100%
	705,000	2/15/2029	3.375	3/15/2022 @ 100%
	725,000	2/15/2030	3.500	3/15/2022 @ 100%
	760,000 (1)	2/15/2031	5.000	3/15/2022 @ 100%
	800,000 (1)	2/15/2032	5.000	3/15/2022 @ 100%

(1) *Represent mandatory sinking fund redemption payments of a term certificate. with a final maturity of February 15, 2032.*

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APPENDIX A

SELECTED FINANCIAL INFORMATION
OF THE CITY OF BIG SPRING, TEXAS

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VALUATION AND DEBT DATA

Valuation, Exemptions and General Obligation Debt

2021 Market Valuation Established by Howard County Appraisal District		
(Including totally exempt property)[1]		$1,648,976,174
Less: Exemptions/Reductions at 100% Market Value		
Residence Homestead Exemptions	$ 92,948,830	
Disabled Veterans Exemptions	16,112,039	
Disabled Persons Exemptions	989,898	
Over 65 (Local Option)	6,782,275	
Homestead Cap Adjustment	83,511,895	
Minimum Value	67,887	
Agricultural Productivity Loss	273,325	
Abatements	4,148,399	
Totally Exempt	278,048,536	482,883,084
2021 Taxable Assessed Valuation		$1,166,093,090

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(1) Source: Howard Appraisal District. The Appraisal Review Board approved Certified Values as of July 20, 2021.

General Purpose, General Obligation Bonds and Certificates

Outstanding Debt By Issues	Amount Outstanding At 2-7-2021 [(1)]
General Obligation Debt	
Combination Tax and Revenue Certificates of Obligation, Series 2012	$ 565,000
Refunding Bonds, Series 2016	5,280,000
Refunding Bonds, Series 2020	2,230,000
Refunding Bonds, Series 2022	6,390,000
Total General Obligation Debt	14,465,000
Less: Self-supporting Debt	7,582,880
Net Tax Supported General Obligation Debt	6,882,120
Less: Interest and Sinking Fund Balance (as of 12-01-2021)	738,837
Net General Obligation Debt Outstanding	$6,143,283
Ratio Net Tax-Supported General Obligation Debt to 2021 Net Taxable Assessed Valuation	0.59%
Ratio Net General Obligation Debt to 2021 Net Taxable Assessed Valuation	0.53%

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(1) Unaudited.
(2) Excludes the Refunded Obligations.

2010 U. S. Census Population - 27,282
2022 Estimated Population - 29,581
Per Capita 2021 Net Taxable Assessed Valuation - $39,420.34
Per Capita Total Net Tax Supported General Obligation Debt - $232.63
Per Capita Net General Obligation Debt - $207.68

General Obligation Bonds Authorized but Unissued

The City has no authorized and unissued general obligation voted authority from any bond election; however, the City may, from time to time and without an election, issue debt obligations payable from its collection of ad valorem taxes, including (but not limited to) certificates of obligation, public property finance contractual obligations, certain types of capital leases, and tax notes.

TAXATION DATA

Tax Rate Distribution

Tax Year	2021	2020	2019	2018	2017
Local Maintenance	$0.5712	$0.6011	$0.6135	$0.5853	$0.7068
Interest and Sinking Fund	0.1019	0.1162	0.1303	0.1440	0.1355
Totals	$0.6731	$0.7173	$0.7438	$0.7293	$0.8423

Tax Collection Data

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of twenty percent (20%) of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Taxable Assessed Valuation[1]	Tax Rate	% Collections Current	% Collections Total	Year Ending
2010	$540,408,709	$0.9995	96.51%	99.04%	09-30-11
2011	547,006,770	0.9495	97.13%	101.80%	09-30-12
2012	575,343,403	0.8650	98.38%	101.22%	09-30-13
2013	654,787,920	0.8650	93.90%	96.14%	09-30-14
2014	731,057,275	0.8566	94.95%	96.69%	09-30-15
2015	880,612,347	0.7705	92.93%	94.26%	09-30-16
2016	903,996,172	0.7900	92.12%	94.40%	09-30-17
2017	879,594,158	0.8423	95.20%	98.05%	09-30-18
2018	1,018,984,385	0.7293	96.44%	100.59%	09-30-19
2019	1,055,478,644	0.7438	99.10%	101.02%	09-30-20
2020	1,099,150,042	0.7173	95.71%	97.98%	09-30-21
2021	1,166,093,090 [2]	0.6731	(in the process of collection)		09-30-22

[1] *2010 through 2020 taken from City's Comprehensive Annual Financial Report; 2021 taken from Howard County Appraisal District.*

Non-Funded Debt

Capital Leases

The assets acquired through capital leases are as follows:

	Government Activities	Business-Type Activities
Machinery and Equipment		
Less: Accumulated Depreciation	$8,366,749	$6,529,985
	(4,924,366)	(3,423,619)
Totals	$3,442,383	$3,106,366

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2020, as follows:

Fiscal Year Ending September 30	Government Activities Principal	Interest	Total
2021	$ 540,049	$29,115	$ 569,164
2022	435,036	15,259	450,295
2023	294,403	6,273	300,676
2024	86,034	929	86,963
2025	10,572	37	10,609
Total Minimum Rentals	$1,366,094	$51,613	$1,417,707

The effective interest rate on capital leases is 2.13% to 3.05%.

Fiscal Year Ending September 30	Business-Type Activities Principal	Interest	Total
2021	$ 707,223	$38,128	$ 745,351
2022	569,703	21,741	591,444
2023	385,536	8,214	393,750
2024	112,666	1,216	113,882
2025	13,852	49	13,901
Total Minimum Rentals	$1,788,980	$69,348	$1,858,328

The effective interest rate on capital leases is 2.13% to 3.05%.

Schedule of Delinquent Taxes Receivable Fiscal Year Ended September 30, 2020 (Unaudited)

Year Ended 9/30	Ending Balance
2010	$ 349
2011	264
2012	458
2013	578
2014	1,048
2015	1,945
2016	2,286
2017	4,066
2018	9,949
2019	26,022
2020	19,759
Total	$66,724

Source: City's Comprehensive Annual Financial Report and Howard County.

Municipal Sales Taxes

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City, the proceeds of which are credited to the General Fund and are not pledged to the payment of the Bonds. Collection and enforcement are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In addition to the 1% sales tax, the City collects one-half percent (1/2 of 1%) to be used to reduce the property tax rate. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6 1/4%). Beginning in fiscal year 1995, the City has collected an additional sales and use tax of one-half of one percent (1/2 of 1%) for its economic development as permitted under provision of Article 5190.6, Section 4A (now codified primarily in Chapter 504, Texas Local Government Code). Net collections on fiscal year basis are as follows:

Fiscal Year 9/30	Rate(%)	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2010	2.00%	$4,300,790	78.46	0.82
2011	2.00%	4,859,654	88.97	0.90
2012	2.00%	5,791,110	111.40	1.06
2013	2.00%	6,686,480	134.17	1.16
2014	2.00%	6,101,137	108.90	0.93
2015	2.00%	7,652,209	122.40	1.05
2016	2.00%	6,354,361	94.17	0.72
2017	2.00%	6,638,741	92.96	0.73
2018	2.00%	7,756,760	104.70	0.76
2019	2.00%	8,282,550	103.94	0.77
2020	2.00%	6,750,099	85.98	0.64

Source: City's Comprehensive Annual Financial Report.

Top 10 Taxpayers and Their 2021 Valuations

Name	Type of Property	2021 Net Assessed Valuation	Percent of Total 2021 Assessed Valuation
Kerr Management Inc.	Real Estate Management	$ 20,906,535	1.79%
ONCOR Electric Delivery Co.	Electric Utility	16,237,810	1.39%
The Reserves at 700, LLC	Apartment Complex	13,500,000	1.16%
Oxy USA Inc.	Oil and Gas	11,719,540	1.01%
Atmos Energy Company	Oil and Gas	9,832,590	0.84%
Big Spring TPS Development, LP	Oil and Gas	8,506,263	0.73%
MPT of Big Spring-Steward, LLC	Medical	8,137,413	0.70%
Plains Cotton Coop Association	Cotton Storage	7,570,480	0.65%
Callon Petroleum Operations	Oil and Gas	7,383,760	0.63%
Oak Manor Big Spring LLC	Real Estate	7,280,395	0.62%
Total		$111,074,786	9.53%

Source: Howard Appraisal District.

Taxpayers by Classification

Classification	2021 Assessed Valuation	Percent of Total	2020 Assessed Valuation	Percent of Total	2019 Assessed Valuation	Percent of Total
Real, Residential Single Family	$ 831,358,370	50.42%	$ 701,136,302	47.99%	$ 642,702,104	45.84%
Real, Residential Multi-Family	79,340,025	4.81%	73,197,989	5.01%	69,310,419	4.93%
Real, Vacant Lots/Tracts	25,251,005	1.53%	23,861,420	1.63%	24,974,089	1.78%
Real, Acreage (land only)	11,765,572	0.71%	3,233,042	0.22%	14,256,878	1.02%
Real, Farm/Ranch Improvements	3,233,042	0.20%	11,744,447	0.80%	774,239	0.06%
Real, Commercial and Industrial	517,455,769	31.38%	451,882,251	30.93%	439,248,564	31.33%
Minerals	18,138,620	1.10%	32,363,319	2.22%	24,660,470	1.76%
Real and Tangible Personal Utilities	43,792,747	2.66%	38,596,528	2.64%	33,616,179	2.40%
Tangible Personal, Commercial & Industrial	110,177,340	6.68%	118,041,252	8.08%	146,287,097	10.43%
Mobile Homes	818,204	0.05%	722,604	0.05%	725,849	0.05%
Residential Inventory	923,118	0.06%	-0-	0.00%	-0-	0.00%
Special Inventory	6,722,362	0.41%	6,138,250	0.42%	5,630,085	0.40%
Total Appraised Valuation	$1,648,976,174	100.00%	$1,460,917,404	100.00%	$1,402,185,973	100.00%
Less Exemptions & Exclusions	482,883,084		361,767,362		346,707,329	
Net Taxable Assessed Valuation	$1,166,093,090		$1,099,150,042		$1,055,478,644	

Source: Howard Appraisal District. Valuations shown are certified taxable values reported by the Howard County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates its records.

Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes

Expenditures of the various taxing bodies overlapping the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. The following statement of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of direct and overlapping extended debt of these various taxing bodies:

	Gross Debt		Percent	Amount
Political Subdivision	Amount	As Of	Overlapping	Overlapping
Big Spring ISD	$40,895,000	12-15-21	34.88%	$14,264,176
Coahoma ISD	13,015,000	12-15-21	1.16%	150,974
Forsan ISD	14,620,000	12-15-21	2.09%	305,558
Howard County	7,190,000	12-15-21	20.21%	1,453,099
Howard County Junior College District	8,640,000	12-15-21	20.21%	1,746,144
Total Net Overlapping Debt				17,919,951
Big Spring, City of	14,465,000 *		100.00%	14,465,000 *
Total Direct and Estimated Overlapping Debt				$32,384,951 *
Ratio Total Direct and Estimated Overlapping Debt to 2020 Net Taxable Assessed Valuation				2.77%

***** *Includes the Bonds, excludes the Refunded Obligations, net of self-supporting debt.*

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2021/22*

Interest and Sinking Fund Balance at 9-30-2021	$ 738,837
Estimated Income from $0.1019 Collected Using 2021 Taxable Assessed Valuation of $1,166, 093,090 at 95% Collections	1,128,836
Estimated Other Revenue	820,980
Estimated Total Funds Available	2,688,653
2021/22 Net Debt Service Requirement	2,059,984
Estimated Interest and Sinking Fund Balance at 9-30-2022	$ 628,669

* *Unaudited.*

CONSOLIDATED DEBT SERVICE REQUIREMENTS

FISCAL YEAR 31-Aug	CURRENTLY OUTSTANDING DEBT SERVICE	LESS REFUNDED OBLIGATIONS DEBT SERVICE	PLUS: THE BONDS AT ACTUAL RATES* PRINCIPAL DUE 2/15	INTEREST DUE 2/15	INTEREST DUE 8/15	TOTAL	GRAND TOTAL ALL DEBT SERVICE
2022	$ 2,071,893.74	$ 122,359.38			$110,450.00	$ 110,450.00	$ 2,059,984.36
2023	2,073,918.76	816,018.76	$ 535,000	$110,450.00	99,750.00	745,200.00	2,003,100.00
2024	2,065,618.76	818,318.76	560,000	99,750.00	88,550.00	748,300.00	1,995,600.00
2025	2,066,718.76	820,018.76	585,000	88,550.00	76,850.00	750,400.00	1,997,100.00
2026	2,105,243.76	820,718.76	610,000	76,850.00	64,650.00	751,500.00	2,036,025.00
2027	2,105,718.76	819,993.76	630,000	64,650.00	52,050.00	746,700.00	2,032,425.00
2028	1,089,318.76	818,218.76	650,000	52,050.00	42,300.00	744,350.00	1,015,450.00
2029	1,096,271.88	820,271.88	675,000	42,300.00	32,175.00	749,475.00	1,025,475.00
2030	1,091,087.50	815,687.50	690,000	32,175.00	21,825.00	744,000.00	1,019,400.00
2031	819,000.00	819,000.00	715,000	21,825.00	11,100.00	747,925.00	747,925.00
2032	820,000.00	820,000.00	740,000	11,100.00	-	751,100.00	751,100.00
	$17,404,790.68	$8,310,606.32	$6,390,000	$599,700.00	$599,700.00	$7,589,400.00	$16,683,584.36

2022/23 PRO FORMA INTEREST & SINKING FUND MANAGEMENT INDEX

Estimated Interest and Sinking Fund Balance at 9-30-2022	$ 628,669
Estimated Income from $0.1019 Collected Using Projected 2022 Estimated Taxable Assessed Valuation of $ 1,177,754,020 at 95% Collections	1,140,125
Other Revenue (includes revenue for self-supporting debt)	818,805
Estimated Total Funds Available	2,587,599
Estimated 2022/23 Net Debt Service Requirement	2,003,100
Estimated Interest and Sinking Fund Balance at 9-30-2023	$ 584,499

COMPARATIVE CONDENSED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND BALANCE

The following statements reflect the historical operations of the City. Such summary has been prepared for inclusion herein based upon information obtained from the City's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
REVENUES					
Taxes	$15,156,286	$15,903,673	$15,475,868	$13,996,584	$12,734,676
Licenses and Permits	515,244	390,390	451,219	554,169	378,798
Intergovernmental	1,286,851	1,130,133	1,013,517	943,618	925,176
Fines	188,868	272,479	344,809	347,882	413,966
Recreation	1,031,451	689,593	673,473	629,462	689,922
Investment Earnings	97,740	189,796	84,621	28,763	21,907
Rents and Royalties	1,183,971	2,260,121	3,008,335	969,402	672,471
Miscellaneous	484,066	239,819	76,877	102,647	310,513
Contributions and Donations	280	26,185	37,082	119,930	9,465
Total Revenues	$19,944,757	$21,102,189	$21,165,801	$17,682,457	$16,156,894
EXPENDITURES					
General Government	$ 2,593,148	$ 2,981,242	$ 2,593,045	$ 2,997,485	$ 2,587,967
Public Safety	11,364,199	12,408,321	11,119,667	9,825,902	10,138,744
Highway and Streets	3,429,914	2,851,978	2,763,331	2,616,535	2,788,053
Recreation and Parks	3,704,537	2,862,512	2,022,254	2,044,458	1,929,483
Economic Development	145	2,193	-	-	-
Debt Service	831,296	928,468	862,756	844,192	851,369
Total Expenditures	$21,923,239	$22,034,714	$19,361,053	$18,328,572	$18,295,616
Excess of Revenues Over (Under) Expenditures	$(1,978,482)	$(932,525)	$ 1,804,748	$ (646,115)	$(2,138,722)
Total Other Financing Sources (Uses)	$ 362,313	$ 1,805,194	$ 1,751,667	$ 1,072,481	$ 2,124,136
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$(1,616,169)	$ 872,669	$ 3,556,415	$ 426,366	$ (14,586)
Fund Balance at Beginning of Year	$10,978,289	$10,105,620	$ 6,549,205	$ 6,112,839	$ 6,137,425
Transfer Fund Balance	-	-	-	-	-
Fund Balance - September 30	$ 9,362,120	$10,978,289	$10,105,620	$ 6,549,205	$ 6,112,839

Source: City's Comprehensive Annual Financial Reports.

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF BIG SPRING AND ITS ECONOMY

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This Appendix contains a brief discussion of certain economic and demographic characteristics of the area in which the City is located. It does not constitute a part of this Official Statement. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information. Much of the information was obtained from the *Texas Almanac*, Big Spring Chamber of Commerce, and the City of Big Spring and Howard County *Texas Municipal Reports.*

ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

The City

The City of Big Spring, Texas (the "City") is located in West Texas and is the county seat and principal commercial center of Howard County (the "County") located 39 miles northeast of Midland, Texas at the intersection of Interstate Highway 20 and U.S. Highway 87. Incorporated in 1907, the City currently encompasses 18.89 square miles and operates under a Home Rule Charter which was adopted on September 28, 1926. The City has a council-manager type of government composed of the City Manager, Mayor and six Councilpersons elected for three-year terms.

The County economy is based on agriculture, manufacturing and mineral production. The Texas Almanac designates cotton, wheat, sorghum and livestock as principal sources of agricultural income. Minerals found in the County include oil, gas, sand, gravel, and stone.

Population

	1980	1990	2000	2010	2020 Est.
City	24,804	23,093	25,233	27,282	29,189
County	33,142	32,287	33,627	35,012	34,860

Economy

Unlike many Texas communities of similar size, Big Spring's economy is not reliant on one or two industries. Even though oil related industry and agriculture played an important role in Big Spring and Howard County economies of the past, only about eight percent (8%) of the employed persons in 1990 reported that they were employed in these two groups. Today the community's economy is more diverse, consisting of varied industry and commercial types. The economy has seen improvement in recent years as the fortunes of the oil and gas industry have improved. Additionally, the construction of the Texas State Veterans Home, a large expansion of the VA hospital, and expansions at Alon refinery have boosted the economy.

Public-sector institutions such as Howard College, the Federal Correctional Institution, the Veterans Administration Hospital, and the Big Spring State Hospital are major employers in the area. Other noted large-scale employers in Big Spring are several private prisons, HEB, and Wal-Mart.

ALON USA, whose headquarters are in Dallas, owns the Big Spring refinery. The Big Spring refinery delivers products to customers from Ft. Smith, Arkansas to Phoenix, Arizona via owned/operated and third-party pipelines. The Big Spring refinery has been in service for more than 75 years, converting mainly crude oil from the Permian Basin. Today, the Big Spring refinery employs approximately 170 people, and has the potential to expand production capacity to about 75,000 barrels per day.

In 1998, the Big Spring Wind Power Project was activated to begin providing power for Texas Utilities, the local electric utility buying the power. The Wind Power Project is located at a site about eight miles east of Big Spring. The initial wind farm has the capacity to power 7,300 homes with green power and features 46 wind turbines. Since the initial project, thousands of wind turbines have been constructed in Howard and neighboring counties.

The Settles Hotel is an historic 15-story hotel located in downtown Big Spring. The Settles Hotel originally opened on October 1, 1930 and was occupied until the early 1980s. The building was purchased by the Settles Hotel Development Corporation in late 2006. Working from the original set of blueprints, they have brought back the beautiful details that evoke the craftsmanship and architectural details of a bygone era. The first-floor lobby and Grand Ballroom have been restored to their original glory following the original 1930s plans. The hotel features 65 guest rooms, a spa, restaurant, bar, and conference rooms. On December 28, 2012, a Grand Reopening was held for the Hotel Settles and its iconic rooftop sign was lit for the first time in 30 years.

Major Area Employers

Name	Product	Number of Employees
Veterans Administration Hospital	Hospital	652
Big Spring ISD	Education	534
Big Spring State Hospital	Medical	527
GEO Group	Commercial	432
Scenic Mountain Medical Center	Medical Center	350
Wal-Mart	Retail	274
City of Big Spring	Government	247
Howard College & Southwest Collegiate Institute for the Deaf	Education	240
Federal Bureau of Prisons	Federal Prison	218
Delek	Oil and Gas Refinery	197
Weatherford A&M Composites	Manufacturing	182
Howard County	Municipal Government	170

Labor Force Statistics - Howard County

Annual Average	2020	2019	2018	2017	2016	2015
Civilian Labor Force	13,502	14,167	13,648	13,234	13,218	13,604
Total Employed	12,409	13,735	13,202	12,670	12,488	12,996
Total Unemployed	1,093	432	446	564	730	608
% Unemployed	8.1%	3.0%	3.3%	4.3%	5.5%	4.5%
% Unemployed (Texas)	7.6%	3.5%	3.9%	4.3%	4.6%	4.3%
% Unemployed (United States)	8.1%	3.7%	3.9%	4.4%	4.9%	5.3%

Source: Texas Workforce Commission - Economic Research and Analysis Department, and United States Department of Labor.

Employment and Wages by Industry - Howard County

	Number of Employees			
	Second Quarter 2021	Fourth Quarter 2020	Fourth Quarter 2019	Fourth Quarter 2018
Natural Resources and Mining	949	887	1,229	1,291
Construction	577	566	698	719
Manufacturing	632	611	852	867
Trade, Transportation & Utilities	2,292	2,226	2,466	2,354
Information	99	110	233	205
Financial Activities	359	425	433	411
Professional and Business Services	1,182	772	816	532
Education and Health Services	1,457	1,481	1,597	1,673
Leisure and Hospitality	1,192	1,120	1,341	1,295
Other Services	305	309	397	395
Unclassified	632	631	637	632
Federal Government	1,019	990	1,006	926
State Government	--	--	--	--
Local Government	1,868	2,020	2,100	2,052
Total Employment	12,563	12,148	13,805	13,352
Total Wages	$162,953,998	$167,859,752	$189,251,209	$178,031,462

Source: Texas Workforce Commission - Texas Labor Market Information.

Transportation

Big Spring is on I-20 (east-west) and U.S. Hwy 87 (north-south). U.S. Hwy 87 is part of the Ports-to-Plains Trade Corridor which is a multi-lane divided highway that facilitates the efficient transportation of goods and services from Mexico through West Texas, New Mexico, Oklahoma, Colorado and ultimately on into Canada and the Pacific Northwest.

The Union Pacific Railroad currently serves Big Spring. Union Pacific Railroad merger with Southern Pacific Railroad further enhances rail service into and out of the Big Spring area. Big Spring McMahon-Wrinkle Air Park provides general aviation services and Big Spring Rail provides rail service to the Air Park.

Educational Facilities

The Big Spring Independent School District provides education in grades K-12. The average daily attendance for the 2020-21 school year was 3,361.4.

Howard County Junior College District, the boundaries of which are coterminous with Howard County, operates Howard College & Southwest Collegiate Institute for the Deaf, a public community college accredited by the Southern Association of Colleges and Schools and approved by the Coordinating Board, Texas College and University System, and the Texas Education Agency. The College has a current enrollment of 3,776.

Health and Medical Care

Big Spring is blessed with a broad and varied array of health care providers and services. With a 150-bed private hospital serving the general public to a Department of Veteran Affairs Medical Center, a State mental health facility and a Texas State Veterans Home, Big Spring is a center for health care.

Big Spring is the home of Dora Roberts Rehabilitation Center, one of the premier rehabilitation facilities in West Texas providing physical therapy, occupational therapy, cardiac rehabilitation, audiology and wellness programs along with a multitude of other services.

Big Spring offers several facilities that provide housing for the elderly, assisted living facilities, nursing homes, and in-home health care.

Big Spring has long had the reputation as being a center for health care in West Texas.

Economic Indices

Fiscal Year Ended 9/30	Number of Building Permits	Water Utility Connections
2011	1,262	8,687
2012	1,386	8,693
2013	1,616	8,754
2014	1,444	8,847
2015	1,491	8,733
2016	2,207	8,537
2017	1,807	8,470
2018	1,428	8,722
2019	1,558	8,704
2020	1,646	8,570

Source: The City.

Federal Prison and City Correctional Centers

A Federal Bureau of Prisons Level 2 Security Correctional Institution (low security prison) with a capacity of 1,631 inmates is located in the City. A satellite minimum security facility with a capacity of 160 inmates is located adjacent to the main prison. The present staff is 244.

The City has an intergovernmental agreement with the Federal Bureau of Prisons to operate four correctional facilities. The GEO Group administers the prisons under a management contract with the City; combined capacity is 3,500 inmates. The GEO Group has 500 employees.

APPENDIX C

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the City of Big Spring Comprehensive Annual Financial Report (the “Report”) for the fiscal year ended September 30, 2020.

The information presented represents only a part of the Report and does not purport to be a complete statement of the City’s financial condition. Reference is made to the complete Comprehensive Annual Financial Report for additional information.

CITY OF BIG SPRING

TEXAS

Comprehensive
Annual Financial Report

Fiscal Year Ended
September 30, 2020

CITY OF BIG SPRING, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020

CAFR Prepared by the Finance Department

INTRODUCTORY SECTION

March 5, 2021

Honorable Mayor, Members of the City Council, and Citizens of the City of Big Spring, Texas:

State law requires every general-purpose local government to publish complete audited financial statements within six months of the close of each fiscal year. This report is published to fulfill such 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 controls which has been established for this purpose. Because the cost of internal controls 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. All amounts in this transmittal letter are in thousands of dollars, unless otherwise stated.

Bolinger, Segars, Gilbert & Moss, L.L.P., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Big Spring's 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 complements this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Big Spring, Texas, incorporated in 1907, is the county seat and principal city of Howard County. The city is located 39 miles northeast of Midland, Texas at the intersection of Interstate Highway 20 and U.S. Highway 87. The city currently occupies a land area of 19.2 square miles and serves a population of 28,532. The city is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the city council.

The city has operated under the council-manager form of government since 1927. Policy-making and legislative authority are vested in a city council consisting of the mayor and six other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the city's manager, attorney and municipal court judge. The city's manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the city, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. All council members are elected by district. The mayor is elected at large.

The city provides a full range of services to its citizens, including police and fire protection, 911 emergency medical services, construction and maintenance of highways, streets, and other infrastructure; and recreational and cultural activities. Certain water and wastewater services are provided and accounted for through a separate enterprise fund. The city is also financially accountable for a legally separate economic development corporation, which is reported separately within the city's financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements (See Note A.1).

The city council is required to adopt a final budget by no later than the close of each fiscal year. This annual budget serves as the foundation for the City of Big Spring's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer budget within a department with the director's, city manager's and finance director's approval. Transfers between departments need special approval from the city council.

Economic Condition and Outlook

Major industries located within the government's boundaries or in close proximity include numerous oilfield related businesses, wind energy, manufacturers of hydraulic components, carbon black, five prison facilities, a large oil refinery, a railroad, and several financial institutions and insurance companies. Both the state and federal governments are significant economic presences thanks to a major psychiatric hospital and a veteran's health care facility that provides employment to approximately 1,100 healthcare professionals and staff

Unemployment rates for the last ten years have varied from a low of 3.7% in 2019 to the high of 7% in September 2020. This dramatic increase is due to the world-wide pandemic. Unemployment of 7% in Big Spring compares to 8.3% at the national level and 7.9% for the State of Texas at of the same period. Trends in unemployment rates are one indicator of economic strength and the City's rates for the past ten years are presented in Table E-16 in the statistical section.

Property tax revenue (using the modified accrual basis of accounting as shown for Governmental Funds in Exhibit A-5) increased modestly in 2019-20 year from $7,732,039 to $7,831,857, a 1.3% increase. The property tax rate increased from 72.93 cents, per $100 of assessed value, to 74.39 cents. The adjusted taxable value from the Assessor's 2019 Effective and Rollback Tax Worksheet increased from $1,013,407,115 for 2018 to $1,053,893,833 for 2019, a 4.0% increase.

Sales tax revenue decreased from $8,160,162 for year ending 9/30/2019 to $7,338,611 for 9/30/2020, a 10.1% decrease. The city's hotel occupancy tax revenue also decreased from $2,263,860 for year ending 9/30/2019 to $1,313,699 for 9/30/2020, a decrease of 42.0%. Hotel occupancy tax, by law, is restricted to uses which should have a direct impact on bringing more overnight visitors to the City of Big Spring. It is not available to meet many of the City's governmental needs. The significant drop in sales and hotel occupancy tax receipts can be attributed to economic headwinds arising from the Covd-19 pandemic. For the first five months of 2020-21, fiscal year to date sales tax receipts totaled $3,135,062 and fiscal year to date hotel occupancy tax receipts totaled $322,140. This is above budgeted expectations for sales tax and below budgeted expectations for hotel occupancy tax. We expect to see some recovery in sales tax receipts as the economy continues to slowly recover from the pandemic lows while it may take longer to see recovery in hotel occupancy tax receipts.

The drop in oil prices during 2019-20 from 2018-19 had reduced the City's mineral royalties, although it was a still a significant contributor to the revenue. For 2019-20, mineral royalties contributed $825,356 in revenue to the General Fund, and $835,802 to the Airpark Fund. This compares to $1,560,396 and $1,501,899 for these two funds in 2018-19. For the first five months of 2020-21, these two funds received $464,325 and $308,244 which is in range of the 2020-21 budget. While mineral royalty receipts for the General Fund are below budgeted expectations, this shortfall has been offset by new receipts from right-of-way licensing agreements with oil & gas providers. The increased demand for new right of way agreements with the City of Big Spring as well as the current recovery we are experiencing in the price of oil leads us to believe that we will see some recovery in mineral related receipts.

Much of the increase in business activities from 2012 to 2020 in the city is related to the exploration and production of the Cline Shale oil and gas formation. The City of Big Spring is the largest city within the boundaries of the shale formation. The city continued to realize increases in new businesses, houses, condominiums, hotels, restaurants, and other business during the 2019-20 year. Texas Department of Transportation, after schedule setbacks successfully completed the North Reliever Route, which was originally budgeted for approximately $80 million. This project has kept many contractors in the City.

The extension of the federal tax credit for wind energy construction has had a positive economic impact on Big Spring as wind energy companies have established and expanded operations here.

Long-term Financial Planning

Unassigned fund balance in the General Fund was 42.7% of total General Fund expenditures. The fund balance has decreased significantly over the past eleven years because of diligence in budgeting and the willingness of the elected officials to plan for the future (e.g. the building up of fund balances now for the new landfill, water and waste water plant upgrades, and other infrastructure planned improvements).

Total long-term debt, not due within one year, including bonds, capital leases, compensated absences, pensions, other post-employment benefits (health Insurance offered to retirees at current employee cost), landfill closure and post closure totaled $54,308,049, on September 30, 2020.

Relevant Financial Policies

The city anticipates opening a cell in a new landfill (with 100-year useful life) in the current 2020-2021 fiscal year, with an anticipated cost of approximately $6.7 million. Additionally, the city is required to set aside money for closure and post-closure of the current landfill. As of September 30, 2020, the city had $4,409,585 set aside in investments for anticipated closure and post-closure expenditures with only a current calculated liability cost of $3,354,971. Calculations are done annually on the liability incurred with remaining estimated capacity and forecasted expense of closure and monitoring cost after closure (post-closure).

Internal Controls

The City of Big Spring has established an internal control framework designed both to protect the City's assets from loss, theft, or misuse and provide reasonable, but not absolute, assurance of the safeguarding of assets against loss from unauthorized use or disposition. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. All internal control evaluations occur within the above frame work. We believe the city's internal controls adequately safeguard assets, ensure compliance with laws and regulations and provide reasonable assurance of proper recording of financial transactions.

Major Initiatives

The City has finished the Historic Big Spring Restoration project. This is a very historic location for the State of Texas as it was the only dependable water source on the southern Llano Estacado and was a sacred site for native Americans. The first European to come to the site was Cabeza de Vaca from the Galveston Island shipwreck in 1535. De Vaca held an impromptu blessing with the native Americans who saved him from starvation and exhaustion, which predates the Plymouth Thanksgiving by 85 years. This project was funded by the Hotel/Motel Occupancy Tax through the Hotel/Motel fund with grants and donations for a total of $ 2,533,919. Some of highlights of the facility are story-boards, native stone used for construction, full handicap access, 1,600 square foot interpretive / education center, parking for up to 140 vehicles, artificial spring flow to replicate the original historic spring, pedestrian bridges, observation decks, plaza seating for more than 1,000 people, and electric hookup for entertainment venues.

In the City's Utility fund over the course of five years, there have been significant improvements in the water consumption and loss ratio. These goals were reached through constant monitoring, review, and implementation of new procedures. The result has been a reduction of water loss, thereby greatly increasing our earnings potential, which resulted in a record revenue year of $14,834,816. From this revenue we have been able to pay for several rehabilitation projects in both the water and sewer plants, as well as 1.9 miles of both water and sewer pipes.

Another area in which the city continues to make improvements is the Airpark fund. By having service by air, railroad, and Interstate and Highway, the Airpark is a prime place for business in the area. Over the last five years the Big Spring Economic Development Corporation has paid and directed the extension of 5.4 miles of new rail line in the Airpark at a cost of $9.8 million. The businesses located there have seen substantial grown the last few years and the Economic Development Corporation, the Airpark Director, and the City are always in talks with businesses interested in moving operations into the Airpark.

The Aviation Division awards several grants which city management coordinates and seeks every year. In 2016-17, the City purchased two tracks of land for future entrances into the Airpark from the Hwy 87 South Reliever Route. The EDC and the Airpark have budgeted for completion of these entrances into the Airpark in the 2019-20 fiscal year with the EDC budgeting $6,000,000 from a bank loan on future sales tax and the Airpark budgeting $3,760,000 from existing fund balance.

In spite of all the challenges in rising costs and dwindling revenues in sales tax, and other categories, the City always invests in community programs. We continue to enhance the experience of every visitor, and promote cultural and educational events. The city invested in Meals on Wheels, Emergency Services Chaplin Corps, Potton House, Victim Services, State Park and Heritage Museum. These contributions are yearly and usually are over $60,000.

The City is finalizing a deal with the company connected with The Settle Hotel to partnership in the cost and development of an Outdoor Plaza Park to go between the Settles Hotel and City Hall and Auditorium. Johnson St for this block would be removed. As in the style and magnitude of The Settles Hotel we expect this plaza park to make a wonderful addition for the citizens and visitors of Big Spring. It will be fenced to allow events to take place there and be available for others to use when no events are scheduled. The approximate cost is $1 million from the City and $2 million from the developer. The City will be able to reduce the $1 million with like kind exchanges and then pay the remainder over three years.

In 2017-18 the City's Utility Fund purchased the former Cain Electric Building at 204 Johnson Street and has moved the city departments in the Annex Building, which were removed for the Plaza Park, as well as the water meter shop, and warehousing departments. By moving these departments to this building it has resulted in many efficiencies by housing these departments, which work together, closer to each other, as well as give the Airpark more facilities to lease to businesses. The main purpose of the warehousing department is to provide parts for the water and sewer operations. These parts are now closer to most of the areas of the City the workers are working in.

Awards and Acknowledgements

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

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to 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 and administration departments. We wish to express our appreciation to all members of these departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the city's finances.

Respectfully submitted,

Todd Darden
City Manager

Sandra Clarkson
Sandra Clarkson, CPA
Interim Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

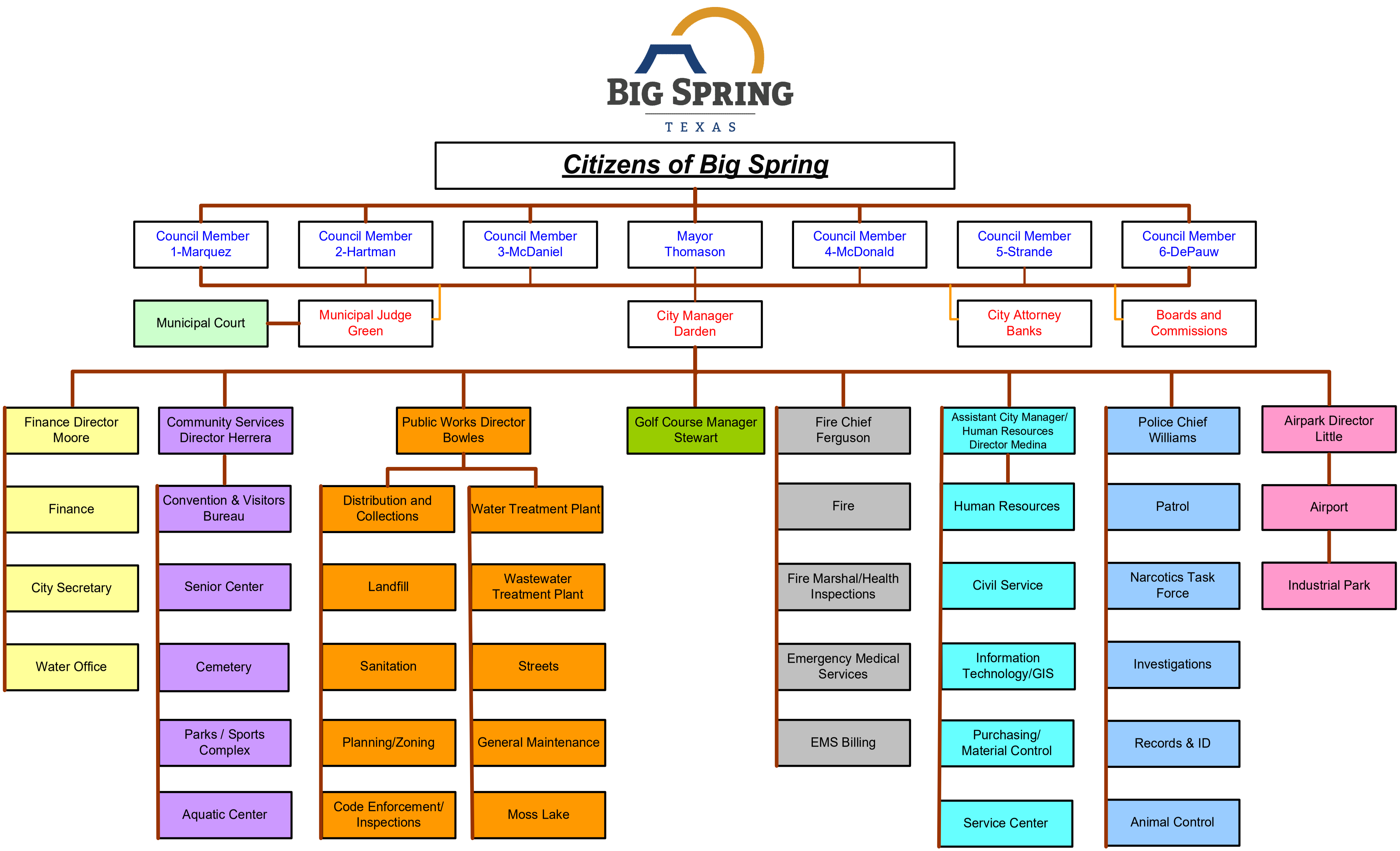
Presented to

City of Big Spring
Texas

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Executive Director/CEO



Citizens of Big Spring
Council Member 1-Marquez
Council Member 2-Hartman
Council Member 3-McDaniel
Mayor Thomason
Council Member 4-McDonald
Council Member 5-Strande
Council Member 6-DePauw
Municipal Court
Municipal Judge Green
City Manager Darden
City Attorney Banks
Boards and Commissions
Finance Director Moore
Finance
City Secretary
Water Office
Community Services Director Herrera
Convention & Visitors Bureau
Senior Center
Cemetery
Parks / Sports Complex
Aquatic Center
Public Works Director Bowles
Distribution and Collections
Landfill
Sanitation
Planning/Zoning
Code Enforcement/ Inspections
Water Treatment Plant
Wastewater Treatment Plant
Streets
General Maintenance
Moss Lake
Golf Course Manager Stewart
Fire Chief Ferguson
Fire
Fire Marshal/Health Inspections
Emergency Medical Services
EMS Billing
Assistant City Manager/ Human Resources Director Medina
Human Resources
Civil Service
Information Technology/GIS
Purchasing/ Material Control
Service Center
Police Chief Williams
Patrol
Narcotics Task Force
Investigations
Records & ID
Animal Control
Airpark Director Little
Airport
Industrial Park

CITY OF BIG SPRING, TEXAS

LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2020

Elected Officials

Name	Office
Shannon Thomason	Mayor
Nick Ornelas	District 1 Council Member
Doug Hartman, Jr.	Mayor Pro Tem, District 2 Council Member
Cody Hughes	District 3 Council Member
Gloria McDonald	District 4 Council Member
Troy Tompkins	District 5 Council Member
Maury Smith	District 6 Council Member

Appointed Officials

Name	Position
Todd Darden	City Manager
Sandy Clarkson	Interim Finance Director
Andrew Hagen	City Attorney
Chad Williams	Chief of Police
Craig Ferguson	Fire Chief
Shane Bowles	Public Works
John Medina	Asst. City Manager and Human Resource
Jim Little	Airpark Director

FINANCIAL SECTION

Bolinger, Segars, Gilbert & Moss, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 Nashville Avenue
Lubbock, Texas 79423-1954

Independent Auditor's Report

Mayor and City Council
City of Big Spring, Texas
Big Spring, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Big Spring, Texas (the City), as of and for the fiscal 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, business-type activities, each major fund, discretely presented component unit, and the aggregate remaining fund information, of the City of Big Spring, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and budgetary comparison schedules are the responsibility of management and were derived from and relates 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 statements and budgetary comparison schedules 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 it.

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 of the City's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 5, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

City of Big Spring, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Big Spring, Texas (the City) we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the letter of transmittal, the independent auditor's report, and the basic financial statements**. All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

FINANCIAL HIGHLIGHTS

- The assets of the City of Big Spring exceeded its liabilities on September 30, 2020 by $131,223 (net position). Of this amount, the unrestricted net position decreased by $8,212 from $4,066 to ($4,145). At the same time, the Net Position Invested in Capital Assets increased by $9,696 to a total $133,765.

- The City's total net position increased by $1,566. Net Pension Liability had an overall decrease of $2,495. At the end of calendar year 2019 - the fiscal year-end of both TMRS (Non-Fire Employees) and BSFRRF (Firemen's) retirement funds - the City's combined Net Pension Liability is $21,166.

- The City's governmental funds combined ending fund balance is $11,118 of which $9,356, a decrease of $1,517, is available for spending at the City's discretion.

- The ending unassigned fund balance for the General Fund was $9,356, or 46.9% of total general fund revenues and 42.7% of total expenditures.

- The City has reduced Bond and Capital Lease Debt by $11,810 from $31,375 at 9/30/2012 to $19,565 at 9/30/2020, a 37.6% reduction.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position provides an analysis of the City's overall financial condition and operations. The primary purpose of this analysis is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the method used by most private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are separated into two categories: those provided by outside parties who share the costs of some programs, such as the Department of Transportation's assistance in safe driving, and revenues provided by the taxpayers. All the City's assets are reported whether they serve the current year or future years. Liabilities are included regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other financial factors as well (such as changes in the City's sales tax revenues or its property tax base) and non-financial factors (such as the condition of the City's facilities, unemployment rates and population growth or decline).

In the Statement of Net Position and the Statement of Activities, the following activities are presented.

- Governmental activities – Most of the City's basic services are reported here, including general government, public safety, highways and streets, sanitation, and recreation and parks. Property taxes, sales taxes, user fees, and licenses and permits finance most of these activities.

- Business-type activities – The City accounts for business–type activities in its proprietary funds, where user fees and charges are intended to recover all or a significant portion of overall costs.

- Component unit – The City has one component unit which is funded primarily through sales tax revenue for the purpose of economic development, specifically the generation and retention of business activities and jobs.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Laws and contracts require the City to establish certain funds to account for specific activities, such as grants received through the Department of Justice. The City's administration establishes other funds to help it control and manage resources for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

- Proprietary funds – The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the full accrual method, which is the same accounting method employed in the Statement of Net Position and the Statement of Activities. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The City of Big Spring adopts an annual appropriated budget for its general fund (major fund). A budgetary comparison schedule has been provided for this fund to demonstrate budgetary compliance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The City of Big Spring's assets and deferred outflows of resources exceeded deferred inflows of resources and liabilities by $131,223 at September 30, 2020.

The largest portion of the City's net position ($133,765) reflects its investment in capital assets (e.g., land, infrastructure, buildings, and equipment) less any related debt used to acquire these assets that is still outstanding. These assets are used to provide services to the citizens and are not available for future appropriation. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table I
City of Big Spring, Texas

NET POSITION
(in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Assets:						
Cash and Cash Equivalents	$ 9,367	$ 13,215	$ 20,413	$ 20,723	$ 29,780	$ 33,938
Receivables	715	882	3,112	2,772	3,827	3,654
Internal Balances	4,494	520	(4,494)	(520)	0	0
Due from Other Governments	688	868			688	868
Capital Assets	86,360	87,076	68,230	60,851	154,590	147,926
Other Assets	7	5	524	464	531	469
Total Assets	$ 101,631	$ 102,566	$ 87,785	$ 84,290	$ 189,416	$ 186,856
Deferred Outflows of Resources	$ 3,019	$ 4,473	$ 1,277	$ 1,848	$ 4,296	$ 6,321
Liabilities:						
Accounts Payable and Other Current Liabilities	$ 2,896	$ 1,689	$ 3,338	$ 2,016	$ 6,234	$ 3,704
Current Portion of Long-term Liabilities	2,090	2,100	1,796	1,870	3,886	3,970
Long-term Liabilities	28,319	31,254	21,372	23,054	49,691	54,308
Total Liabilities	$ 33,305	$ 35,043	$ 26,506	$ 26,939	$ 59,811	$ 61,982
Deferred Inflows of Resources	1,828	1,057	850	481	2,678	1,538
Net Position:						
Invested in Capital Assets	$ 75,907	$ 75,148	$ 57,858	$ 48,922	$ 133,765	$ 124,070
Restricted	1,603	1,522			1,603	1,522
Unrestricted	(7,995)	(5,730)	3,849	9,796	(4,146)	4,066
Total Net Position	$ 69,515	$ 70,940	$ 61,707	$ 58,718	$ 131,222	$ 129,658

The City has restricted net position totaling 1.2% of total net position, which represents resources subject to restrictions on how they may be used. Such resources include special revenue funds restricted for specific purposes. The unrestricted net position is ($4,145).

There was an overall increase of $9,695 in net investment in capital assets, with capital assets in governmental activities increasing by $759 and capital assets in business-type activities increasing by $8,936. The net investment in capital assets for the primary government has increased due to more capital additions compared to depreciation being taken.

Table II
City of Big Spring, Texas

CHANGES IN NET POSITION
(in thousands)

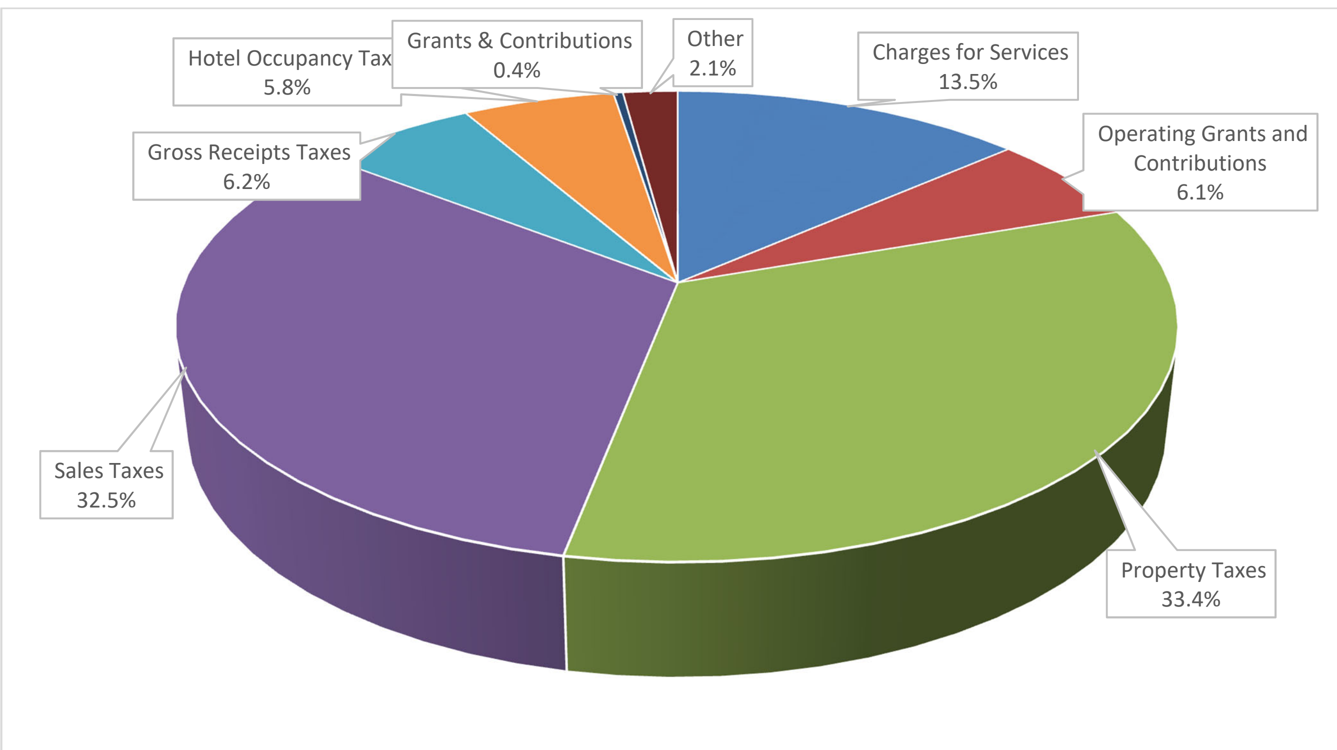
	Governmental Activities 2020	Governmental Activities 2019	Business-Type Activities 2020	Business-Type Activities 2019	Totals 2020	Totals 2019
Revenues:						
Program Revenues						
Charges for Services	$ 3,057	$ 3,820	$ 24,039	$ 23,056	$ 27,096	$ 26,876
Operating Grants and Contributions	1,382	1,240			1,382	1,240
Capital Grants and Contributions			1,595	2,188	1,595	2,188
General Revenues						
Property Taxes	7,542	8,023			7,542	8,023
Sales Taxes	7,339	8,160			7,339	8,160
Gross Receipts Taxes	1,397	1,562			1,397	1,562
Hotel Occupancy Tax	1,319	2,264			1,319	2,264
Grants and Contributions Not Restricted to Specific Programs	83	28	31	99	114	127
Unrestricted Investment Earnings	121	224	167	361	288	585
Miscellaneous	353	697	1,196	1,730	1,549	2,427
Total Revenues	$ 22,593	$ 26,018	$ 27,028	$ 27,434	$ 49,621	$ 53,452
Expenses:						
Water and Sewer	$	$	$ 12,532	$ 13,197	$ 12,532	$ 13,197
Airport/Industrial Park			2,615	2,614	2,615	2,614
Emergency Medical Services			3,602	3,927	3,602	3,927
Landfill			2,030	2,123	2,030	2,123
Sanitation			2,950	3,137	2,950	3,137
General Government	2,319	3,406			2,319	3,406
Public Safety	12,376	12,727			12,376	12,727
Highways and Streets	2,914	3,690			2,914	3,690
Recreation and Parks	4,280	3,104			4,280	3,104
Economic Development	1,546	2,167			1,546	2,167
Other	892	895			892	895
Total Expenses	$ 24,327	$ 25,989	$ 23,729	$ 24,998	$ 48,056	$ 50,987
Increase in Net Position Before Transfers	$ (1,734)	$ 29	$ 3,299	$ 2,436	$ 1,565	$ 2,465
Transfers	309	569	(309)	(569)	0	0
Increase (Decrease) in Net Position	$ (1,425)	$ 598	$ 2,990	$ 1,867	$ 1,565	$ 2,465
Net Position-Beginning	70,940	70,342	58,718	56,851	129,658	119,636
Net Position-Ending	$ 69,515	$ 70,940	$ 61,708	$ 58,718	$ 131,223	$ 129,658

Governmental Activities - Governmental activities resulted in a decrease of $1,734 in the City’s net position. As the result of the mandated restrictions resulting from the COVID-19 world-wide pandemic, the City’s governmental revenues declined by 13.2%. Even with careful budget controls and reducing expenditures from the previous year by $1,662, the decrease in Net Position was unavoidable.

Key elements of this decrease are as follows:

- Due to the restraints caused by the world-wide COVID-19 pandemic, the major classes of General Government revenues realized declines of (6.0%) to (50.7%) in 2019-20.
- The largest source, 33.4%, of general revenues, Property Taxes, declined by (6.0%), from $8,023 in 2018-19 to $7,542 in 2019-20. This category includes collections and penalty/interest for both the current year and delinquent taxes.
- Sales tax collections, the second largest source of general revenues, dropped by (10.1%) to $7,339.
- The only class of revenue to see an increase in 2019-20 was Grants and Contributions. As a result of the Federal Economic Stimulus efforts, this class of revenue realized an increase of 11.5%.

Revenues by Source
Governmental Activities
Fiscal Year 2019-20

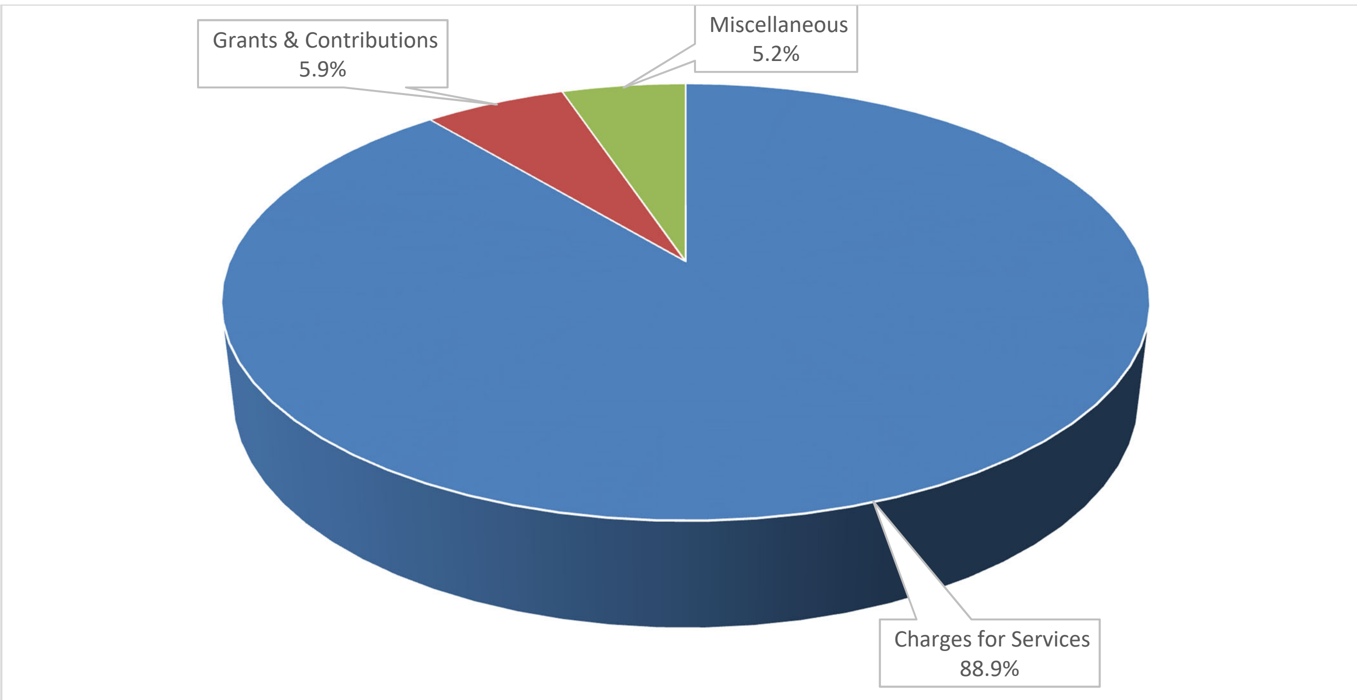


Business-type Activities - Business-type activities increased the City of Big Spring's total net position by $3,299 in the current fiscal year. Key elements of this increase are as follows:

- Total business-type revenues declined ($406) from the total in 2018-19, largely due to a 44.4% decline in mineral royalty income at the Airpark.

- Charges for services – the major class of revenues in the business-type activities – increased by $983 to $24,039.
- Total expenses for the City's business-type activities decreased from $24,998 for the year ended September 30, 2019 to $23,729 for the year ended September 30, 2020.

Revenues by Source
Business-type Activities
Fiscal Year 2019-20



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Big Spring uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. With the implementation of GASB No. 54 in fiscal year 2011, the City changed its presentation of fund balances in governmental funds. The GASB has defined five types of fund balances, which are more fully described in the footnotes to the financial statements. The City uses all five categories of fund balance.

As the City completed the 2019-20 year, its governmental funds reported combined ending fund balances of $11,118, representing a decrease of $1,523 from the prior year's balance of $12,641. This is attributed to the reduced revenues from mineral royalties, hotel occupancy taxes and charges for services.

The General Fund is the major operating fund of the City. Unassigned fund balance represents 42.7% of total General Fund expenditures.

Total fund balance in the City's General Fund decreased by ($1,616) during fiscal year 2019-20. The other governmental funds realized a net increase to fund balance of $93 or 5.6%.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, Business-Type Activities, but in more detail. Unrestricted net position of the City's enterprise funds at the end of the fiscal year are as follows:

	2020	2019	Change
Water and Sewer Fund	$ 5,331	$ 3,712	$ 1,619
Airport/Industrial Park	7,076	7,217	(141)
Emergency Medical Services	(4,517)	(4,309)	(208)
Landfill	(4,558)	2,106	(6,664)
Sanitation	517	1,070	(553)
	$ 3,849	9,796	$ (5,947)

Unrestricted net position increased by $1,619 in the Water and Sewer Fund and decreased by ($141) in the Airport/Industrial Park. The Emergency Medical Services Fund decreased from a negative ($4,309) to a negative ($4,517) by ($208). The Landfill Fund's unrestricted net position decreased by ($6,664) as the City continues to invest in the new landfill using accumulated cash assets. The Sanitation fund decreased unrestricted net position by ($553) after capital contribution to the Sanitation Fund of $1,200.

GENERAL FUND BUDGETARY HIGHLIGHTS

As the impact of COVID-19 pandemic became clear in the second and third quarters of the year, all areas of the City were re-examined to find realistic expectations of revenue collection and reductions in expenditures while continuing to provide essential services. As a result of this review, the revenue budget was reduced ($1,243) and appropriations decreased ($1,866) between the original and final amended budget. Despite these dramatic reductions, the General Fund had a net decrease of fund balance of ($1,616) at 9/30/2020. The following are some of the highlights that contributed to this decrease in fund balance.

- Final revenue totals had a combined negative variance with the final budget of ($139). This is primarily due to the decrease in mineral royalties which dropped (47.1%) compared to the previous year.
- Police Department operations were lower than the final budget by ($500), primarily because of unfilled positions and realignment of equipment purchases.
- The Fire Department exceeded the amended budget by $88 as the result of hiring new staff to meet the demands of a growing city and the unavoidable extra demands placed on them by the pandemic. Some of these excess costs were offset by grant revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Big Spring's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to $154,590 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and highways, water and sewer lines, and drainage improvements. The total City investment in capital assets increased by $6,664 or 4.5%.

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

- Infrastructure and Improvements increased by a net of $2,240 as projects in business-type activities were completed and put into operation.
- Buildings and Systems fell by a net of ($9) mainly because of depreciation.
- Construction in Progress of Business-Type Activities increased by $3,762 and governmental activities increased $1,179 as the City continues its commitment to improving infrastructure and facilities.
- Machinery and Equipment decreased by ($508) mainly by equipment retirement and depreciation in most departments exceeding new purchases of equipment.

Table III
City of Big Spring, Texas

CAPITAL ASSETS AT SEPTEMBER 30, 2020
(Net of Depreciation, in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	$72,946	$72,946	$6,313	$6,313	$79,259	$79,259
Historical Works of Arts			426	426	426	426
Buildings and Systems	2,149	2,628	19,240	18,770	21,389	21,398
Infrastructure and Improvements	6,330	7,599	26,955	23,447	33,285	31,046
Machinery and Equipment	3,486	3,633	4,604	4,965	8,090	8,598
Construction in Progress	1,449	269	10,692	6,930	12,141	7,199
	$86,360	$87,076	$68,230	$60,851	$154,590	$147,926

Additional information regarding capital asset activity of the City can be found in Note D in the Notes to the Financial Statements.

Long-Term Debt

In 2010, the City of Big Spring sold $4,200 in Certificates of Obligation for the construction of a new family aquatic center. The debt service on this certificate of obligation is being paid from property tax revenue.

In July 2012, the City issued $11,725 of Combination Tax and Surplus Revenue Certificates of Obligation. The proceeds of this issue were expended to renovate both the water and wastewater treatment plant facilities. In addition, the City entered into a performance agreement with the Big Spring Economic

Development Corporation (BSEDC) to use part of its sale tax revenue to meet debt service requirements on this issue. The BSEDC is a Type A Corporation, but in May of 2012, the voters of Big Spring approved the Type B treatment plant upgrades. BSEDC will contribute a maximum amount of $13,000 over a twenty-year term. The balance of the debt service requirements will be paid from utility system revenues.

In February of 2016, the City issued $7,980 of General Obligation Refunding Bonds. These bonds, issued at a premium, defeased $8,290 of the 2007 General Obligation Bonds and Certificate of Obligations Bond series. Defease means proceeds of the issue where put into an irrevocable trust to pay off the bonds on their call date. The call date is a feature where the issuer can pay off the bond before the maturity date. The call date for these two 2007 issues was 2/15/2017 so as of the date of this letter; the bonds have been called and paid. Because these 2007 bonds were defeased, only the remaining bonds due are shown in this Comprehensive Annual Financial Report. The City will save a net present value of approximately $1,195 which will be incurred over the next 11 years.

The Latest City's Unenhanced Bond S&P Bond Rating is "A+ Stable", which was obtained on February 5, 2020.

In 2020, the City took advantage of favorable market conditions to refinance $2,715,000 in callable certificates of obligation. The issues that were refunded were the Series 2010 Combination Tax & Surplus Revenue Certificates of Obligation ($2,515,000 refunded) and the Series 2007 Certificates of Obligation ($200,000 refunded). The Series 2020 Refunding Bonds have par value of $2,455,000 and average interest rate of 4%. However, because of the combined debt service savings of $323,996.92 over the remaining 10-year lifetime of the outstanding COs, the true interest cost is 1.539%.

At the end of the current fiscal year, the City of Big Spring had total bonded debt outstanding of $16,410. The total outstanding debt is backed by the full faith and credit of the government, while a tax levy has been established for $8,345 of the total and the remaining $8,065 is business-type activity debt, supported by water and sewer system revenues. Total long-term debt, not due within one year, including capital leases compensated absences, landfill closure and post closure, pension, and retiree health insurance is $49,691.

The City of Big Spring carefully plans debt acquisition to fund only capital replacement and new construction. This process includes matching the maturity of the debt to the useful lives of the assets to be funded, as closely as possible. This allows for the use of debt to compliment operations by allowing for matching the cash flows of asset cost to the period deriving the benefit from the asset.

Additionally, this allows the City to plan for and structure debt payments in such a manner that debt service tends to be generally declining across the years creating a known, decreasing demand upon resources for debt service and limiting the demand upon resources to a managed level. As a result of the development and refinement of this process, the impact of current debt upon present and future operations is minimized and annual operations can be based upon a known level of expendable, available resources to respond to the immediate needs of the City.

Table IV
City of Big Spring, Texas

OUTSTANDING BONDED DEBT AT SEPTEMBER 30, 2020
(in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Serviced by Tax Revenues						
General Obligation Bonds	$8,345	$6,840			$8,345	$6,840
Certificates of Obligation Bonds		2,715				2,715
Serviced by Enterprise Funds			180		180	
Certificates of Obligation Bonds			7,885	8,650	7,885	8,650
	$8,345	$9,555	$8,065	$8,650	$16,410	$18,205

Additional information regarding long-term debt activity of the City can be found in Note F in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the general fund the two largest revenue contributors are property and sales tax, making up 33.4% and 32.5%, at $7,542 and $7,339. Due to impact of the world-wide pandemic on all areas of life, both of these revenue streams had substantial decreases of 2.4% and 10.1% respectively.

One of the main driving forces in the local economy is both the price and the exploration of oil since Big Spring sits on the Cline Shale oil formation. Mineral revenues in fiscal 2020 totaled $1,661,178, down from $3,062,295 at the end of fiscal 2019. This decline in mineral revenues is a direct result of the drop in crude oil – from $116.54/barrel at the end of September 2019 to $40.35/barrel at the same point in 2020. This depressed price of oil has curtailed new drilling and exploration, which translates to fewer oil field workers in Big Spring’s hotels, restaurants and retail stores. To some extent, the City has offset this decline in mineral and tax revenues by entering into right-of-way agreements with oil and gas producers.

Unemployment increased, from 3.7% in 2019 to 7% in 2020, which compares to the state’s unemployment rate of 8.3% and the national rate of 7.9% for September 2020. Median household income grew 4.41% from $47,184 to $49,266.

The Airpark has experienced increased activity from wind turbine and oil exploration and production business. These businesses pay lease fees to the Airpark and their workers increase sales and property tax from their purchases in Big Spring.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's finance office, at City of Big Spring, 310 Nolan, Big Spring, Texas 79720-2657.

BASIC FINANCIAL STATEMENTS

CITY OF BIG SPRING, TEXAS

EXHIBIT A-1

GOVERNMENT-WIDE - STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS:				
Cash and Cash Equivalents	$ 9,366,876	$ 16,003,590	$ 25,370,466	$ 7,761,334
Cash and Cash Equivalents - Restricted		4,409,585	4,409,585	
Receivables (Net of Allowances for Uncollectibles)	714,720	3,112,407	3,827,127	3,543
Internal Balances	4,493,701	(4,493,701)		
Due from Other Governments	687,877		687,877	395,960
Inventories		522,369	522,369	
Prepaid Items	7,211	2,110	9,321	6,486
Notes Receivable				200,310
Other Assets				67,980
Capital Assets, Not Being Depreciated	74,393,797	17,430,450	91,824,247	25,000
Capital Assets, Net of Accumulated Depreciation	11,965,790	50,799,497	62,765,287	94,601
Total Assets	$ 101,629,972	$ 87,786,307	$ 189,416,279	$ 8,555,214
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflows - Pension Plan - TMRS	$ 963,720	$ 446,730	$ 1,410,450	$ 27,503
Deferred Outflows - Pension Plan - BSFRRF	1,310,156	605,603	1,915,759	
Deferred Outflows - OPEB - TMRS	70,781	32,266	103,047	1,547
Deferred Outflows - OPEB - Health Insurance	380,497	192,779	573,276	
Deferred Outflows - Loss on Refunding	294,253		294,253	
Total Deferred Outflows of Resources	$ 3,019,407	$ 1,277,378	$ 4,296,785	$ 29,050
LIABILITIES:				
Accounts Payable	$ 2,112,802	$ 2,574,159	$ 4,686,961	$ 80,866
Retainage Payable	32,076	209,318	241,394	
Claims and Judgments Payable	342,723		342,723	
Accrued Interest Payable	42,128	44,116	86,244	5,752
Accrued Wages	289,948	121,635	411,583	
Unearned Revenue	62,872		62,872	
Customer Deposits	13,950	355,700	369,650	
Unclaimed Property		33,018	33,018	
Noncurrent Liabilities				
Due Within One Year	2,090,177	1,796,315	3,886,492	550,000
Due In More Than One Year	28,319,486	21,371,516	49,691,002	5,125,846
Total Liabilities	$ 33,306,162	$ 26,505,777	$ 59,811,939	$ 5,762,464
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows - Pension Plan - TMRS	$ 1,034,132	$ 468,963	$ 1,503,095	$ 25,789
Deferred Inflows - Pension Plan - BSFRRF	399,918	183,411	583,329	
Deferred Inflows - OPEB - TMRS	28,269	12,820	41,089	705
Deferred Inflows - OPEB - Health Insurance	365,454	185,159	550,613	
Total Deferred Inflows of Resources	$ 1,827,773	$ 850,353	$ 2,678,126	$ 26,494
NET POSITION				
Net Investment in Capital Assets	$ 75,907,163	$ 57,858,080	$ 133,765,243	$ 119,601
Restricted For:				
Cemetery Permanent Care (Nonexpendable)	351,519		351,519	
Public, Educational and Governmental Television Access	220,846		220,846	
Economic Development				2,675,705
Advertising and Promotions	875,530		875,530	
Debt Service	153,226		153,226	
Court Security	1,891		1,891	
Unrestricted	(7,994,731)	3,849,475	(4,145,256)	
Total Net Position	$ 69,515,444	$ 61,707,555	$ 131,222,999	$ 2,795,306

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRING, TEXAS

EXHIBIT A-2

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	$ 2,319,131	$ 1,447,812	$ 91,059	$	$ (780,260)	$	$ (780,260)	$
Public Safety	12,375,807	468,015	1,160,703		(10,747,089)		(10,747,089)	
Highways and Streets	2,914,464				(2,914,464)		(2,914,464)	
Community Service	402,571	41,965	92,530		(268,076)		(268,076)	
Recreation and Parks	4,280,052	1,031,451	37,650		(3,210,951)		(3,210,951)	
Cemetery	153,204	62,822			(90,382)		(90,382)	
Economic Development	1,546,079	4,890			(1,541,189)		(1,541,189)	
Interest on Long-Term Debt	250,179				(250,179)		(250,179)	
Bond Issuance Costs	85,474				(85,474)		(85,474)	
Total Governmental Activities	$ 24,326,961	$ 3,056,955	$ 1,381,942	$ 0	$ (19,888,064)	$ 0	$ (19,888,064)	$ 0
Business-Type Activities:								
Water and Sewer	$ 12,531,442	$ 14,834,816	$	$ 750,000	$	$ 3,053,374	$ 3,053,374	$
Airport/Industrial Park	2,615,324	1,467,119				(1,148,205)	(1,148,205)	
Emergency Medical Services	3,601,760	1,847,112		844,588		(910,060)	(910,060)	
Landfill	2,029,714	2,084,418				54,704	54,704	
Sanitation	2,950,235	3,805,557				855,322	855,322	
Total Business-Type Activities	$ 23,728,475	$ 24,039,022	$ 0	$ 1,594,588	$ 0	$ 1,905,135	$ 1,905,135	$ 0
Total Primary Government	$ 48,055,436	$ 27,095,977	$ 1,381,942	$ 1,594,588	$ (19,888,064)	$ 1,905,135	$ (17,982,929)	$ 0
COMPONENT UNIT:								
Economic Development Corporation	$ 4,372,376	$	$ 0	$ 0				$ (4,372,376)
General Revenues:								
Property Taxes					$ 7,542,320	$	$ 7,542,320	$
Sales Taxes					7,338,611		7,338,611	2,443,865
Gross Receipts Taxes					1,397,440		1,397,440	
Motel Occupancy Taxes					1,318,699		1,318,699	
Grants and Contributions Not Restricted to Specific Programs					82,604	31,265	113,869	
Unrestricted Investment Earnings					120,667	167,488	288,155	45,599
Miscellaneous					354,048	1,195,353	1,549,401	12,094
Transfers					309,430	(309,430)		
Total General Revenue and Transfers					$ 18,463,819	$ 1,084,676	$ 19,548,495	$ 2,501,558
Change in Net Position					$ (1,424,245)	$ 2,989,811	$ 1,565,566	$ (1,870,818)
Net Position - Beginning					70,939,689	58,717,744	129,657,433	4,666,124
Net Position - Ending					$ 69,515,444	$ 61,707,555	$ 131,222,999	$ 2,795,306

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRING, TEXAS

EXHIBIT A-3

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	$ 6,116,033	$ 2,117,957	$ 8,233,990
Receivables (Net of Allowances for Uncollectibles)	567,814	146,906	714,720
Due from Other Funds	4,681,059		4,681,059
Due from Other Governments	687,877		687,877
Prepaid Items	6,112	1,099	7,211
Total Assets	$ 12,058,895	$ 2,265,962	$ 14,324,857
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	$ 1,999,693	$ 46,841	$ 2,046,534
Retainage Payable		32,076	32,076
Accrued Wages	275,587	14,361	289,948
Unearned Revenue		62,872	62,872
Due to Other Funds	172,679	287,026	459,705
Customer Deposits	275	13,675	13,950
Total Liabilities	$ 2,448,234	$ 456,851	$ 2,905,085
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue	$ 248,541	$ 52,771	$ 301,312
Total Deferred Inflows of Resources	$ 248,541	$ 52,771	$ 301,312
FUND BALANCES:			
Nonspendable Fund Balances:			
Prepaids	$ 6,112	$ 1,099	$ 7,211
Cemetery Permanent Care		351,519	351,519
Restricted Fund Balances:			
Restricted for Advertising and Promotions		875,530	875,530
Restricted for Court Security		1,891	1,891
Restricted for Public, Educational and Governmental Television Access		220,846	220,846
Restricted for Public Safety Improvements		16,438	16,438
Restricted for Debt Service		153,226	153,226
Restricted for Senior Citizen's Center		100,527	100,527
Committed Fund Balances:			
Committed for Employee Education		35,264	35,264
Unassigned Fund Balance	9,356,008		9,356,008
Total Fund Balances	$ 9,362,120	$ 1,756,340	$ 11,118,460
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 12,058,895	$ 2,265,962	$ 14,324,857

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRING, TEXAS

EXHIBIT A-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds Balance Sheet	$	11,118,460
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:		
Capital assets used in governmental activities are not reported in the funds.		86,347,139
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		301,312
Deferred outflows and inflows of resources related to pensions and OPEB are not reported in the funds.		897,381
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		1,002,802
Payables for bond principal which are not due in the current period are not reported in the funds.		(8,345,000.00)
Payables for capital leases which are not due in the current period are not reported in the funds.		(1,361,862.00)
Payables for notes payable which are not due in the current period are not reported in the funds.		(181,074.00)
Payables for bond interest which are not due in the current period are not reported in the funds.		(42,128)
Bond Premiums are not recorded in the funds.		(558,600)
Deferred Outflows of Resources - Loss on Refundings are not recorded in the funds.		294,253
Net pension liabilities are not reported in the funds.		(14,532,571)
Total OPEB Liabilities are not reported in the funds.		(3,935,070)
Payables for compensated absences which are not reported in the funds.		(1,489,598)
Net Position of Governmental Activities - Statement of Net Position	$	69,515,444

CITY OF BIG SPRING, TEXAS

EXHIBIT A-5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue:			
Taxes:			
General Property Taxes	$ 6,468,528	$ 1,363,329	$ 7,831,857
General Sales Taxes	7,338,611		7,338,611
Gross Receipts Business Taxes	1,349,147	48,293	1,397,440
Motel Occupancy Taxes		1,318,699	1,318,699
License and Permits	515,244		515,244
Intergovernmental	1,286,851	95,091	1,381,942
Charges for Services	2,000	36,179	38,179
Fines	186,868	9,745	196,613
Recreation	1,031,451		1,031,451
Investment Earnings	97,740	16,282	114,022
Rents and Royalties	1,183,971	91,497	1,275,468
Miscellaneous	484,066	21,797	505,863
Contributions and Donations	280	82,324	82,604
Total Revenues	$ 19,944,757	$ 3,083,236	$ 23,027,993
Expenditures:			
Current:			
General Government	$ 2,593,148	$ 57,692	$ 2,650,840
Public Safety	11,364,199	30,402	11,394,601
Highways and Streets	3,429,914		3,429,914
Community Service		395,056	395,056
Recreation and Parks	3,704,537		3,704,537
Economic Development	145	1,374,262	1,374,407
Cemetery		198,654	198,654
Debt Service:			
Principal	784,511	992,400	1,776,911
Interest	46,785	222,036	268,821
Bond Issuance Costs		85,474	85,474
Total Expenditures	$ 21,923,239	$ 3,355,976	$ 25,279,215
Excess of Revenues Over Expenditures	$ (1,978,482)	$ (272,740)	$ (2,251,222)
Other Financing Sources:			
Transfers In (Out)	$ 99,437	$ 279,320	$ 378,757
Capital Lease Proceeds	262,876	50,980	313,856
Refunding Bonds Issued		2,565,663	2,565,663
Payment to Refunded Bonds Escrow Agent		(2,530,417)	(2,530,417)
Total Other Financing Sources (Uses)	$ 362,313	$ 365,546	$ 727,859
Net Change in Fund Balances	$ (1,616,169)	$ 92,806	$ (1,523,363)
Fund Balances - Beginning	10,978,289	1,663,534	12,641,823
Fund Balances - Ending	$ 9,362,120	$ 1,756,340	$ 11,118,460

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRING, TEXAS

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net Change in Fund Balances - Total Governmental Funds	$	(1,523,363)
Amounts reported for governmental activities in the Statement Of Activities (SOA) are different because:		
Capital assets are not reported as expenses in the SOA.		2,954,029
Losses on the retirement of capital assets are not recorded in the funds.		(298,303)
The depreciation of capital assets used in governmental activities is not reported in the funds.		(3,370,527)
Proceeds of capital leases do not provide revenue in the SOA, but are reported as current resources in the funds.		(313,856)
Certain revenues are deferred in the funds. This is the change in these amounts this year.		(289,537)
Change in Deferred Outflows and Inflows related to Pensions is not reported in the funds.		(2,199,007)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		970,000
Repayment of capital lease and notes payable principal is an expenditure in the funds but is not an expense in the SOA.		806,911
The net impact of bond refundings are capitalized on the SNP.		(35,246)
Bond Premiums and Losses on Refundings' related amortization is not recorded in the funds.		18,160
Change in accrued interest from beginning of period to end of period.		699
The net revenue of internal service funds is reported with governmental activities.		386,882
Change related to pension and total OPEB liabilities is not recorded in the funds.		1,414,541
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		54,372
Change in Net Position of Governmental Activities - Statement of Activities	$	(1,424,245)

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRING, TEXAS

EXHIBIT A-7

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Major Proprietary Funds						
	Water and Sewer Fund	Airport/ Industrial Park	Emergency Medical Services	Landfill	Sanitation	Total Proprietary Funds	Internal Service Funds
ASSETS:							
Current Assets							
Cash and Cash Equivalents	$ 6,611,629	$ 7,954,787	$ 11,654	$ 644,161	$ 781,359	$ 16,003,590	$ 1,132,886
Cash and Cash Equivalents - Restricted				4,409,585		4,409,585	
Receivables (Net of Allowances for Uncollectibles)	2,303,924	100,214	105,244	50,330	552,695	3,112,407	
Due from Other Funds						0	272,543
Inventories	461,366		61,003			522,369	
Prepaid Items				2,110		2,110	
Total Current Assets	$ 9,376,919	$ 8,055,001	$ 177,901	$ 5,106,186	$ 1,334,054	$ 24,050,061	$ 1,405,429
NONCURRENT ASSETS							
Capital Assets (Net of Accumulated Depreciation)							
Land	$ 5,035	$ 5,671,290	$	$ 636,265	$	$ 6,312,590	$ 10,000
Historical Planes - Display Collection		426,000				426,000	
Buildings and Systems	13,180,117	5,840,175		220,175		19,240,467	
Infrastructure and Improvements	14,469,103	11,967,766		518,568		26,955,437	
Machinery and Equipment	699,426	889,838	784,411	1,184,396	1,045,522	4,603,593	2,448
Construction in Progress	127,452	839,783		9,724,625		10,691,860	
Total Noncurrent Assets	$ 28,481,133	$ 25,634,852	$ 784,411	$ 12,284,029	$ 1,045,522	$ 68,229,947	$ 12,448
Total Assets	$ 37,858,052	$ 33,689,853	$ 962,312	$ 17,390,215	$ 2,379,576	$ 92,280,008	$ 1,417,877
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows - Pension Plan - TMRS	$ 254,196	$ 51,285	$	$ 62,259	$ 78,990	$ 446,730	$
Deferred Outflows - Pension Plan - BSFRRF			605,603			605,603	
Deferred Outflows - OPEB - TMRS	18,314	3,675		5,209	5,068	32,266	
Deferred Outflows - OPEB - Health Insurance	90,635	15,055	46,305	20,268	20,516	192,779	
Total Deferred Outflows of Resources	$ 363,145	$ 70,015	$ 651,908	$ 87,736	$ 104,574	$ 1,277,378	$ 0
LIABILITIES:							
Current Liabilities							
Accounts Payable	$ 767,644	$ 366,242	$ 14,138	$ 1,332,338	$ 93,797	$ 2,574,159	$ 66,268
Claims and Judgments Payable							342,723
Retainage Payable		7,793		201,525		209,318	
Accrued Wages	48,102	10,174	39,984	8,499	14,876	121,635	
Due to Other Funds	157,038	7,381	305,326	4,010,925	13,031	4,493,701	196
Customer Deposits	312,351	43,349				355,700	
Unclaimed Property	33,018					33,018	
Accrued Interest Payable	43,985	131				44,116	
Accrued Compensated Absences - Current	36,124	15,651	131,442	11,953	15,694	210,864	
Long Term Debt - Current	942,381	160,909	79,730	233,570	168,861	1,585,451	4,003
Total Current Liabilities	$ 2,340,643	$ 611,630	$ 570,620	$ 5,798,810	$ 306,259	$ 9,627,962	$ 413,190
NONCURRENT LIABILITIES							
Accrued Compensated Absences	$ 108,373	$ 46,952	$ 394,324	$ 35,859	$ 47,051	$ 632,559	$
Net Pension Liability - TMRS	1,594,683	319,397		473,325	424,251	2,811,656	
Net Pension Liability - BSFRRF			3,821,432			3,821,432	
Total OPEB Liability - TMRS	141,401	28,322		41,970	37,619	249,312	
Total OPEB Liability - Health Insurance	806,384	133,947	411,981	180,330	182,528	1,715,170	
Long-Term Debt	7,941,644	217,811	65,208	416,114	145,639	8,786,416	1,885
Closure/Post-closure Landfill Obligation				3,354,971		3,354,971	
Total Noncurrent Liabilities	$ 10,592,485	$ 746,429	$ 4,692,945	$ 4,502,569	$ 837,088	$ 21,371,516	$ 1,885
Total Liabilities	$ 12,933,128	$ 1,358,059	$ 5,263,565	$ 10,301,379	$ 1,143,347	$ 30,999,478	$ 415,075
DEFERRED INFLOWS OF RESOURCES:							
Deferred Inflows - Pension Plan - TMRS	$ 265,981	$ 53,273	$	$ 78,947	$ 70,762	$ 468,963	$
Deferred Inflows - Pension Plan - BSFRRF			183,411			183,411	
Deferred Inflows - OPEB - TMRS	7,271	1,457		2,158	1,934	12,820	
Deferred Inflows - OPEB - Health Insurance	87,052	14,460	44,475	19,467	19,705	185,159	
Total Deferred Inflows of Resources	$ 360,304	$ 69,190	$ 227,886	$ 100,572	$ 92,401	$ 850,353	$ 0
NET POSITION:							
Net Investment in Capital Assets	$ 19,597,108	$ 25,256,132	$ 639,473	$ 11,634,345	$ 731,022	$ 57,858,080	$ 6,560
Unrestricted	5,330,657	7,076,487	(4,516,704)	(4,558,345)	517,380	3,849,475	996,242
Total Net Position	$ 24,927,765	$ 32,332,619	$ (3,877,231)	$ 7,076,000	$ 1,248,402	$ 61,707,555	$ 1,002,802

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRING, TEXAS

EXHIBIT A-8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Major Proprietary Funds						
	Water and Sewer Fund	Airport/ Industrial Park	Emergency Medical Services	Landfill	Sanitation	Total Proprietary Funds	Internal Service Funds
OPERATING REVENUES:							
Charges for Services:							
Water Sales	$ 11,531,285	$	$	$	$	$ 11,531,285	$
Sewer Charges	2,944,364					2,944,364	
Landfill Fees				2,058,454		2,058,454	
Sanitation Revenue					3,743,262	3,743,262	
Emergency Medical Services			1,847,112			1,847,112	
Commercial Rentals and Fees		1,467,119				1,467,119	
Billings to Departments and Employees							3,413,368
Other Services	359,167			25,964	62,295	447,426	
Total Operating Revenues	$ 14,834,816	$ 1,467,119	$ 1,847,112	$ 2,084,418	$ 3,805,557	$ 24,039,022	$ 3,413,368
OPERATING EXPENSES:							
Personnel Services	$ 2,607,301	$ 559,526	$ 2,150,098	$ 821,174	$ 859,467	$ 6,997,566	$
Supplies and Materials	4,877,536	51,653	138,171	40,541	210,487	5,318,388	6,231
Contractual Services	1,393,077	269,676	117,658	171,265	1,070,643	3,022,319	2,948,853
Maintenance	1,384,750	266,288	28,183	176,325	467,850	2,323,396	14,303
Depreciation	1,902,405	1,410,519	175,923	730,582	289,029	4,508,458	1,335
Other Expense	49,169	44,848	986,691	77,091	43,359	1,201,158	139,359
Total Operating Expenses	$ 12,214,238	$ 2,602,510	$ 3,596,724	$ 2,016,978	$ 2,940,835	$ 23,371,285	$ 3,110,081
Operating Income (Loss)	$ 2,620,578	$ (1,135,391)	$ (1,749,612)	$ 67,440	$ 864,722	$ 667,737	$ 303,287
NON-OPERATING REVENUES (EXPENSES)							
Intergovernmental Revenue	$	$ 31,265	$	$	$	$ 31,265	$
Interest Revenue	48,196	68,679		40,529	10,084	167,488	6,645
Rents and Royalties						0	
Gain/(Loss) on Disposal of Assets			63,807		12,500	76,307	
Other Income (Expense)	9,254	931,417	177,248	158	969	1,119,046	146,488
Interest Expense and Paying Agent Fees	(317,204)	(12,814)	(5,036)	(12,736)	(9,400)	(357,190)	(211)
Total Non-Operating Revenues (Expenses)	$ (259,754)	$ 1,018,547	$ 236,019	$ 27,951	$ 14,153	$ 1,036,916	$ 152,922
Income (Loss) Before Capital Contributions and Transfers	$ 2,360,824	$ (116,844)	$ (1,513,593)	$ 95,391	$ 878,875	$ 1,704,653	$ 456,209
Capital Contributions	750,000		844,588			1,594,588	
Transfers In (Out)	(20,287)	(377,828)	762,252	859,264	(1,532,831)	(309,430)	(69,327)
Change in Net Position	$ 3,090,537	$ (494,672)	$ 93,247	$ 954,655	$ (653,956)	$ 2,989,811	$ 386,882
Total Net Position - Beginning	21,837,228	32,827,291	(3,970,478)	6,121,345	1,902,358	58,717,744	615,920
Total Net Position - Ending	$ 24,927,765	$ 32,332,619	$ (3,877,231)	$ 7,076,000	$ 1,248,402	$ 61,707,555	$ 1,002,802

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRING, TEXAS

EXHIBIT A-9

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Major Proprietary Funds						
	Water and Sewer Fund	Airport/ Industrial Park	Emergency Medical Services	Landfill	Sanitation	Total Proprietary Funds	Internal Service Funds
Cash Flows from Operating Activities:							
Cash Received from Customers	$ 14,431,570	$ 2,411,060	$ 2,096,113	$ 2,104,347	$ 3,750,265	$ 24,793,355	$
Cash Receipts from Interfund Services Provided							3,413,368
Cash Payments to Employees for Services	(2,519,555)	(500,858)	(1,894,894)	(553,480)	(769,635)	(6,238,422)	
Cash Payments to Other Suppliers for Goods and Services	(7,926,874)	(296,958)	(1,290,954)	728,776	(1,802,378)	(10,588,388)	(3,293,867)
Net Cash from Operating Activities	$ 3,985,141	$ 1,613,244	$ (1,089,735)	$ 2,279,643	$ 1,178,252	$ 7,966,545	$ 119,501
Cash Flows from Non-Capital Financing Activities:							
Cash Received from Intergovernmental Grants	$	$ 31,265	$	$	$	$ 31,265	$
Various Reimbursements							146,488
Cash Transfers from (to) Other Funds	16,751	(370,447)	667,578	4,870,189	(1,519,800)	3,664,271	(347,030)
Net Cash from Non-Capital Financing Activities	$ 16,751	$ (339,182)	$ 667,578	$ 4,870,189	$ (1,519,800)	$ 3,695,536	$ (200,542)
Cash Flows from Capital and Related Financing Activities:							
Principal and Interest Paid	$ (1,607,400)	$ (189,396)	$ (111,347)	$ (125,618)	$ (196,693)	$ (2,230,454)	$ (4,097)
Paying Agent Fees	(775)					(775)	
Cash Received from Capital Contributions	750,000		844,588			1,594,588	
Lease Proceeds	36,584			40		36,624	
Proceeds from the Sale of Assets			63,807		12,500	76,307	
Acquisition or Construction of Capital Assets	(2,127,898)	(880,473)	(371,005)	(8,236,488)		(11,615,864)	
Net Cash from Capital and Related Financing Activities	$ (2,949,489)	$ (1,069,869)	$ 426,043	$ (8,362,066)	$ (184,193)	$ (12,139,574)	$ (4,097)
Cash Flows from Investing Activities:							
Interest and Dividends on Investments	$ 48,196	$ 68,679	$	$ 40,529	$ 10,084	$ 167,488	$ 6,645
Net Cash from Investing Activities	$ 48,196	$ 68,679	$ 0	$ 40,529	$ 10,084	$ 167,488	$ 6,645
Increase (Decrease) in Cash and Cash Equivalents	$ 1,100,599	$ 272,872	$ 3,886	$ (1,171,705)	$ (515,657)	$ (310,005)	$ (78,493)
Cash and Cash Equivalents - Beginning of Year	5,511,030	7,681,915	7,768	6,225,451	1,297,016	20,723,180	1,211,379
Cash and Cash Equivalents - End of Year	$ 6,611,629	$ 7,954,787	$ 11,654	$ 5,053,746	$ 781,359	$ 20,413,175	$ 1,132,886
Reconciliation of Operating Income to Net Cash from Operating Activities:							
Operating Income (Loss)	$ 2,620,578	$ (1,135,391)	$ (1,749,612)	$ 67,440	$ 864,722	$ 667,737	$ 303,287
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities							
Depreciation	$ 1,902,405	$ 1,410,519	$ 175,923	$ 730,582	$ 289,029	$ 4,508,458	$ 1,335
Other	9,256	931,417	177,248	158	969	1,119,048	
Change in Assets and Liabilities:							
Decrease (Increase) in Receivables	(397,409)	21,612	71,753	19,771	(56,261)	(340,534)	
Decrease (Increase) in Inventories	(52,588)		(18,129)			(70,717)	
Decrease (Increase) in Prepaid Expenses	12,844			(2,110)		10,734	
Decrease (Increase) in Deferred Outflows	329,116	59,120	48,866	77,236	56,668	571,006	
Increase (Decrease) in Accounts Payable	(182,598)	335,507	(2,122)	1,196,108	(10,039)	1,336,856	(13,035)
Increase (Decrease) in Claims and Judgements Payable							(172,086)
Increase (Decrease) in Accrued Wages	7,085	2,201	9,095	(3,384)	2,931	17,928	
Increase (Decrease) in Customer Deposits	(16,481)	(9,088)				(25,569)	
Increase (Decrease) in Unclaimed Property	1,388					1,388	
Increase (Decrease) in Accrued Compensated Absences	16,531	5,999	98,378	8,100	9,329	138,337	
Increase (Decrease) in Closure/Post-closure Landfill Obligation				76,862		76,862	
Increase (Decrease) in Net Pension Liability - TMRS	(685,031)	(94,637)		12,126	(78,576)	(846,118)	
Increase (Decrease) in Net Pension Liability - BSFRRF			117,533			117,533	
Increase (Decrease) in Total OPEB Liability - TMRS	(1,594)	2,352		13,041	6,079	19,878	
Increase (Decrease) in Total OPEB Liability - Health Insurance	180,220	34,855	40,735	10,468	28,437	294,715	
Increase (Decrease) in Deferred Inflows	241,419	48,778	(59,403)	73,245	64,964	369,003	
Total Adjustments	$ 1,364,563	$ 2,748,635	$ 659,877	$ 2,212,203	$ 313,530	$ 7,298,808	$ (183,786)
Net Cash from Operating Activities	$ 3,985,141	$ 1,613,244	$ (1,089,735)	$ 2,279,643	$ 1,178,252	$ 7,966,545	$ 119,501

Supplemental Cash Flow Information:
Non-Cash Related Financing Activities:
Capital Lease Proceeds and Capital Assets of $36,567 - Water and Sewer Fund
Capital Lease Proceeds and Capital Assets of $114,216 - Landfill Fund

A. Summary of Significant Accounting Policies

The combined financial statements of City of Big Spring, Texas (the City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

GASB Statement No. 61 identifies criteria for determining if other entities are potential component units that should be reported within the City's basic financial statements. The application of these criteria provides for identification of any entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading. Based on the application of these criteria, one component unit (Big Spring Economic Development Corporation) is included within the reporting City. The City is financially accountable for the Corporation. The City established the sales tax that is the principal source of revenue for the Corporation. The City Council appoints the Board of Directors and approves the annual budget. This component unit has been discretely presented in the accompanying financial statements. Complete financial statements for the component unit can be obtained from their office at 215 West 3rd Street, Big Spring, Texas.

Additionally, the City is not a component unit of any other reporting city as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund: This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following non-major governmental funds:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - are used to account for the accumulation of resources for and the payment of, general long-term obligation principal and interest (other than debt service payments made by proprietary funds).

The City reports the following major proprietary funds:

Water and Sewer Fund: This fund accounts for the revenues and expenses associated with providing water and sewer service to the citizens of the City.

Airport/Industrial Park Fund: This fund is used to account for the Airport and Industrial Park. Funding for these activities is provided by charges to renters of facilities.

Emergency Medical Services Fund: This fund is used to account for ambulance emergency services for citizens of the City. Funding for these activities is provided by charges billed to customers receiving the above services and reimbursements from the County.

Landfill Fund: This fund is used to account for landfill fees charged to the sanitation fund and other users of the landfill. This fund also accounts for expenditures to operate the landfill and long-term obligations for closure and post-closure costs related to closing the landfill in the future.

Sanitation Fund: This fund is used to account for the revenues and expenses associated with providing sanitation service to the citizens of the City.

In addition, the City reports the following fund type:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

b. Measurement Focus, Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's proprietary funds, of the water and sewer, airport/industrial park, EMS, landfill, and sanitation funds, and of the government's internal service funds are charges to customers for sales and services.

The City 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 proprietary 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.

c. Fund Balances

The City follows GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Non-Spendable Fund Balance—includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans, or prepaids) or because they must remain in-tact such as the principal of an endowment.

Restricted Fund Balance—includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.

Committed Fund Balance—includes the portion of net resources upon which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted only by the Council taking the same *formal action* that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.

Assigned Fund Balance—includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. Assignments of fund balance are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.

Unassigned Fund Balance—includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

Fund Balance Policy
Committed Fund Balance—The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at the City's Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period (i.e. the Council may approve the calculation or formula for determining the amount to be committed).

Assigned Fund Balance—The City Council authorizes the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose as approved by this fund balance policy.

Order of Expenditure of Funds
When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Restricted Cash and Cash Equivalents consist of the following:

Purpose	Fund	Amount
Landfill Closure and Post-Closure	Landfill	$ 4,409,585

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

Inventories on the balance sheet are stated at first in first out method. Inventory items are recorded as expenditures when they are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, 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. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Classes	Estimated Useful Lives (Years)
Infrastructure	30
Buildings	5-50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15
Furniture and Fixtures	2-10

e. Receivable Balances

Receivables as of year-end for the City's individual major funds, non-major funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds	Water and Sewer	Airport/ Industrial Park	Emergency Medical Services	Landfill	Sanitation	Total
Receivables:							
Taxes	$ 821,958	$	$	$	$	$	$ 821,958
Municipal Court	1,891,002						1,891,002
Other	32,327	1,265,604		71,768	40,327		1,410,026
Accounts	352,895	1,118,360	269,906	1,205,543	10,003	596,387	3,553,094
Gross Receivables	$ 3,098,182	$ 2,383,964	$ 269,906	$ 1,277,311	$ 50,330	$ 596,387	$ 7,676,080
Less: Allowance for Uncollectibles	(2,383,462)	(80,040)	(169,692)	(1,172,067)		(43,692)	(3,848,953)
Net Total Receivables	$ 714,720	$ 2,303,924	$ 100,214	$ 105,244	$ 50,330	$ 552,695	$ 3,827,127

Intergovernmental receivables are classified separately in the accompanying financial statements.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the balance sheet/statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of fund balance/net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

h. Use of Estimates

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

B. Compliance and Accountability

Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name		Deficit Amount	Remarks
Emergency Medical Services Fund	$	(3,877,231)	This fund incurred additional costs that will be recaptured. Deficit will be recaptured through subsidies from the General Fund.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

1. Cash Deposits:

   At September 30, 2020, the carrying amount of the City's deposits, restricted cash, escrow, and cash on hand was $29,780,051. At year end the City had $9,520 in cash on hand. The City's cash in bank deposits at year end were $29,770,531 with a bank balance of $29,870,581. The City's cash in bank deposits at September 30, 2020 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

2. Investments:

   The City is required by Government Code Chapter 2256, *The Public Funds Investment Act*, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

   The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investments at September 30, 2020 are shown below.

Investment or Investment Type	Maturity	Rating		Fair Value
Tex-Pool Investment Pool	34 Days Average	AAAm	$	8,377,378.00
Certificates of Deposit (CD)	Various			5,482,020.00
Bonds	8/13/2025			1,000,000.00
Money Market Fund	N/A			9,737,436.00

3. Analysis of Specific Deposit and Investment Risks

a. Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2020, the City's investments in TexPool was rated AAAm by Standard and Poor's.

b. Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. The City's demand deposits at year end are entirely covered by FDIC insurance and pledged collateral held in the City's name by the City's agent.

c. Concentration of Credit Risk – This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Although the City's policy states that portfolio diversification is required, it does not specify diversification goals or limits. All of the City's investments were invested in one local government investment pool at year end.

d. Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the City's investment policy requires that the portfolio remain sufficiently liquid to enable the City to meet operating requirements that might be reasonably anticipated. For short term liquidity requirements, the City utilizes two local government investment pools. TexPool is managed by Federated Investors for the State of Texas Comptroller of Public Accounts (TexPool). TexPool operates on a $1 net asset value basis and allows same day or next day redemptions and deposits. As of September 30, 2020, TexPool's portfolio maintained a weighted average maturity of approximately 37 days.

e. Foreign Currency Risk – This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. While the City's policy does not address this risk, the City has no foreign currency risk as of year-end.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Legal Investments – Under current Texas law and in accordance with City policy, the City is authorized to invest in (1) obligations of the United States or its instrumentalities, (2) direct obligations of the State of Texas or its agencies, (3) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or its instrumentalities, (4) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for City deposits, (5) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through primary government securities dealer or a bank domiciled in the State of Texas, (6) commercial paper 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 state bank in the United States, (7) no-load money market mutual funds registered with the Securities and Exchange Commission that have a dollar weighted average portfolio 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. The City may invest in such obligations directly or through government investment pools that invest solely in such obligations.

Fair Value of Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.* Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment earnings.

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At September 30, 2020 the City considered TexPool, CD's, and Money Market Fund investments level 1 and the bonds as level 2 in the hierarchy and they are reported as cash and cash equivalents.

D. Capital Assets

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

	Beginning Balances	Increases	Net Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital Assets Not Being Depreciated					
Land	$ 72,946,188	$	$	$	$ 72,946,188
Construction in Progress	269,379	1,442,399	(264,169)		1,447,609
Total Capital Assets Not Being Depreciated	$ 73,215,567	$ 1,442,399	$ (264,169)	$ 0	$ 74,393,797
Capital Assets Being Depreciated					
Buildings and Systems	$ 31,778,516	$ 149,772	$	$ 372,880	$ 31,555,408
Infrastructure and Improvements	30,290,900	757,587	255,153		31,303,640
Machinery and Equipment	13,077,215	604,271	52,034	882,232	12,851,288
Total Capital Assets Being Depreciated	$ 75,146,631	$ 1,511,630	$ 307,187	$ 1,255,112	$ 75,710,336
Less Accumulated Depreciation for:					
Buildings and Systems	$ 29,150,191	$ 330,746	$	$ 74,576	$ 29,406,361
Improvements Other Than Buildings	22,692,168	2,281,188			24,973,356
Machinery and Equipment	9,444,115	759,928	43,018	882,232	9,364,829
Total Accumulated Depreciation	$ 61,286,474	$ 3,371,862	$ 43,018	$ 956,808	$ 63,744,546
Total Capital Assets Being Depreciated, Net	$ 13,860,157	$ (1,860,232)	$ 264,169	$ 298,304	$ 11,965,790
Governmental Activities Capital Assets, Net	$ 87,075,724	$ (417,833)	$ 0	$ 298,304	$ 86,359,587

Depreciation was charged to governmental activities as follows:

General Government	$ 72,651
Public Safety	442,023
Highways and Streets	1,347,102
Recreation and Parks	986,932
Cemetery	16,832
Economic Development	504,987
	$ 3,370,527
Depreciation Charged to Internal Service Funds	1,335
Total Depreciation Charged to Governmental Activities	$ 3,371,862

	Beginning Balances	Increases	Net Transfers	Decreases	Ending Balances
Business-Type Activities:					
Capital Assets Not Being Depreciated					
Land	$ 6,312,590	$	$	$	$ 6,312,590
Historical Works of Art	426,000				426,000
Construction in Progress	6,929,775	9,064,139	(5,302,054)		10,691,860
Total Capital Assets Not Being Depreciated	$ 13,668,365	$ 9,064,139	$ (5,302,054)	$ 0	$ 17,430,450
Capital Assets Being Depreciated:					
Buildings and Systems	$ 80,727,659	$ 2,044,715	$ 191,304	$	$ 82,963,678
Infrastructure and Improvements	54,466,820	183,905	4,987,830		59,638,555
Machinery and Equipment	11,550,115	650,049	79,502	359,646	11,920,020
Total Capital Assets Being Depreciated	$ 146,744,594	$ 2,878,669	$ 5,258,636	$ 359,646	$ 154,522,253
Less Accumulated Depreciation for:					
Buildings and Systems	$ 61,957,900	$ 1,765,311	$	$	$ 63,723,211
Infrastructure and Improvements	31,019,464	1,663,654			32,683,118
Machinery and Equipment	6,584,948	1,079,493	(795)	347,219	7,316,427
Total Accumulated Depreciation	$ 99,562,312	$ 4,508,458	$ (795)	$ 347,219	$ 103,722,756
Total Capital Assets Being Depreciated, Net	$ 47,182,282	$ (1,629,789)	$ 5,259,431	$ 12,427	$ 50,799,497
Business-Type Activities Capital Assets, Net	$ 60,850,647	$ 7,434,350	$ (42,623)	$ 12,427	$ 68,229,947
Depreciation Expense		$ 4,508,458			

E. Internal Balances

1. Due To and From Balances

Internal Balances at September 30, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Proprietary Funds	$ 4,493,701	Short-Term Loans
Net Internal Balances		$ 4,493,701	

All short-term loans are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers at September 30, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	EMS Fund	$ (900,000)	Annual Subsidy
Proprietary/Internal Service Funds	General Fund	1,209,430	Administrative Fees
		$ 309,430	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt, landfill obligation, and accrued compensated absences. Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Certificate of Obligation Bonds	$ 2,715,000	$	$ 2,715,000	$ 0	$
General Obligation Refunding Bonds	6,840,000	2,275,000	770,000	8,345,000	995,000
Capital Leases	1,687,659	313,856	635,421	1,366,094	540,049
Economic Conservation	358,106		175,378	182,728	182,728
Compensated Absences	1,543,970		54,372	1,489,598	372,400
Unamortized Bond Premiums	327,129	290,663	59,190	558,602	
Total OPEB Liability - Health Insurance	3,043,611	341,692		3,385,303	
Total OPEB Liability - TMRS	538,935	10,832		549,767	
Net Pension Liability - TMRS	8,592,041		2,391,938	6,200,103	
Net Pension Liability - BSFRRF	7,707,593	624,875		8,332,468	
Total Governmental Activities	$ 33,354,044	$ 3,856,918	$ 6,801,299	$ 30,409,663	$ 2,090,177

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Certificate of Obligation Bonds	$ 8,650,000	$	$ 765,000	$ 7,885,000	$ 550,000
General Obligation Refuding Bonds		180,000		180,000	20,000
Capital Leases	2,470,733	150,783	832,536	1,788,980	707,223
Economic Conservation	604,062		295,835	308,227	308,228
Compensated Absences	705,086	138,337		843,423	210,864
Closure/Postclosure Landfill	3,278,109	76,862		3,354,971	
Unamortized Bond Premiums	204,291	21,871	16,502	209,660	
Total OPEB Liability - TMRS	229,434	19,878		249,312	
Total OPEB Liability - Health Insurance	1,420,455	294,715		1,715,170	
Net Pension Liability - TMRS	3,657,774		846,118	2,811,656	
Net Pension Liability - BSFRRF	3,703,899	117,533		3,821,432	
Total Business-Type Activities	$ 24,923,843	$ 999,979	$ 2,755,991	$ 23,167,831	$ 1,796,315

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated Absences	Governmental	General
Compensated Absences	Business-Type	Proprietary
Net Pension Liabilities	Governmental	General
Net Pension Liabilities	Business-Type	Proprietary
Total OPEB Liabilities	Governmental	General
Total OPEB Liabilities	Business-Type	Proprietary

2. Debt Service Requirements

Debt service requirements on general obligation bonds and certificates of obligation bonds at September 30, 2020, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Year Ending September 30,			
2021	$ 995,000	$ 237,000	$ 1,232,000
2022	1,015,000	212,700	1,227,700
2023	1,050,000	187,600	1,237,600
2024	1,070,000	157,600	1,227,600
2025	1,100,000	122,700	1,222,700
2026-2030	3,115,000	178,350	3,293,350
Totals	$ 8,345,000	$ 1,095,950	$ 9,440,950

Issue	Date of Issue	Original Issue	Interest Rates	Maturity Date	Outstanding	Purpose of Issue
G.O. Refunding Bonds	3/3/2020	$ 2,275,000	4.0%	2/15/2030	$ 2,275,000	Refunding of C.O. Bonds
G.O. Refunding Bonds	3/1/2016	7,980,000	2.0% - 3.0%	2/15/2027	6,070,000	Refunding of G.O and C.O. Bonds
		$ 24,540,000			$ 8,345,000	

NOTES TO FINANCIAL STATEMENTS

	Business-Type Activities		
	Principal	Interest	Total
Year Ending September 30,			
2021	$ 570,000	$ 276,719	$ 846,719
2022	585,000	259,194	844,194
2023	595,000	241,319	836,319
2024	615,000	223,019	838,019
2025	640,000	204,019	844,019
2026-2030	3,500,000	694,292	4,194,292
2031-2032	1,560,000	79,000	1,639,000
Totals	$ 8,065,000	$ 1,977,562	$ 10,042,562

Issue	Date of Issue	Original Issue	Interest Rates	Maturity Date	Outstanding	Purpose of Issue
2012 C.O Bonds	7/15/2012	$ 11,725,000	2.0% - 5.0%	2/15/2032	$ 7,885,000	Water Improvements
G.O. Refunding Bonds	3/3/2020	180,000	4.0%	2/15/2030	180,000	Elevated Reservoir Repair
		$ 11,905,000			$ 8,065,000	

Economic Conservation debt requirements at September 30, 2020, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Year Ending September 30,			
2021	$ 182,728	$ 7,656	$ 190,384
Totals	$ 182,728	$ 7,656	$ 190,384

	Business-Type Activities		
	Principal	Interest	Total
Year Ending September 30,			
2021	$ 308,228	$ 12,915	$ 321,143
Totals	$ 308,228	$ 12,915	$ 321,143

The effective interest rate on the Economic Conservation debt is 4.112%.

3. Capital Leases

The City uses an annual capital lease package to buy various pieces of machinery, equipment and vehicles for various departments within the City. Below are the related costs and accumulated depreciation of the lease assets as of September 30, 2020:

	Governmental Activities	Business-Type Activities
Machinery and Equipment	$ 8,366,749	$ 6,529,985
Less: Accumulated Depreciation	(4,924,366)	(3,423,619)
Totals	$ 3,442,383	$ 3,106,366

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2020, as follows:

	Governmental Activities		
	Principal	Interest	Total
Year Ending September 30,			
2021	$ 540,049	$ 29,115	$ 569,164
2022	435,036	15,259	450,295
2023	294,403	6,273	300,676
2024	86,034	929	86,963
2025	10,572	37	10,609
Total Minimum Rentals	$ 1,366,094	$ 51,613	$ 1,417,707

The effective interest rate on capital leases is 2.13% to 3.05%.

	Business-Type Activities		
	Principal	Interest	Total
Year Ending September 30,			
2021	$ 707,223	$ 38,128	$ 745,351
2022	569,703	21,741	591,444
2023	385,536	8,214	393,750
2024	112,666	1,216	113,882
2025	13,852	49	13,901
Total Minimum Rentals	$ 1,788,980	$ 69,348	$ 1,858,328

The effective interest rate on capital leases is 2.13% to 3.05%.

4. Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plans

Texas Municipal Retirement System (TMRS)

Plan Description

The City 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 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.

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 payments 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 75.00% of the member's deposits and interest.

Currently the city has adopted the following provisions related to the pension plan:

	December 31, 2019
Employee Deposit Rate	7.00%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Requirement Eligibility	
(Expressed as Age / Years of Service)	60/5,0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% 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	156
Inactive Employees Entitled to but not Yet Receiving Benefits	101
Active Employees	175
Total Plan Employees	432

Contributions

The contribution rates for employees in TMRS are either 5.00%, 6.00%, or 7.00% of employee gross earnings, and the city matching percentages are either 100.00%, 150.00%, or 200.00%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The required contribution rates for the City were 17.19% and 17.44% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were $1,656,458, and were equal to the 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

Inflation	2.50% per year
Overall Payroll Growth	2.70% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Amortization Period	26 years

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 disabled 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 target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, 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 arithmetic real rates of return for each major asset class 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%

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.

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance 12/31/2018	$ 55,645,756	$ 43,395,941	$ (12,249,815)
Service Cost	1,463,236		(1,463,236)
Interest (on the Total Pension Liability)	3,697,686		(3,697,686)
Changes of Assumption	104,120		(104,120)
Difference Between Expected and Actual Experience	367,915		(367,915)
Contributions - Employer		1,585,939	1,585,939
Contributions - Employee		645,817	645,817
Net Investment Income		6,672,658	6,672,658
Benefit Payments	(2,772,308)	(2,772,308)	
Administrative Expense		(37,730)	(37,730)
Proportionate Share Adjustment	(5,463)		5,463
Other		(1,134)	(1,134)
Balance 12/31/2019	$ 58,500,942	$ 49,489,183	$ (9,011,759)

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 be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease	Current Rate Assumption	1% Increase
$ (17,192,985)	$ (9,011,759)	$ (2,330,684)

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, Deferred Outflows, and Deferred Inflows Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of $1,665,617 and calculated as shown below:

Total Service Cost	$ 1,463,236
Interest on the Total Pension Liability	3,697,686
Employee Contributions (Reduction of Expense)	(645,817)
Projected Earnings on Plan Investments (Reduction of Expense)	(2,915,373)
Administrative Expense	37,730
Other Changes in Fiduciary Net Position	1,133
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(60,154)
Recognition of Current Year Outflow (Inflow) of Resources-Assets	87,176
Total Pension Expense	$ 1,665,617

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resouTRMrces related to pensions from the following sources:

Deferred Outflows of Resources - Pension Plan	Plan Year	Amount	Remaining Period (Years)
Employer Contribution Deferrals	2019	$ 1,244,086	1.000
Differences Between Projected and Actual Investment Earnings	2016	(527)	1.000
Differences Between Projected and Actual Investment Earnings	2017	(1,136,909)	2.000
Differences Between Projected and Actual Investment Earnings	2018	2,640,167	3.000
Differences Between Projected and Actual Investment Earnings	2019	(3,005,826)	4.000
Change in Assumptions	2019	70,204	2.070
Differences Between Expected and Actual Economic Experience	2017	(35,274)	0.250
Differences Between Expected and Actual Economic Experience	2018	(116,639)	1.280
Differences Between Expected and Actual Economic Experience	2019	248,073	2.070
Total Deferred Outflows and Inflows of Resources		$ (92,645)	

$1,244,086 of employer contribution deferral will be fully amortized in fiscal year 2020-2021. Total amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year		Amortization of Deferred Outflows
2020	$	831,063
2021		(311,615)
2022		139,362
2023		(751,455)
	$	(92,645)

Big Spring Firemen's Relief and Retirement Fund (BSFRRF)

Plan Description

Firemen of the City are covered by a single employer defined benefit pension plan, which is administered by a seven-member board. This board consists of the Mayor or his designee, the Chief Financial Officer, three firemen and two outside citizens. Texas Local Fire Fighters' Retirement Act (TLFFRA) requires that the Mayor, or his designee, and the Chief Financial Officer be permanent members of the Board. In addition, three firemen trustees are elected by the firemen. These five members are then charged with the responsibility of appointing the two final board members, who must be local citizens.

Benefits Provided

The City now provides a defined contribution to the fund of 15% of the firemen's salary and the firemen contribute 13%. Upon reaching the age of 50 with 20 years of service, the fireman is eligible for full retirement benefits. Vesting begins in the plan after 10 years of service, when the fireman is eligible for a deferred benefit (commencing at the end of the month in which his normal retirement date would have occurred). City contributions and interest forfeited by firemen who leave employment before full vesting remain in the plan.

A firefighter has the option to participate in a Deferred Retirement Option Plan (DROP) which provides a lump sum benefit and a reduced annuity upon termination of employment. Firefighters must retire within 5 years of a DROP election. This option is available with a reduced monthly benefit is determined based on an elected lump sum amount such that the combined present value of the benefits under the option is actuarially equivalent to that of the normal form of the monthly benefit. Optional forms are also available at varying levels of surviving spouse benefits instead of the standard two-thirds form.

There is no provision for automatic post-retirement benefit increases. BSFRRF has the authority to provide, and has periodically provided for in the past, ad hoc post-retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighter's Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. Amending the plan requires approval of any proposed change by: a) an eligible actuary and b) a majority of the participating members of the fund.

Currently the City has the following provisions related to the BSFRRF Plan:

	December 31, 2019
Employee Deposit Rate	13.00%
Matching Ratio (City to Employee)	15.00%
Years Required for Vesting	10/50% + 5%/year to 20
Service Requirement Eligibility	
(Expressed as Age / Years of Service)	50/20

At the December 31, 2019 valuation and measurement date, the following amounts represented employees covered by the benefit terms:

		Total Pension Liability
Retirees and Beneficiaries	$	13,279,608
Active Employees		10,244,313
Total Plan Employees - Pension Liability	$	23,523,921

Contributions

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

Employees were required to contribute 13.00% of their annual gross earnings during the fiscal year. The contribution rate for the City was 15.00% in calendar years 2019 and 2020. The City's contributions to BSFRRF for the year ended September 30, 2020 were $671,934 and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

The TPL in the December 31, 2019 actuarial valuation was determined using the following assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	30 years (funding)
Asset Valuation Method	5 year amortization of investment
Inflation	3.00%
Salary Increases	4.50%
Investment Rate of Return	7.75%
Retirement Age	Age and Service - Related
Mortality	Pub2010PS with MP 2018 projection

Changes in assumptions during the plan year 2019, were related to changing updating the mortality tables.

The assumed rate of return was developed using both the plan's historical rates of return and expected future rates of return. Rate of return experience studies have been performed in connection with the Plan's valuations. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return
Large Cap Stock - S&P 500	30.00%	5.50%
Mid/Small Cap Stocks - Russell 2000	30.00%	6.30%
International Stocks - MSCI EAFE	5.00%	5.20%
Bonds - Barclays US	10.00%	2.50%
Multi-Sector Bonds	20.00%	3.50%
Real Estate	5.00%	4.80%
Cash Equivalents - 3 Mo. Treasury	0.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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.

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance 12/31/2018	$ 22,314,452	$ 10,902,958	$ (11,411,494)
Service Cost	696,787		(696,787)
Interest (on the Total Pension Liability)	1,710,324		(1,710,324)
Changes in Assumptions and Differences in Experience			-
Contributions - Employee		565,707	565,707
Contributions - Employer		650,969	650,969
Net Investment Income		492,136	492,136
Benefit Payments	(1,197,642)	(1,197,642)	
Administrative Expense		(44,109)	(44,109)
Balance 12/31/2019	$ 23,523,921	$ 11,370,019	$ (12,153,902)

Sensitivity of the Net Pension Liability to changes in discount rate:

1% Decrease	Current Rate Assumption	1% Increase
$ (15,304,940)	$ (12,153,902)	$ (9,550,188)

Pension Expense and Deferred Outflows of Resources

Pension Expense for the year ended September 30, 2020 is as follows:

Total Service Cost	$ 696,787
Interest on the Total Pension Liability	1,710,324
Employee Contributions (Reduction of Expense)	(565,707)
Projected Earnings on Plan Investments (Reduction of Expense)	(847,277)
Administrative Expense	44,110
Amortization of Deferred Inflows and Outflows	370,404
Total Pension Expense	$ 1,408,641

Deferred Outflows of Resources related to the pension plan at September 30, 2020 were made up of as follows and will be amortized according to the table below:

Deferred Outflows of Resources - Pension Plan		Amount	Amortization Period
Employer Contribution Deferrals	$	502,303	1.000
Differences Between Projected and Actual Investment Earnings		26,155	1.000
Differences Between Projected and Actual Investment Earnings		(343,465)	2.000
Differences Between Projected and Actual Investment Earnings		946,295	3.000
Differences Between Projected and Actual Investment Earnings		291,277	4.000
Changes in Assumptions		192,066	2.880
Changes in Assumptions		301,128	4.030
Experience Differences		(235,522)	2.880
Experience Differences		(347,807)	4.030
Total Deferred Outflows of Resources	$	1,332,430	

Employer contributions of $482,160 related to contributions subsequent to the plan measurement date will be fully amortized in 2020-2021. Total amounts will be amortized as follows:

Plan Year		Amortization of Deferred Outflows
2020	$	674,807
2021		161,380
2022		435,356
2023		61,236
2024 and thereafter		(349)
	$	1,332,430

Pension Plan Fiduciary Net Position

Additional information regarding the BSFRRF Pension Plan's fiduciary net position is available in a separately issued BSFRRF financial report and can be obtained from the following address, 310 Nolan, Big Spring, Texas 79720.

I. Self-Insurance

Changes in the claims liability amounts for the self-insurance Internal Service Funds were as follows:

		Liability Balance at 10-01		Change in Claims and Estimates		Claim Payments		Liability Balance at 9-30		Total ISF Funds
Year Ending 09-30-19										
Health Insurance Claims	$	196,436	$	2,787,024	$	2,808,210	$	175,250	$	
Workers' Compensation Claims		397,338		92,878		150,657		339,559		514,809
Year Ending 09-30-20										
Health Insurance Claims	$	175,250	$	1,855,086	$	1,873,669	$	156,667	$	
Workers' Compensation Claims		339,559		(153,503)				186,056		342,723

Health Insurance

Effective October 1, 2001, the City changed from a fully-insured to a self-insured health insurance plan. The City's health insurance plan is administered by a third-party administrator, Employee Benefits Administrators (EBA). EBA reviews and processes all health insurance claims. The City has acquired stop-loss coverage, which limits the City's possible liability exposure to $90,000 per claim. The City informally budgets for current claims based on actuarial and historical data. Estimated liability on claims that have been incurred but not reported are accrued at year end. Estimated liability for health insurance claims is $156,667 at September 30, 2020.

Workers' Compensation

The City's workers' compensation plan is administered by Texas Municipal League's Intergovernmental Risk Pool (TML). TML reviews and processes all workers' compensation claims. The City has acquired stop-loss coverage, which limits the City's possible loss to $250,000 per occurrence. The City informally budgets for current claims based on actuarial valuations and historical data. Estimated liability on claims that have been incurred but not reported are accrued at year-end. The estimated liability for workers' compensation claims is $186,056 at September 30, 2020.

J. Other Post-Employment Benefits (OPEB)

Big Spring Retiree Health Insurance Plan

Plan Description:

The City sponsors and administers an informal single-employer health/dental plan, which is available for employees who retire with a minimum of 20 years of service or five consecutive years of service at age 60 or above, at the time of qualified retirement to continue receiving medical coverage until they are age 65 and qualify for Medicare. Texas statute provides that retirees from a municipality with a population of 25,000 or more and that receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the person and the person's dependents unless the person is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements for the health/dental plan. However, all required information is presented in this report.

Funding Policy:

The contribution requirements of plan members are established by the City and may be amended as needed. Retiree medical/dental coverage levels for retirees are the same as coverage provided to active City employees in accordance with the terms and conditions of the current City Benefit Plan. Plan members may purchase retiree health/dental care coverage for eligible spouses and dependents at their own expense. The City is not required to make contributions to the plan on behalf of the retirees and funds the plan on a projected pay-as-you-go financing method.

Employees Covered by Benefit Terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	19
Inactive Employees Entitled to but not Yet Receiving Benefits	0
Active Employees	227
Total Plan Employees	246

Total OPEB Liability:

The City's total OPEB liability of $5,100,473 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Balance as of December 31, 2018	$	4,464,066
Changes for the year:		
Service Cost		270,360
Interest on Total OPEB Liability		170,727
Experience Differences		(245,245)
Effect of Assumptions Changes or Inputs		5,114
Benefit Payments		435,451
Balance as of December 31, 2019	$	5,100,473

Actuarial Methods and Assumptions:

Actuarial Cost Method	Individual Entry Age
Discount Rate	2.75% as of December 31, 2019 - Assumption Change
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation - General 4.50% to 9.50% including inflation - Firefighters
Demographic Assumptions	General: Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS). Firefighters: Based on the assumptions disclosed in the Big Spring Firemen's Relief and Retirement Fund actuarial valuation report as of January 1, 2019.
Mortality rates – General	General: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements
Mortality rates – Firefighters	Firefighters: For healthy retirees, the gender-distinct PubS-2010 Healthy Retiree Mortality Tables. The rates are projected on a fully generational basis by scale MP-2018 to account for future mortality improvements.
Health Care Trend Rates	Initial Rate of 7.20% declining to an ultimate rate of 4.25% after 15 years.
Participation Rates	It was assumed that 35% of general employees and 80% of firefighters would choose to participate in the retiree medical plan after retirement, if eligible. The participation assumption was assumed to be 10% for non-disability related retirements prior to the age of 50. All retirees are assumed to discontinue coverage at the age of 65.

Sensitivity Analysis:

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.75%, as well as what the Total OPEB Liability would be 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. It also show how increasing or decreasing the Healthcare Cost Trend (HCT) Rate over the life of the plan would affect the liability.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	$ 5,645,162	$ 5,100,473	$ 4,618,575

	1% Decrease in HCT Rate	Current HCT Rate Assumption	1% Increase in HCT Rate
Total OPEB Liability	$ 4,410,143	$ 5,100,473	$ 5,943,282

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2020, the City recognized OPEB expense of $450,295. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
ER Contributions Deferral	$	$ 35,915
Experience Differences		514,698
Changes in Assumptions	573,276	
	$ 573,276	$ 550,613

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

	Amortization of Deferred Resources
2020	$ 9,208
2021	9,208
2022	9,208
2023	9,208
2024	6,469
Thereafter	15,277
	$ 58,578

TMRS – Supplemental Death Benefit Fund

Plan Description:

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This 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 or not 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 an OPEB and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF 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.

Benefits Provided:

The plan provides a $7,500 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the SDBF. The OPEB benefit is a fixed $7,500 lump-sum benefit and no future increases are assumed in the benefit amount.

The SDBF fund does not meet the requirements of a trust under Paragraph 4b of GASB No. 75, as the assets of the SDBF can be used to pay active SDBF benefits which are not part of the OPEB plan. The contributions for retiree SDBF coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

Benefit terms are established under the TMRS Act. Participation in the retiree SDBF is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The City's contribution rate for the retiree SDBF program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to $7,500.

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	119
Inactive Employees Entitled to but not Yet Receiving Benefits	25
Active Employees	175
Total Plan Employees	319

Total OPEB Liability:

The City's total OPEB liability of $799,079 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Balance as of December 31, 2018	$	768,369
Changes for the year:		
Service Cost		21,220
Interest on Total OPEB Liability		28,716
Effect of Assumptions Changes or Inputs		117,216
Benefit Payments		(9,226)
Other		(342)
Experience Differences		(126,874)
Balance as of December 31, 2019	$	799,079

Actuarial Assumptions:

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of Economic/Demographic Gains and Losses and Assumptions Changes or Inputs	Straight-Line Amortization over Expected Working Life
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Discount Rate	2.75% - Assumption Change for 2019
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 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% 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 TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.75% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

Annuity Purchase Rates:

Annuity purchase rates are used to determine the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

Experience Studies:

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. For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013. TMRS uses the experience studies as a basis for determining assumptions, except where required to be treated different by GASB 75.

Factors Affecting the Total OPEB Liability:

Changes of assumptions or other inputs reflect a change in the discount rate from 2018 to 2019.

There were no changes of benefit terms that affected measurement during the measurement period.

Sensitivity Analysis:

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.75%, as well as what the Total OPEB Liability would be 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. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	$ (950,337)	$ (799,079)	$ (681,242)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2020, the City recognized OPEB expense of $71,591. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ 81,645	$
Difference in Expected and Actual Experience		41,089
Contributions Made Subsequent to Measurement Date	21,402	
	$ 103,047	$ 41,089

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

		Amortization of Deferred Resources
2020	$	43,057
2021		15,771
2022		3,677
2023		(547)
	$	61,958

K. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City's Deferred Compensation Plan is administered by trustees, the City implemented the requirements of GASB No. 32, *Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. In accordance with this statement and recent tax law changes, the City amended their trust agreements, which establish that all assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries.

Due to the implementation of these changes, the City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustees. Accordingly, the City has not presented the assets and liabilities from the Deferred Compensation Plan in these basic financial statements. Deferred compensation investments are held by outside trustees. The City's Deferred Compensation Plan investments are chosen by the individual (employee) participant and include mutual funds whose focus is on stocks, bonds, treasury securities, money market-type investments or a combination of these. The City's Deferred Compensation Plan, available to all permanent City employees, permits them to defer until future years is defined by the Internal Revenue Service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

L. Commitments, Contingencies, and Litigation

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

   The City does not currently have any litigation that is expected to have a material impact on the financial statements.

M. Closure and Post-Closure Care Cost

State and federal laws and regulations require the City to place a final cover on its Big Spring Sanitary Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $3,354,971 reported as landfill closure and post-closure care liability at September 30, 2020, represents the cumulative amount reported to date based on the use of 95.94% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of $142,021 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City has not placed funds in a trust to cover these costs. However, at September 30, 2020 the City has designated an investment in the amount of $4,409,585 for this purpose.

N. Bond Refunding – 2020 General Obligation Refunding Bonds

The City refunded the Series 2007 and 2010 Certificates of Obligation with General Obligation Refunding Bonds, Series 2020 in the amount of $2,445,000. The City used $2,730,568 of the proceeds to retire the old bonds. The refunding was undertaken to reduce debt service payments over the next 10 years by $324,001 and resulted in an economic gain of $239,920.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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McCALL
PARKHURST & HORTON

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 BIG SPRING, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2022

IN THE AGGREGATE PRINCIPAL AMOUNT OF $6,390,000

AS BOND COUNSEL for the City of Big Spring, Texas (the "Issuer"), the issuer of the above-described Bonds (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing all in accordance with the terms and conditions stated in the text of the Bonds.

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to governmental immunity and bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding special obligations of the Issuer, and that ad valorem taxes sufficient to provide for the payment of the interest, if any, on and principal of the Bonds have been levied and pledged for such purpose, within the limits prescribed by law, as provided in the ordinance adopted by the City Council of the Issuer, pursuant to which the Bonds have been issued.

IT IS FURTHER OUR OPINION that, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use

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and investment of the proceeds of the Bonds and the use of the property financed therewith. 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.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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.

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 our opinions 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.

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.

Respectfully,

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY®
MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
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Financial Advisory Services
Provided By:

SAMCO Capital