

**BIG SPRING ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF BIG SPRING, TEXAS)**

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the City Council
City of Big Spring, Texas
and to the Board of Directors of
Big Spring Economic Development Corporation

We have audited the accompanying financial statements of the governmental activities and governmental fund of Big Spring Economic Development Corporation (BSEDC), a component unit of the City of Big Spring, Texas, as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise BSEDC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and governmental fund of Big Spring Economic Development Corporation, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the plan's net pension liability and related ratios, the schedule of contributions, the schedule of changes in the total OPEB liability and related ratios, and budgetary comparison information on pages 3 through 8 and pages 31 through 34 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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 19, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

INTRODUCTION

Our discussion and analysis of the Big Spring Economic Development Corporation's (BSEDC) financial performance provides an overview of the entity's financial performance for the fiscal year ending September 30, 2020. It should be read in conjunction with BSEDC's basic financial statements and independent auditor's report.

FINANCIAL HIGHLIGHTS

During the fiscal year 2019-2020, the BSEDC's net position decreased by 40 percent or \$1,870,818. This decrease is due to spending more on reliever roads and the mainline rehabilitation projects.

BSEDC closed the fiscal year ended September 30, 2020 with total assets and deferred outflows of \$8,584,264 and net position of \$2,795,306.

The balance of cash and investments at September 30, 2020 totaled \$7,761,334 which was an increase of \$3,767,805. The increase of cash is due to issuing the sales and use tax revenue note in the amount of \$5,500,000 to be used for the Reliever Route Access road project. Liabilities increased by \$5,437,708 to \$5,762,464. This increase is related to the sales and use tax note issued in the amount of \$5,500,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of BSEDC as a whole and present a long-term view of BSEDC's property, 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. These statements are referred to as government-wide financial statements.

Fund financial statements include the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance that report the operations in more detail than the government-wide statements by providing information about BSEDC's general fund. 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 needs and the appropriations budget.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide or the fund financial statements.

Government-Wide Statements

The analysis of BSEDC's overall financial condition and operations is reflected in these statements. Its primary purpose is to show whether the entity is faring better or worse as a result of the year's activities. The Statement of Net Position includes all of BSEDC's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. BSEDC's revenues are divided into those provided by outside parties (Big Spring Chamber of Commerce and United Way of Howard County) who share the costs of the building facility and revenues provided by sales tax or investment earnings (general revenues). All of BSEDC's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report BSEDC's net position and changes in them. The net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) provide one measure of BSEDC's financial health or financial position. Increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of BSEDC however, you should consider non-financial factors as well, such as changes in the city's economic activity, stability, and workforce.

In the Statement of Net Position and the Statement of Activities, we present the activities of BSEDC as follows:

Government-wide activities - BSEDC's basic purpose is reported here, including the cost of maintaining the operation of economic development programs. Sales tax finances are the majority of these activities.

Fund Financial Statement

BSEDC requires only one fund to maintain its operations and programs. The fund financial statements provide information about the fund, not the entity as a whole.

BSEDC's basic operations and services are reported in a government (General) fund. This fund uses 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 reports balances that are available for future spending. The governmental fund statement provides a detailed short-term view of BSEDC's general operations and the basic services it provides. We describe the differences between government-wide activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund in the reconciliation schedules following each of the fund financial statements.

GOVERNMENT FINANCIAL ANALYSIS

We present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of BSEDC's governmental activities.

Table I
Net Position

	Governmental Activities	
	2020	2019
Current and Other Assets	\$ 8,435,613	\$ 4,810,189
Capital Assets	119,601	125,887
Total Assets	<u>\$ 8,555,214</u>	<u>\$ 4,936,076</u>
Deferred Outflows of Resources	\$ 29,050	\$ 61,031
Current Liabilities	\$ 86,618	\$ 62,427
Noncurrent Liabilities	5,675,846	262,329
Total Liabilities	<u>\$ 5,762,464</u>	<u>\$ 324,756</u>
Deferred Inflows of Resources	\$ 26,494	\$ 6,227
Net Investment in Capital Assets	\$ 119,601	\$ 125,887
Unrestricted	2,675,705	4,540,237
Total Net Position	<u>\$ 2,795,306</u>	<u>\$ 4,666,124</u>

Total assets and deferred outflows of BSEDC's governmental activities increased from \$4,997,107 to \$8,584,264. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements. This balance was \$2,675,705 at September 30, 2020.

Table II
Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
General Revenues		
Sales Taxes	\$ 2,443,865	\$ 2,705,492
Investment Earnings	45,599	50,230
Contributions		300,000
Rents and Land Lease Revenue	7,864	88,638
Miscellaneous	4,230	3,882
Total Revenues	<u>\$ 2,501,558</u>	<u>\$ 3,148,242</u>
Expenses:		
General Government	\$ 257,125	\$ 197,408
Economic Development	3,365,251	1,078,275
Water and Waste Water Project	750,000	750,000
Total Expenses	<u>\$ 4,372,376</u>	<u>\$ 2,025,683</u>
Change in Net Position	\$ (1,870,818)	\$ 1,122,559
Beginning Net Position	4,666,124	3,543,565
Ending Net Position	<u>\$ 2,795,306</u>	<u>\$ 4,666,124</u>

Total revenues decreased from \$3,148,242 in fiscal year 2019 to \$2,501,558 in fiscal year 2020, a decrease of 21 percent. This decrease was due to the decrease in sales tax revenues, no contributions for the main line rehabilitation project, and a decrease in land lease revenue.

Total expenses increased from \$2,025,683 in the preceding year to \$4,372,376 for the year ending September 30, 2020 which reflects an increase of 116 percent or \$2,346,693. The increase in expenses is due to spending more on reliever roads and the mainline rehabilitation projects.

Expenses exceeded revenues by \$1,870,818.

FUND BALANCES

As BSEDC completed the year, its governmental fund reported a fund balance of \$8,348,995 which is more than last year's balance of \$3,601,233. This increase is from the issuance of the sales and use tax revenue note. \$274,776 of fund balance is in non-spendable and is invested in prepaid items, land inventory, and notes receivable. \$4,078,885 of fund balance is committed for the reliever route access roads project.

BUDGET AND PLANNING

The original budget for 2019-2020 was developed in the summer of 2019 and adopted by the Board in August 2019. This budget was approved by the City of Big Spring in September 2019. The budget was amended.

LAND INVENTORY

The 315 acres of unimproved real estate continues to be held for future needs.

CAPITAL ASSETS

At the end of 2020, BSEDC had \$312,749 invested in various capital assets including facilities and equipment.

DEBT

BSEDC now has long-term debt other than pension, OPEB, and accrued compensated absences obligations. As previously stated, BSEDC issued a sales and use tax revenue note in the amount of \$5,500,000 to be used to fund the Reliever Route Access road project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

BSEDC's appointed directors considered many factors when setting the fiscal year 2020-2021 budget. Sales tax collection, which accounts for the majority of BSEDC revenues, are projected decrease slightly from that of the 2019-2020 budget due to the COVID-19 pandemic and the downturn in oil related business. The Board projects that in the second/third quarter of 2021 there will be stronger activity once the vaccine comes out.

The construction of the \$135 million US Highway 87 reliever route from South US Highway 87 around the west side of town connecting with North US Highway 87 was completed in August 2020. The mandated IH 27 feasibility study by the 2019 Legislature is expected to have a major impact on the continued development of the Ports-to-Plains Corridor and long-term benefits to the region and, in particular, Big Spring. This addition will create new opportunities for development and new business location along the route.

The Board began the construction of the new Reliever Route Access roads from the newly completed reliever route into the Air/Industrial park from the south and west interchanges. These access roads will be vital to future development of the park and attraction of business. The Board has allocated \$2 million dollars in the 2019-2020 budget and received funding to complete the \$6 million project to be funded from future sales tax revenues. This project is estimated to be complete by 2020-year end.

The short line rail operator at the Airpark had a slight decrease in business during the past year due to sagging oil prices and crude oil being stranded in the Permian Basin. Rail car shipments for 2020-2021 will remain constant with movements of chemicals and other commodities being delivered and stored on the rail line.

BSEDC continues its contract with Leading EDG to provide business counseling and facilitation to startups, existing business and entrepreneurs needing assistance in becoming vital businesses in Big Spring. The service is being well utilized by the community, and it has had several successes.

The Board has a written letter of intent to help with funding of the new Howard County Community Health Center in 2020-2021 in the amount of \$100,000.

A new video piece was completed showcasing the improvements at the industrial park and will be utilized in marketing efforts in 2020-2021.

The BSEDC Executive Director announced his retirement as of the end of March 2020. The Board hired a new Executive Director in August 2020.

BSEDC's sole purpose is to stimulate the local economy by providing incentives and marketing support for industrial development. To that end, it is impossible to predict at the start of the budget process how many or what types of economic development projects will present themselves for consideration. Thus, at any given point throughout the fiscal year, a small or large portion of fund balance could become encumbered as incentives to fulfill BSEDC's mission.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the BSEDC's BSEDC finances and to demonstrate BSEDC's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Mark Willis, Big Spring Economic Development Corporation, 215 W. 3rd, Big Spring, Texas 79720.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Governmental Activities
ASSETS:	
Cash and Cash Equivalents	\$ 7,761,334
Due From Other Governments	395,960
Notes Receivable	200,310
Interest Receivable	3,543
Prepaid Insurance	6,486
Land Inventory	67,980
Capital Assets:	
Land	25,000
Depreciable Capital Assets, Net of Accumulated Depreciation	94,601
Total Assets	<u>\$ 8,555,214</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Plan - Employer Contribution Deferrals	\$ 24,648
Pension Plan - Difference in Expected and Actual Experience	1,650
Pension Plan - Changes in Assumptions	1,205
OPEB Plan - Employer Contribution Deferrals	146
OPEB Plan - Changes in Assumptions	1,401
Total Deferred Outflows of Resources	<u>\$ 29,050</u>
LIABILITIES:	
Accounts Payable	\$ 31,384
Interest Payable	5,752
Due To Other Governments	49,482
Noncurrent Liabilities:	
Due Within One Year	550,000
Due in More Than One Year	4,950,000
Accrued Compensated Absences	7,519
Net Pension Liability	154,617
Total OPEB Liability	13,710
Total Liabilities	<u>\$ 5,762,464</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension Plan - Difference in Projected and Actual Earnings	\$ 25,789
OPEB Plan - Difference in Expected and Actual Experience	705
Total Deferred Inflows of Resources	<u>\$ 26,494</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 119,601
Unrestricted	<u>2,675,705</u>
Total Net Position	<u><u>\$ 2,795,306</u></u>

The accompanying notes are an integral part of this statement.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

		Net (Expense) Revenue and Changes in Net Position
	Expenses	Governmental Activities
Governmental Activities		
General Government	\$ 257,125	\$ (257,125)
Economic Development	3,365,251	(3,365,251)
Water and Waste Water Project	750,000	(750,000)
Total Governmental Activities	<u>\$ 4,372,376</u>	<u>\$ (4,372,376)</u>
General Revenues:		
Sales Tax Revenue		\$ 2,443,865
Miscellaneous Revenue		4,230
Rents and Land Lease Revenue		7,864
Investment Earnings		45,599
Total General Revenues		<u>\$ 2,501,558</u>
Change in Net Position		\$ (1,870,818)
Net Position - Beginning		<u>4,666,124</u>
Net Position - Ending		<u>\$ 2,795,306</u>

The accompanying notes are an integral part of this statement.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

**BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2020**

	<u>General Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ 7,761,334
Due From Other Governments	395,960
Notes Receivable	200,310
Interest Receivable	3,543
Prepaid Insurance	6,486
Land Inventory	67,980
Total Assets	\$ <u>8,435,613</u>
LIABILITIES:	
Accounts Payable	\$ 31,384
Interest Payable	5,752
Due to Other Governments	49,482
Total Liabilities	\$ <u>86,618</u>
FUND BALANCE:	
Nonspendable - Notes Receivable, Prepaid Expenses, and Inventory	\$ 274,776
Committed for Reliever Route Access Roads	4,078,885
Unassigned	3,995,334
Total Fund Balance	\$ <u>8,348,995</u>
Total Liabilities and Fund Balance	\$ <u>8,435,613</u>

The accompanying notes are an integral part of this statement.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

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

Total Fund Balance - Governmental Fund Balance Sheet	\$	8,348,995
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.		119,601
Payables for compensated absences which are not reported in the funds.		(7,519)
Long-term liabilities are not due and payable from current financial resources and are not reported on the Governmental Fund Balance Sheet.		(5,500,000)
Net Pension Liability and Related Deferred Outflows and Inflows are not reported in the Funds.		(152,903)
Total OPEB Liability and Related Deferred Outflows and Inflows are not reported in the Funds.		<u>(12,868)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u><u>2,795,306</u></u>

The accompanying notes are an integral part of this statement.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	<u>General Fund</u>
Revenues:	
Taxes:	
Sales Taxes	\$ 2,443,865
Rents	6,900
Interest Income	45,599
Land Lease Revenue	964
Other Revenues	4,230
Total Revenues	\$ <u>2,501,558</u>
Expenditures:	
General Government	\$ 285,074
Economic Development	3,301,211
Water and Waste Water Project - City of Big Spring	750,000
Debt Service	64,040
Total Expenditures	\$ <u>4,400,325</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (1,898,767)
Other Financing Sources:	
Issuance of Sales and Use Tax Revenue Note	\$ <u>5,500,000</u>
Net Change in Fund Balance	\$ 3,601,233
Fund Balance - Beginning	<u>4,747,762</u>
Fund Balance - Ending	\$ <u><u>8,348,995</u></u>

The accompanying notes are an integral part of this statement.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

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

Net Change in Fund Balance - Total Governmental Fund	\$ 3,601,233
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(6,286)
Proceeds from the sales and use tax revenue notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(5,500,000)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	37,359
Net change in pension expense to convert amounts paid in for the governmental funds to accrued pension expense for governmental activities.	(1,771)
Net change in OPEB expense to convert amounts paid in for the governmental funds to accrued OPEB expense for governmental activities.	<u>(1,353)</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$ <u><u>(1,870,818)</u></u>

The accompanying notes are an integral part of this statement.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

1. REPORTING ENTITY

Big Spring Economic Development Corporation (BSEDC) was incorporated under the laws of the State of Texas and operates under a Board of Directors which is appointed by the City Council of Big Spring, Texas. The corporation is a non-profit corporation created under the Texas Development Corporation Act of 1979 and is governed by Section 4A of Article 5190.6 of the Revised Civil Statutes of the State of Texas. The purpose of the corporation is to promote, assist, and enhance economic development for Big Spring, Texas. It is funded by a one-half cent sales tax.

The corporation was originally incorporated as Moore Development for Big Spring, Inc.

BSEDC is a component unit of the City of Big Spring, Texas (the City). It is legally separate from the City, but the City Council appoints its five directors and approves the annual budget of BSEDC. The financial statements presented here are also included in the comprehensive financial report of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As a component unit of the City, the BSEDC's financial reporting policies conform to the accounting principles generally accepted in the United States of America applicable to its primary government (Big Spring).

Basis of Accounting and Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

These government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Statement of Activities demonstrates the degree to which the direct expenses of a given description are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific description. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given description or segment.

BSEDC reports all direct expenses in the Statement of Activities. Direct expenses are those that are clearly identifiable with a description. Indirect expenses of other types are not allocated but are reported separately in the Statement of Activities. Depreciation expense is reported in the Statement of Activities under general government expenses.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

Fund Financial Statements

BSEDC applies 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:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by BSEDC itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless BSEDC takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts BSEDC intends to use for a specific purpose. Intent can be expressed by an official or body to which BSEDC delegates authority.

Unassigned fund balance – amounts that are available for any purpose.

For the fiscal year ended September 30, 2020, BSEDC's fund balance was categorized as nonspendable and unassigned.

Financial statements are provided for the governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, BSEDC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of sales taxes. Miscellaneous revenues are recorded 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 generally are recorded when a liability is incurred, as under accrual accounting.

BSEDC reports the following governmental fund:

General Fund

This fund is established to account for financial resources used for BSEDC's operations. This is a budgeted fund and unassigned fund balances are considered resources available for current operations.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

Budgets and Budgetary Accounting

The annual budget is presented on the modified accrual basis of accounting. The current year's budget was adopted in August 2019 and was approved by the City Council in September 2019.

Encumbrances

Encumbrance accounting is not utilized by BSEDC because of its small size and its relatively simple operations.

Cash and Cash Equivalents

BSEDC has defined cash and cash equivalents to include cash in bank.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all capital assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Building Improvements	10 years
Computer Equipment	5 years
Other Equipment	5 - 10 years

3. INVESTMENTS POLICIES AND RISK

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires BSEDC 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.

Statutes authorize BSEDC to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires BSEDC to have independent auditors perform test procedures related to investment

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

practices as provided by the Act. BSEDC is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

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

- a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. BSEDC's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. BSEDC is not exposed to custodial credit risk, for its deposits are all covered by depository insurance and securities pledged by the depository bank.
- b. Concentration of Credit Risk – The investment policy of BSEDC contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. As of September 30, 2020, BSEDC's investments are with Western Bank which are covered by FDIC insurance and pledged securities, and as such BSEDC has no risk.
- c. Credit Risk – The risk that an issuer of other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of September 30, 2020 BSEDC was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable.
- e. Foreign Currency Risk – Not applicable and is not covered by the investment policy.

4. CASH AND CASH EQUIVALENTS

At September 30, 2020, the carrying amount of BSEDC's cash and cash equivalents was \$7,761,334, with a bank balance of \$7,814,320. BSEDC's cash and cash equivalents at September 30, 2020, and during the year ended were entirely covered by FDIC insurance and securities pledged by the depository bank.

5. DUE FROM/TO OTHER GOVERNMENTS

At September 30, 2020, BSEDC had \$395,960 due from the City of Big Spring related to two months of sales tax revenue that came in subsequent to year end.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

At September 30, 2020, BSEDC owed \$49,482 to the City of Big Spring related to reimbursement for salaries and benefits and various other items paid on their behalf.

6. NOTES RECEIVABLE

Notes receivable consists of cash incentives given to companies for the purpose of creating and maintaining new full-time positions in Big Spring. These receivables are structured to be forgiven as the companies meet the required performance agreements established by BSEDC. As of September 30, 2020, the outstanding notes receivable balance is \$200,310.

7. LAND INVENTORY

Land inventory consists of 315 acres of land acquired for marketing purposes and future economic development. As of September 30, 2020, BSEDC had land inventory with a balance of \$67,980.

8. CAPITAL ASSETS

	Balance 10/1/2019	Increases	Transfers/ Decreases	Balance 9/30/2020
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 25,000	\$	\$	\$ 25,000
Total Capital Assets Not Being Depreciated	\$ 25,000	\$ 0	\$ 0	\$ 25,000
Depreciable Assets:				
Buildings and Improvements	\$ 238,013	\$	\$	\$ 238,013
Furniture and Equipment	49,736			49,736
Total Depreciable Assets	\$ 287,749	\$ 0	\$ 0	\$ 287,749
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 132,287	\$	\$	\$ 132,287
Furniture and Equipment	54,575	6,286		60,861
Total Accumulated Depreciation	\$ 186,862	\$ 6,286	\$ 0	\$ 193,148
Total Depreciable Assets, Net	\$ 100,887	\$ (6,286)	\$ 0	\$ 94,601
Governmental Activities Capital Assets, Net	\$ 125,887	\$ (6,286)	\$ 0	\$ 119,601

Depreciation expense totaling \$6,286 was recognized in the Statement of Activities under general government.

9. OFFICE RENTAL AND UTILITIES REIMBURSEMENT

BSEDC leases office space to the Big Spring Chamber of Commerce and Howard County United Way. The duration is indefinite and was established as a verbal extension of a three-year lease that expired in May 1999. The monthly rent is \$575 plus 50% of shared utility costs.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

10. RISK MANAGEMENT

BSEDC is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. BSEDC carries commercial insurance for these risks.

Workers' Compensation Pool - BSEDC's employees are covered by the City's workers' compensation plan. The City's workers compensation plan is administered by Texas Municipal League's Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program and the City pays an annual premium for this coverage. The City has acquired stop-loss coverage, which limits the City's possible loss to \$250,000 per occurrence.

11. ACCRUED COMPENSATED ABSENCES

Compensated absences consists of vacation leave, sick leave, and compensatory leave. Vacation leave of 5-20 days is granted to all regular employees dependent upon the date employed, years of service, and civil service status. Currently, two times the employee's annual accrual of vacation leave may be "carried over" to the next calendar year. The City is obligated to make payment upon retirement or termination for employees in good standing for any available, unused vacation and compensatory leave. Sick leave for employees is accrued at 5-15 days per year. After 20 years of continuous full-time service for non-civil service personnel, vested sick leave is paid on retirement or termination at the current hourly rate for up to 90 days. Post-Employment Benefits for retirees of the City include the option to purchase health insurance.

12. LONG-TERM DEBT

BSEDC's long-term debt is made up of a sales and use tax revenue note. The activity from the year is summarized below and shows the amounts payable at September 30, 2020.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Interest and Fees
Governmental Activities:						
Sales and Use Tax Revenue Note	\$ _____	\$ 5,500,000	\$ _____	\$ 5,500,000	\$ 550,000	\$ 58,288
Total Governmental Activities	\$ 0	\$ 5,500,000	\$ 0	\$ 5,500,000	\$ 550,000	\$ 58,288

Detail on the maturity dates and interest rates of the outstanding sales and use tax revenue note of BSEDC as of September 30, 2020 are as follows:

Governmental Activities:		
Debt	Year of Maturity	Interest Rate
Sales and Use Tax Revenue Note	3/15/2030	2.51%

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

Debt service requirements on the sales and use tax revenue note at September 30, 2020, are as follows:

	Principal	Interest	Total
Year Ending September 30,			
2021	\$ 550,000	\$ 131,148	\$ 681,148
2022	550,000	117,343	667,343
2023	550,000	103,538	653,538
2024	550,000	89,733	639,733
2025	550,000	75,928	625,928
Thereafter	2,750,000	172,560	2,922,560
Totals	<u>\$ 5,500,000</u>	<u>\$ 690,250</u>	<u>\$ 6,190,250</u>

13. PENSION PLAN

Plan Description

BSEDC participates through the City of Big Spring, Texas (the City) 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 payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

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

	<u>December 31, 2019</u>
Employee Deposit Rate	7%
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 Repeating

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	0
Inactive Employees Entitled to but not Yet Receiving Benefits	0
Active Employees	<u>2</u>
Total Plan Employees	<u><u>2</u></u>

Contributions

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

Employees for BSEDC 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. BSEDC's contributions to TMRS for the year ended September 30, 2020, were \$31,388, and were equal to the required contributions.

Net Pension Liability

BSEDC'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 actuarial valuation as of that date.

Actuarial Assumptions

Inflation	2.5% per year
Overall Payroll Growth	2.05% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Amortization Period	26 years

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

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 Asset (Liability)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Asset (Liability)</u>
Balance 12/31/2018	\$ 740,428	\$ 535,812	\$ (204,616)
Service Cost	25,105		(25,105)
Interest (on the Total Pension Liability)	63,442		(63,442)
Difference Between Expected and Actual Expenses	6,312		(6,312)
Changes of Assumptions	1,786		(1,786)
Contributions - Employee		11,080	11,080
Contributions - Employer		27,210	27,210
Net Investment Income		114,484	114,484
Benefit Payments	(47,565)	(47,565)	
Administrative Expense		(647)	(647)
Other	5,463	(20)	(5,483)
Balance 12/31/2019	<u>\$ 794,971</u>	<u>\$ 640,354</u>	<u>\$ (154,617)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of BSEDC, calculated using the discount rate of 6.75%, as well as what BSEDC'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:

<u>1% Decrease</u>	<u>Current Rate Assumption</u>	<u>1% Increase</u>
\$ 294,984	\$ 154,617	\$ 39,988

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.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

Pension Expense, Deferred Outflows, and Deferred Inflows Related to Pensions

For the year ended September 30, 2020, BSEDC recognized pension expense of \$28,578 and calculated as shown below:

Total Service Cost	\$	25,105
Interest on the Total Pension Liability		63,442
Employee Contributions (Reduction of Expense)		(11,080)
Projected Earnings on Plan Investments (Reduction of Expense)		(50,020)
Administrative Expense		647
Other Changes in Fiduciary Net Position		20
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities		(1,032)
Recognition of Current Year Outflow (Inflow) of Resources-Assets		1,496
Total Pension Expense	\$	<u>28,578</u>

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

Deferred Outflows/(Inflows) of Resources - Pension Plan	Plan Year	Amount	Remaining Amortization Period
Employer Contribution Deferrals	2019	\$ 24,648	1.000
Differences Between Projected and Actual Investment Earnings	2016	(9)	1.000
Differences Between Projected and Actual Investment Earnings	2017	(19,506)	2.000
Differences Between Projected and Actual Investment Earnings	2018	45,298	3.000
Differences Between Projected and Actual Investment Earnings	2019	(51,572)	4.000
Change in Assumptions	2019	1,205	2.070
Differences Between Expected and Actual Economic Experience	2017	(605)	0.250
Differences Between Expected and Actual Economic Experience	2018	(2,001)	1.280
Differences Between Expected and Actual Economic Experience	2019	4,256	2.070
Total Deferred Outflows/(Inflows) of Resources		\$ <u>1,714</u>	

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
2019	\$ 17,562
2020	(5,346)
2021	2,391
2022	(12,893)
2023	0
	\$ <u>1,714</u>

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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 January 1 each year. BSEDC'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	0
Inactive Employees Entitled to but not Yet Receiving Benefits	0
Active Employees	2
Total Plan Employees	<u>2</u>

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

Total OPEB Liability:

BSEDC's total OPEB liability of \$13,710 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

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	2.5%
Salary Increases	3.50% to 11.5% including inflation
Discount Rate	2.75%
Retirees' Share of Benefit-Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates – Service Retirees	2019 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 GASBS No. 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 Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

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.

Changes in the Total OPEB Liability:

Balance as of December 31, 2018	\$	12,835
Changes for the year:		
Service Cost		364
Interest on Total OPEB Liability		493
Benefit Payments		(158)
Differences Between Expected and Actual Experience		(2,177)
Changes in Assumptions or Other Inputs		2,011
Other - Proportionate Share Adjustment		342
Balance as of December 31, 2019	\$	<u>13,710</u>

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

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

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

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	\$ 16,305	\$ 13,710	\$ 11,688

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

For the year ended September 30, 2020, BSEDC recognized OPEB expense of \$1,228. At September 30, 2020, BSEDC 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	\$ 1,401	\$
Difference in Expected and Actual Experience		705
Contributions Made Subsequent to Measurement Date	146	
	\$ 1,547	\$ 705

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
2019	\$ 517
2020	271
2021	63
2022	(9)
	\$ 842

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

15. HEALTH CARE BENEFITS

Health insurance benefits are provided to the employees of BSEDC through the City's self-insured health insurance plan. The City's health insurance plan is administered by a third-party administrator, Texas Municipal League's Multistate Intergovernmental Employee Benefits Pool (TMLIEBP). TMLIEBP 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. BSEDC's health insurance cost of \$11,184 includes health insurance paid for both employees.

BSEDC does not provide post-retirement health benefits to its employees.

16. CONTINGENCIES

BSEDC has no litigation pending which would have a material impact on the financial statements.

17. COMMITMENT TO THE CITY OF BIG SPRING

In May, 2012 the citizens of Big Spring voted to fund a 4B project to rehabilitate the City's water and waste water treatment plants including repair or replacing water distributions lines. As a part of that agreement with the City, BSEDC was obligated to fund \$750,000 on January 1, 2016. In later years and through 2033 BSEDC is obligated to pay 40% of its sales tax revenue except the payment cannot exceed \$750,000 or be less than \$500,000. This agreement has a term ending in 2033 or a total amount of \$13,000,000.

	<u>Total Project</u>	<u>Expended to Date</u>	<u>Commitment</u>
Water & Waste Water	\$ <u>13,000,000</u>	\$ <u>6,000,000</u>	\$ <u>7,000,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

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BIG SPRING ECONOMIC DEVELOPMENT CORPORATION
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability
Service Cost	\$ 11,837	\$ 32,062	\$ 22,328	\$ 30,102	\$ 23,859	\$ 25,105
Interest	34,258	76,779	52,479	74,355	59,604	63,442
Benefit Payments/Refunds of Employee Contributions	(27,162)	(42,272)	(39,022)	(52,953)	(46,382)	(47,565)
Differences between Expected and Actual Experience	2,350	7,513	4,116	(9,894)	(4,995)	6,312
Changes of Assumptions		2,281				1,786
Other - Proportionate Share Adjustment			3,284	54,375	(40,647)	5,463
Net Change	\$ 21,283	\$ 76,363	\$ 43,185	\$ 95,985	\$ (8,561)	\$ 54,543
Beginning Balance	512,173	533,456	609,819	653,004	748,989	740,428
Ending Balance	\$ 533,456	\$ 609,819	\$ 653,004	\$ 748,989	\$ 740,428	\$ 794,971
	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position
Employee Contributions	\$ 6,874	\$ 9,732	\$ 9,830	\$ 10,186	\$ 10,497	\$ 11,080
Employer Contributions	14,193	22,615	22,623	24,955	26,063	27,210
Net Investment Income	28,602	892	40,972	119,577	(22,595)	114,484
Benefit Payments/Refunds of Employee Contributions	(27,162)	(42,272)	(39,022)	(52,953)	(46,382)	(47,565)
Administration Expenses	(244)	(544)	(463)	(620)	(437)	(647)
Other	(20)	(27)	(26)	(31)	(23)	(20)
Net Change	\$ 22,243	\$ (9,604)	\$ 33,914	\$ 101,114	\$ (32,877)	\$ 104,542
Beginning Balance	421,022	443,265	433,661	467,575	568,689	535,812
Ending Balance	\$ 443,265	\$ 433,661	\$ 467,575	\$ 568,689	\$ 535,812	\$ 640,354
Net Pension Asset (Liability)	\$ (90,191)	\$ (176,158)	\$ (185,429)	\$ (180,300)	\$ (204,616)	\$ (154,617)
Fiduciary Net Position as a Percentage of Total Pension Liability	83.09%	71.11%	71.60%	75.93%	72.37%	80.55%
Covered Payroll	\$ 124,282	\$ 140,848	\$ 142,256	\$ 145,509	\$ 149,963	\$ 158,291
Net Pension Liability as a Percentage of Covered Payroll	-72.57%	-125.07%	-130.35%	-123.91%	-136.44%	-97.68%

Note: Only six years of GASB 68 Data Available as of 12/31/2019. The remaining four years of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

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BIG SPRING ECONOMIC DEVELOPMENT CORPORATION
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020
Actuarially Determined Contribution	\$ 19,731	\$ 25,555	\$ 24,211	\$ 26,027	\$ 26,721	\$ 31,388
Actual Contributions	19,731	25,555	24,211	26,027	26,721	31,388
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 127,585	\$ 146,192	\$ 144,631	\$ 148,438	\$ 155,046	\$ 180,541
Contributions as a Percentage of Covered Employee Payroll	15.46%	17.48%	16.74%	17.53%	17.23%	17.39%

Note: Only six years of GASB 68 Data Available as of 09/30/2020. The remaining four years of Data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

**BIG SPRING ECONOMIC DEVELOPMENT CORPORATION
SUPPLEMENTAL DEATH BENEFIT FUND**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2020**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
	<u>Total OPEB</u>	<u>Total OPEB</u>	<u>Total OPEB</u>
	<u>Liability</u>	<u>Liability</u>	<u>Liability</u>
Service Cost	\$ 436	\$ 405	\$ 364
Interest on Total OPEB Liability	484	375	493
Benefit Payments	(151)	(135)	(158)
Differences Between Expected and Actual Experience		1,696	(2,177)
Changes in Assumptions or Other Inputs	1,027	(711)	2,011
Other - Proportionate Share Adjustment		<u>(3,262)</u>	<u>342</u>
 Net Change	 \$ 1,796	 \$ (1,632)	 \$ 875
 Beginning Balance	 <u>12,671</u>	 <u>14,467</u>	 <u>12,835</u>
 Ending Balance	 \$ <u>14,467</u>	 \$ <u>12,835</u>	 \$ <u>13,710</u>
 Total OPEB Liability	 <u>\$ 14,467</u>	 <u>\$ 12,835</u>	 <u>\$ 13,710</u>
 Covered Employee Payroll	 \$ 145,509	 \$ 149,963	 \$ 158,291
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 9.94%	 8.56%	 8.66%

Note: Only three years of GASB 75 Data Available as of 12/31/2019. The remaining seven years of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

**BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenues:				
Taxes:				
Sales Taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,443,865	\$ 43,865
Investment Earnings	41,900	41,900	45,599	3,699
Land Lease Revenue			964	964
Other Revenues	4,000	4,000	4,230	230
Rental Income	6,900	6,900	6,900	
Total Revenues	<u>\$ 2,452,800</u>	<u>\$ 2,452,800</u>	<u>\$ 2,501,558</u>	<u>\$ 48,758</u>
Expenditures:				
General Government:				
Compensation	\$ 216,299	\$ 216,299	\$ 236,228	\$ (19,929)
Office Facilities	37,000	37,000	34,960	2,040
Office Expenses	7,950	7,950	6,902	1,048
Insurance	10,575	10,575	6,984	3,591
Economic Development:				
Contractual Services	93,000	93,000	88,131	4,869
Meetings and Workshops	7,000	7,000	3,553	3,447
Professional Development	2,500	2,500	1,600	900
Promotion	32,000	32,000	31,521	479
Economic Development Grants	3,976,292	3,976,292	3,176,406	799,886
Water and Waste Water Project - City of Big Spring	750,000	750,000	750,000	
Capital Outlay:				
Equipment	5,000	5,000		5,000
Property Improvements	5,000	5,000		5,000
Debt Service:				
Interest Expense			64,040	(64,040)
Total Expenditures	<u>\$ 5,142,616</u>	<u>\$ 5,142,616</u>	<u>\$ 4,400,325</u>	<u>\$ 742,291</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (2,689,816)	\$ (2,689,816)	\$ (1,898,767)	\$ 791,049
Other Financing Sources:				
Issuance of Sales and Use Revenue Notes	\$ _____	\$ _____	\$ 5,500,000	\$ 5,500,000
Net Change in Fund Balance	\$ (2,689,816)	\$ (2,689,816)	\$ 3,601,233	\$ 6,291,049
Fund Balance - Beginning	<u>4,747,762</u>	<u>4,747,762</u>	<u>4,747,762</u>	
Fund Balance - Ending	<u>\$ 2,057,946</u>	<u>\$ 2,057,946</u>	<u>\$ 8,348,995</u>	<u>\$ 6,291,049</u>

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SEPTEMBER 30, 2020**

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal.
Amortization Method	Level Percentage of Payroll, Closed.
Remaining Amortization Period	26 years
Asset Valuation Method	Ten Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to BSEDC's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

BIG SPRING ECONOMIC DEVELOPMENT CORPORATION

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2020**

BUDGETARY DATA

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, BSEDC prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget. At least 72 hours public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City of Big Spring City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Directors and approval from the City of Big Spring City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board of Directors and are not made after fiscal year end. The legal level of control is at the function level. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

The budget is presented on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).