OFFICIAL STATEMENT

Dated June 8, 2021

Ratings:
S&P: "A"/Stable
(See "OTHER INFORMATION-Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates 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 CERTIFICATES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$3,060,000
CITY OF SUNDOWN, TEXAS
(Hockley County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021

Dated Date: June 1, 2021 — **Due: February 15**
Interest to Accrue from the Date of Initial Delivery (as defined herein) — **as shown on the inside cover page**

PAYMENT TERMS . . . Interest on the $3,060,000 City of Sundown, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates") will accrue from the Date of Initial Delivery, will be payable February 15 and August 15 of each year commencing February 15, 2022 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City of Sundown, Texas (the "City"), payable from the levy and collection of a direct and continuing ad valorem taxes in the City, within the limits prescribed by law, and from a pledge of surplus revenues of the City's waterworks and sewer system, as provided in the ordinance authorizing the Certificates (the "Ordinance"). See "THE CERTIFICATES - Authority for Issuance" and "– Security and Source of Payment".

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, installing, and equipping additions, improvements, extensions, and equipment for the City's sewer system, including wastewater treatment plant and related infrastructure improvements; and (ii) paying the costs of issuing the Certificates.

CUSIP PREFIX: 867298
SEE MATURITY SCHEDULE, 9 Digit CUSIP AND REDEMPTION PROVISIONS ON THE REVERSE OF THIS PAGE

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchasers identified below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on July 8, 2021 (the "Date of Initial Delivery").

SAMCO CAPITAL

CUSIP Prefix [1]: 867298

MATURITY SCHEDULE

Principal Amount	Maturity (February 15)	Interest Rate	Initial Yield	CUSIP Suffix [1]
$ 25,000	2022	3.000%	0.320%	AW1
65,000	2023	3.000%	0.400%	AX9
70,000	2024	3.000%	0.650%	AY7
70,000	2025	4.000%	0.890%	AZ4
75,000	2026	3.000%	1.070%	BA8
75,000	2027	3.000%	1.220%	BB6
75,000	2028	3.000%	1.340%	BC4
80,000	2029	3.000%	1.450%	BD2
80,000	2030	3.000%	1.530% [2]	BE0

$260,000 3.000% Term Certificates due February 15, 2033 Priced to Yield 1.630% [2] - CUSIP Suffix [1]: BF7
$290,000 3.000% Term Certificates due February 15, 2036 Priced to Yield 1.770% [2] - CUSIP Suffix [1]: BG5
$425,000 3.000% Term Certificates due February 15, 2040 Priced to Yield 1.980% [2] - CUSIP Suffix [1]: BH3
$610,000 3.000% Term Certificates due February 15, 2045 Priced to Yield 2.170% [2] - CUSIP Suffix [1]: BJ9
$860,000 3.000% Term Certificates due February 15, 2051 Priced to Yield 2.280% [2] - CUSIP Suffix [1]: BK6

(Interest Accrues from the Date of Initial Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
(2) Yield shown is yield to first call date, February 15, 2029.

REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption"). In addition, the Certificates maturing on February 15 in the years 2033, 2036, 2040, 2045 and 2051 are subject to mandatory sinking fund redemption, as further described herein (see “THE CERTIFICATES – Mandatory Sinking Fund Redemption”).

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

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER 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 SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES.

THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Sundown, Texas (the "City") is a political subdivision and Type A general law municipal corporation of the State of Texas (the "State"), located in Hockley County, Texas. The City covers approximately 1.5 square miles (see "INTRODUCTION - Description of City").

THE CERTIFICATES .... The Certificates are issued as $3,060,000 Combination Tax and Revenue Certificates of Obligation, Series 2021. The Certificates are issued as serial certificates maturing February 15 in each of the years 2022 through 2030, and as Term Certificates maturing on February 15 in the years 2033, 2036, 2040, 2045 and 2051. See "THE CERTIFICATES - Description of the Certificates".

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the Date of Initial Delivery, and is payable February 15, 2022, and each August 15 and February 15 thereafter until maturity or prior redemption. See "THE CERTIFICATES - Description of the Certificates".

AUTHORITY FOR ISSUANCE .... The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and the ordinance passed by the City Council of the City (the "Ordinance"). See "THE CERTIFICATES - Authority for Issuance".

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City , payable from the levy and collection of a direct and continuing ad valorem taxes in the City, within the limits prescribed by law, and from a pledge of surplus revenues of the City's waterworks and sewer system, as provided in the Ordinance. See "THE CERTIFICATES - Authority for Issuance" and "– Security and Source of Payment".

REDEMPTION .... The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption"). In addition, the Certificates maturing on February 15 in the years 2033, 2036, 2040, 2045 and 2051 are subject to mandatory sinking fund redemption, as further described herein (see "THE CERTIFICATES – Mandatory Sinking Fund Redemption").

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The Certificates have been designated as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

TAX EXEMPTION.......................... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, installing, and equipping additions, improvements, extensions, and equipment for the City's sewer system, including wastewater treatment plant and related infrastructure improvements; and (ii) paying the costs of issuing the Certificates.

RATINGS .... The Certificates are rated "A" with a stable outlook by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC business ("S&P") (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM ...... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates 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 Certificates (see "THE CERTIFICATES - Book-Entry-Only System") .

PAYMENT RECORD .... The City has never defaulted in payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	General Purpose G.O. Tax Debt [(3)]	Ratio General Purpose G.O. Debt to Taxable Assessed Valuation	Per Capita General Purpose G.O. Tax Debt	% of Total Tax Collections
2017	1,207	$ 51,215,598	$ 42,432	$ 305,000	0.60%	$ 253	96.32%
2018	1,222	53,450,605	43,740	247,000	0.46%	202	95.49%
2019	1,249	52,850,037	42,314	187,000	0.35%	150	99.35%
2020	1,457	56,439,692	38,737	126,000	0.22%	86	97.90%
2021	1,457	55,336,665	37,980	3,124,000 [(4)]	5.65%	2,144	86.00% [(5)]

____

(1) Source: Estimated by the City.
(2) As reported by the Hockley County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Projected, includes the Certificates.
(5) Collections as of March 31, 2021.

For additional information regarding the City, please contact:

Billy J. Hernandez, CPM City Administrator City of Sundown 809 S Slaughter Ave Sundown, Texas 79372 Phone: (806) 229-3131	or	Vince Viaille Specialized Public Finance Inc. 4925 Greenville Avenue, Suite 1350 Dallas, Texas 75206 Phone: (214) 373-3911

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Jonathan Strickland Mayor	May, 2018	May, 2022	UFT Specialist/Occidental
Dennis Heatherly Councilmember	May, 2020	May, 2022	Field Inspector/Texas RRC
Lonnie Geisler Councilmember	May, 2020	May, 2022	Automation Tech II
Doug Barry Councilmember	May, 2019	May, 2023	Retired
Jeremy Neill Councilmember	May, 2021	May, 2023	Lease Operator/TexLand Petroleum
Ron Holson Councilmember	May, 2021	May, 2023	Coach/Sundown ISD

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with the City
Billy J. Hernandez, CPM	City Administrator	19 Years
Lora Dockery	City Secretary	25 Years

CONSULTANTS AND ADVISORS

Auditors .... CMMS CPAs & Advisors, PLLC
Levelland, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor...Specialized Public Finance Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$3,060,000
CITY OF SUNDOWN, TEXAS
(Hockley County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $3,060,000 City of Sundown, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in an ordinance adopted by the City Council (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Sundown, Texas (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 from the City's Financial Advisor, Specialized Public Finance Inc.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, as a Type A general law municipality. The City was incorporated in 1947. The City operates under an aldermanic form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the other terms of the other three Councilmembers expiring in odd-numbered years. The City Administrator is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 1,397. The City covers approximately 1.5 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated June 1, 2021 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from the date of delivery and will be payable on February 15 and August 15, commencing February 15, 2022 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially 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 Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem taxes in the City, within the limits prescribed by law, and from a pledge of surplus revenues of the City's waterworks and sewer system, as provided in the Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State will permit allocation of $1.00 of the $1.50 maximum tax rate for all general obligation debt service calculated at the time of issuance based on 90% tax collections. The City's 2020/21 tax rate is $0.6860, all of which is used for maintenance and operational purposes.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of the Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificate, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15 in the years 2033, 2036, 2040, 2045 and 2051 (the "Term Certificates") are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts as follows:

Term Certificates Maturing February 15, 2033	
Redemption Date	Principal Amount
2/15/2031	$ 85,000
2/15/2032	85,000
2/15/2033 *	90,000

Term Certificates Maturing February 15, 2036	
Redemption Date	Principal Amount
2/15/2034	$ 95,000
2/15/2035	95,000
2/15/2036 *	100,000

Term Certificates Maturing February 15, 2040	
Redemption Date	Principal Amount
2/15/2037	$ 100,000
2/15/2038	105,000
2/15/2039	110,000
2/15/2040 *	110,000

Term Certificates Maturing February 15, 2045	
Redemption Date	Principal Amount
2/15/2041	$ 115,000
2/15/2042	120,000
2/15/2043	120,000
2/15/2044	125,000
2/15/2045 *	130,000

Term Certificates Maturing February 15, 2051	
Redemption Date	Principal Amount
2/15/2046	$ 135,000
2/15/2047	135,000
2/15/2048	140,000
2/15/2049	145,000
2/15/2050	150,000
2/15/2051 *	155,000

* Stated Maturity.

The particular Term Certificates to be redeemed shall be chosen by the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) at random by lot or other customary method; provided, however, that the principal amount of the Term Certificates of a stated maturity required to be redeemed pursuant to the operation of the mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of said Term Certificates of like maturity which, at least 45 days prior to mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE

SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus 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 the Paying Agent/Registrar, or authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all defeased Certificates shall have become due and payable, 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 Certificates, 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 Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the defeasance is approved by the City Council of the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the defeasance is approved by the City Council of the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has 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.

Upon such deposit as described above, such Certificates shall no longer be regarded as being outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates 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 Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates 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 Certificates. 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.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates are to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriter believes 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 Certificates, or redemption or other notices, to DTC Direct Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), 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 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 Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Certificates 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. will consent or vote with respect to the Certificates 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Certificates will be made to 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 dates 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 in 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, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, 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, certificates will be printed and delivered.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Certificates 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 Certificates, 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.

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

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 holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the registered owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, 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 Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange (i) any Certificate 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 Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Certificate.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month. 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 from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Certificate appearing on the registration 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.

CERTIFICATEHOLDERS' REMEDIES . . . If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates 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, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates 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 holders of the Certificates 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. On June 30, 2006 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, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. 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 Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I* "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States 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 holders of the Certificates 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 remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, with respect to principles of governmental immunity, and with respect to general principles of equity that permit the exercise of judicial discretion.

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

The Ordinance further provide that the holders of the Certificates, aggregating in principal amount 51% of the aggregate principal amount of then outstanding Certificates that are the subject of a 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 holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, installing, and equipping additions, improvements, extensions, and equipment for the City's sewer system, including wastewater treatment plant and related infrastructure improvements; and (ii) paying the costs of issuing the Certificates.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied approximately as follows:

SOURCES OF FUNDS:		
Par Amount of the Bonds	$	3,060,000.00
Reoffering Premium		213,242.55
Total Sources of Funds	$	3,273,242.55
USES OF FUNDS:		
Project Fund Deposit	$	3,168,000.00
Underwriter's Discount		30,262.75
Costs of Issuance/Rounding Amount		74,979.80
Total Uses of Funds	$	3,273,242.55

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration was extended and is still in effect. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. The Governor has renewed this declaration monthly, most recently on May 5, 2021. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Throughout 2020, the Governor issued a series of executive orders, GA-08 – GA-32, limiting instances where the public can congregate or interact with each other. On March 2, 2021, the Governor issued Executive Order GA-34, effective March 10, 2021, rescinding Executive Orders GA-17, GA-25, GA-29, GA-31, and superseding GA-32, but not GA-10 or GA-13, rescinding all COVID-19 related operating limits for any business or other establishments, as well as the state-imposed requirement to wear a face covering, in counties not located in an area with high hospitalizations (meaning any trauma service area that has had seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity exceeds 15%). Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/.

POTENTIAL IMPACT OF COVID-19 . . . A continued spread of COVID-19, and measures taken to prevent or reduce such spread, could adversely impact state, national and global economic activities and, accordingly, adversely impact the financial condition and performance of the City; the extent of such impact could be material.

Businesses and individuals appear to be altering their behaviors in a manner that is having negative impacts on global and local economies. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries, including manufacturing.

Measures taken to prevent or reduce the spread of COVID-19 could limit the growth of or reduce economic activity in the State and the City, which in turn could limit the growth of or reduce the City's ad valorem and sales tax collections. In addition, further or extended reductions in the value of stocks and other investments could impact employee retirement plans or other funds and could require actions by the State. Due to the recent and unprecedented nature of the spread of COVID-19, the duration and extent of the potential impact of COVID-19 on the Texas economy and the City's revenues, expenses, and cash flow are uncertain and cannot be quantified at this time.

TAX INFORMATION

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 ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Hockley County Appraisal District (the "Appraisal District"). Except as 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 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 ("Productivity Value"). 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 "TAX INFORMATION – 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 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 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 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. 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 "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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

For a discussion of how the various exemptions described above are applied by the City, see "– CITY APPLICATION OF TAX CODE" herein.

NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE . . . 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 2021 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" mean 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 for all property in the City to the City Council by August 1 of each year, or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) 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 Certificates.

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.

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

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

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 "– NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE".) The Property Tax Code also establishes a procedure for 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.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. 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 the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Certain taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran are permitted by State law to pay taxes on homesteads in four installments with the first due before February 1 of each year and the final installment due before August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action 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.

CITY APPLICATION OF TAX CODE . . . The City grants a freeze to the market value of the residence homestead of persons 65 years of age or older rather than a set exemption amount; the disabled are also granted a freeze on their homestead.

The City has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the Hockley County Tax Assessor/Collector collects taxes for the City.

The City does permit split payments, and discounts are not allowed.

The City does tax freeport property.

The City does collect the additional one-quarter percent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2020/2021 Market Valuation Established by the Hockley County Appraisal District (excluding exempt property)		$ 62,963,663
Less Exemptions/Reductions at 100% Market Value:		7,626,998
2020/2021 Net Taxable Assessed Valuation		$ 55,336,665
City Funded Debt Payable from Ad Valorem Taxes (as of 3/31/21)		$ 64,000
The Certificates		3,060,000
Total General Obligation Debt Payable from Ad Valorem Taxes		$ 3,124,000
Less: Self-Supporting Debt		
Waterworks and Sewer System General Obligation Debt	$ 3,124,000	
General Purpose Funded Debt Payable from Taxation (as of 3/31/21)		$ -
Ratio General Obligation Debt to Taxable Assessed Valuation		5.65%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		0.00%

2021 Estimated Population - 1,457
Per Capita Taxable Assessed Valuation - $37,980
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $2,144
Per Capita General Purpose Funded Debt - $0

TABLE 2 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	General Purpose G.O. Tax Debt (3)	Ratio General Purpose G.O. Debt to Taxable Assessed Valuation	Per Capita General Purpose G.O. Tax Debt
2017	1,207	$ 51,215,598	$ 42,432	$ 305,000	0.60%	$ 253
2018	1,222	53,450,605	43,740	247,000	0.46%	202
2019	1,249	52,850,037	42,314	187,000	0.35%	150
2020	1,457	56,439,692	38,737	126,000	0.22%	86
2021	1,457	55,336,665	37,980	3,124,000 (4)	5.65%	2,144

(1) Source: Estimated by the City.
(2) As reported by the Hockley County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Projected, includes the Certificates.

TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution General Fund	Distribution Interest and Sinking Fund	Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
2017	$ 0.7407	$ 0.7407	$ -	$ 378,733	93.77%	96.32%
2018	0.7052	0.7052	-	376,360	91.38%	95.49%
2019	0.7182	0.7182	-	378,974	94.09%	99.35%
2020	0.6978	0.6978	-	393,818	94.43%	97.90%
2021	0.6860	0.6860	-	379,610	86.00% (1)	86.00% (1)

(1) Collections as of March 31, 2021.

TABLE 4 - TEN LARGEST TAXPAYERS [1]

Name of Taxpayer	2020/2021 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Sabinal Energy Operating (MIN)	$ 8,566,000	15.48%
Sundown Tubing Testing	2,519,100	4.55%
Banc of America Leasing & Capital	1,941,090	3.51%
Texas Scottish Rite Hospital	1,057,890	1.91%
Lyntegar Electric Co-Op	1,024,630	1.85%
WB Supply Co.	852,260	1.54%
Apache Corp.	835,110	1.51%
Sabinal Energy Operating (PP)	781,530	1.41%
Oxy USA Inc-Permian EOR	527,740	0.95%
Wayne & Loretta Haggerton	454,332	0.82%
	$ 18,559,682	33.54%

[1] As shown in the table above, the total combined top ten taxpayers in the City currently account for over 33% of the City's tax base. In addition, the top taxpayer in the City currently accounts for over 15% of the City's tax base, thereby creating a concentration risk for the City. Any adverse development related to the top ten taxpayers affecting their ability to continue to conduct business within the City's boundaries may result in significantly less local tax revenue, thereby severely affecting the City's finances and its ability to repay its outstanding indebtedness. Accordingly, the City makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes due to economic conditions, the resulting difficulty of the ability of the City to timely pay debt service on the Certificates will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time-consuming and can only occur annually, in the alternative, the City may sell tax anticipation notes until such amounts could be collected, if ever. See "THE CERTIFICATES – Certificateholders' Remedies" and "TAX INFORMATION – City's Rights in the Event of Tax Delinquencies" herein.

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TABLE 5 - TAX ADEQUACY [1]

Principal and Interest Requirements, 2021	$ 64,280
$0.1223 Tax Rate at 95.00% Collection Produces	$ 64,293
Average Annual Principal and Interest Requirements, 2021 - 2051	$ 154,926
$0.2948 Tax Rate at 95.00% Collection Produces	$ 154,976
Maximum Principal and Interest Requirements, 2022	$ 191,400
$0.3641 Tax Rate at 95.00% Collection Produces	$ 191,407

(1) Projected, includes the Certificates and self-supporting debt.

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "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 may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	General Purpose Funded Debt As of 3/31/21	Estimated % Applicable	City's Overlapping Funded Debt As of 3/31/21
City of Sundown	$ 3,124,000	100.00%	$ 3,124,000 [1]
Hockley County	-	2.44%	-
Sundown ISD	-	6.25%	-
Total Direct and Overlapping G.O. Debt			$ 3,124,000
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation			5.65%
Per Capita Overlapping G.O. Debt			$ 2,144

(1) Includes the Certificates and self-supporting debt.

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DEBT INFORMATION

TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Principal	Outstanding Debt Interest	Outstanding Debt Total	The Certificates (1) Principal	The Certificates (1) Interest	The Certificates (1) Total	Total Debt Service Requirements	Less: Self-Supporting Debt Service	Net Debt Service Requirements
2021	$ 62,000	$ 2,280	$ 64,280	$ -	$ -	$ -	$ 64,280	$ 64,280	$ -
2022	64,000	768	64,768	25,000	101,632	126,632	191,400	191,400	-
2023	-	-	-	65,000	90,775	155,775	155,775	155,775	-
2024	-	-	-	70,000	88,750	158,750	158,750	158,750	-
2025	-	-	-	70,000	86,300	156,300	156,300	156,300	-
2026	-	-	-	75,000	83,775	158,775	158,775	158,775	-
2027	-	-	-	75,000	81,525	156,525	156,525	156,525	-
2028	-	-	-	75,000	79,275	154,275	154,275	154,275	-
2029	-	-	-	80,000	76,950	156,950	156,950	156,950	-
2030	-	-	-	80,000	74,550	154,550	154,550	154,550	-
2031	-	-	-	85,000	72,075	157,075	157,075	157,075	-
2032	-	-	-	85,000	69,525	154,525	154,525	154,525	-
2033	-	-	-	90,000	66,900	156,900	156,900	156,900	-
2034	-	-	-	95,000	64,125	159,125	159,125	159,125	-
2035	-	-	-	95,000	61,275	156,275	156,275	156,275	-
2036	-	-	-	100,000	58,350	158,350	158,350	158,350	-
2037	-	-	-	100,000	55,350	155,350	155,350	155,350	-
2038	-	-	-	105,000	52,275	157,275	157,275	157,275	-
2039	-	-	-	110,000	49,050	159,050	159,050	159,050	-
2040	-	-	-	110,000	45,750	155,750	155,750	155,750	-
2041	-	-	-	115,000	42,375	157,375	157,375	157,375	-
2042	-	-	-	120,000	38,850	158,850	158,850	158,850	-
2043	-	-	-	120,000	35,250	155,250	155,250	155,250	-
2044	-	-	-	125,000	31,575	156,575	156,575	156,575	-
2045	-	-	-	130,000	27,750	157,750	157,750	157,750	-
2046	-	-	-	135,000	23,775	158,775	158,775	158,775	-
2047	-	-	-	135,000	19,725	154,725	154,725	154,725	-
2048	-	-	-	140,000	15,600	155,600	155,600	155,600	-
2049	-	-	-	145,000	11,325	156,325	156,325	156,325	-
2050	-	-	-	150,000	6,900	156,900	156,900	156,900	-
2051	-	-	-	155,000	2,325	157,325	157,325	157,325	-
	$ 126,000	$ 3,048	$ 129,048	$ 3,060,000	$ 1,613,657	4,673,657	$ 4,802,705	$ 4,802,705	$ -

(1) Interest on the Certificates has been calculated at the rates set forth on the inside cover.

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AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . . The City has no authorized but unissued general obligation bonds. The City may also incur non-voted debts payable from or secured by its collection of taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, and leases for various purposes.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not have any immediate plans to issue additional general obligation debt.

OTHER OBLIGATIONS . . . **Capital Leases:** During the 2015 fiscal year, the City financed improvements to the water system with a $400,000 note payable. Payments are due on October 1 of each year; the note matures on October 1, 2021, and interest accrues at a rate of 2.4% per year. The note can be prepaid, at the option of the City, on or after October 1, 2018, without premium or penalty.

During the 2018 fiscal year, the City purchased twelve E-Z-GO Golf Carts for $66,960. The City financed this purchase with a non-bearing interest capital lease. The City is to make 60 monthly payments of $1,116 beginning October 1, 2017 and ending September 30, 2022.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense.

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

Employees for the City of Sundown were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sundown were 11.23% and 11.75% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were $61,077, and were equal to the required contributions.

For more detailed information concerning the Pension Plan, see APPENDIX B, "Excerpts from the City's Annual Financial Report" – Note I.

OTHER POSTEMPLOYMENT BENEFITS. . . **Plan Description:** The City also participates in the cost sharing multiple-employer OPEB plan operated by the Texas Municipal Retirement System (TMRS) known as Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective January 1 of the following year.

Benefits Provided: The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB. Contributions: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that the 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.

Contributions: Employees for the City of Sundown were required to contribute 7 .00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sundown were 0.20% and 0.21 % in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were $1,091, and were equal to the required contributions.

For more detailed information concerning the Other Postemployment Benefits, see APPENDIX B, "Excerpts from the City's Annual Financial Report" – Note J.

FINANCIAL INFORMATION

TABLE 8 – CHANGES IN NET POSITION

	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
REVENUES					
Program Revenues:					
Charges for Services	$ 19,715	$ 32,473	$ 36,157	$ 43,540	$ 30,926
Operating Grants and Contributions	25,510	16,950	10,100	2,053	21,667
Capital Grants and Contributions	-	-	-	-	15,000
General Revenues:					
Property Taxes	394,855	389,952	367,071	385,284	378,122
Sales Tax	658,554	761,802	694,463	443,602	357,339
Franchise Fees	13,271	14,817	12,365	11,582	12,609
Interest Income	12,507	8,007	7,738	3,053	2,262
Gain/(Loss) on Sale of Asset	19,956	(31,102)	-	-	-
Miscellaneous	30,199	18,221	31,908	42,703	2,246
Total Revenues	1,174,567	1,211,120	1,159,802	931,817	820,171
EXPENDITURES					
Judicial	$ 21,029	$ 22,693	$ 25,341	$ 23,842	$ 20,573
Administration	354,019	351,877	313,836	322,374	331,537
Buildings	101,070	79,849	73,113	69,730	69,138
Public Safety	233,345	262,308	306,014	304,689	341,520
Highways and Streets	165,442	200,642	172,271	126,195	77,840
Parks and Swimming Pool	121,603	153,923	156,212	156,724	162,857
Libraries	12,524	11,322	665	3,962	28,437
Economic Development and Assistance	37,922	37,922	51,522	-	-
Total Expenditures	$ 1,046,954	$ 1,120,536	$ 1,098,974	$ 1,007,516	$ 1,031,902
Changes in Net Position	$ 127,613	$ 90,584	$ 60,828	$ (75,699)	$ (211,731)
Beginning Net Position	$ 1,934,366	$ 1,836,817	$ 1,803,937	$ 1,235,292 (1)	$ 1,447,022
Prior period adjustment	-	6,965	(27,948)	644,344	-
Ending Net Position	$ 2,061,979	$ 1,934,366	$ 1,836,817	$ 1,803,937	$ 1,235,291

Source: City's audited financial statements.
(1) Restated.

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TABLE 9 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
REVENUES:	2020	2019	2018	2017	2016
Taxes:					
Property Taxes	$ 394,956	$ 391,464	$ 368,305	$ 376,277	$ 375,513
General Sales and Use Taxes	658,554	761,802	694,463	443,602	357,339
Franchise Tax	13,271	14,817	12,365	11,582	12,609
Intergovernmental Revenue and Grants	15,510	-	-	-	15,000
Charges for Services	19,715	32,473	36,156	35,940	23,726
Investment Earnings	12,507	18,221	7,738	3,053	2,262
Rents and Royalties	8,284	7,200	8,324	7,600	7,200
Contributions & Donations from Private Sources	10,195	10,000	10,100	-	21,667
Other Revenue	21,720	807	23,005	42,707	2,043
Total Revenues	$ 1,154,712	$ 1,236,784	$ 1,160,456	$ 920,761	$ 817,359
EXPENDITURES:					
Current:					
General Government:					
Judicial	$ 20,036	$ 22,082	$ 22,451	$ 21,590	$ 19,663
Administration	358,104	329,104	324,978	310,898	308,352
Buildings	89,334	74,751	61,370	57,987	57,363
Public Safety:					
Police	164,900	140,669	168,484	161,631	164,164
Fire Protection	34,148	44,160	31,922	42,660	26,823
EMS	20,250	18,900	19,350	17,861	59,972
Public Works:					
Highways and Streets	147,398	184,909	151,479	106,328	59,590
Community Development	37,922	-	-	-	-
Culture and Recreation:					
Parks	111,172	141,555	124,861	113,761	119,417
Libraries	13,162	4,713	-	1,699	26,820
Debt Service:					
Capital Lease Principal	-	-	-	-	13,253
Capital Lease Interest	-	-	-	-	782
Capital Outlay	-	-	-	-	83,848
Conservation and Development:					
Economic Development and Assistance	-	37,922	51,522	-	-
Total Expenditures	$ 996,426	$ 998,765	$ 956,417	$ 834,415	$ 940,047
Excess (Deficiency) of Revenues over Expenditures	$ 158,286	$ 238,019	$ 204,039	$ 86,346	$ (122,688)
OTHER FINANCING SOURCES:					
Total Other Financing Sources (Uses)	$ 19,956	$ 13,911	$ 580	$ -	$ -
Fund Balance at Beginning of Year	$ 1,601,266	$ 1,349,240	$ 1,144,621	$ 458,931	$ 578,754
Prior Period Adjustment	$ -	$ 96	$ -	$ 599,344	$ 2,865
Fund Balance at End of Year	$ 1,779,508	$ 1,601,266	$ 1,349,240	$ 1,144,621	$ 458,931

Source: City's audited financial statements.

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TABLE 10 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., 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 are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements 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.

Fiscal Year Ended 9/30	Sales Tax Collections	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2017	$ 443,602	116.94%	$ 0.8661	$ 368
2018	694,463	184.24%	1.2993	568
2019	761,802	200.70%	1.4414	610
2020	658,554	167.22%	1.1668	452
2021	220,846 (1)	58.18%	0.3991	152

(1) Collections through April 1, 2021.

FINANCIAL POLICIES

With the implementation of GASB 54, the City now reports fund balance of governmental funds in the following classifications depending on the relative strength of the spending constraints placed on the purpose for which resources can be used:

a. Nonspendable Fund Balance - Represents the amount that cannot be spent because the assets are not in a spendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

b. Restricted Fund Balance - Represents the amounts that are constrained by external parties, constitutional provisions or enabling legislation.

c. Committed Fund Balance - Represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes the restrictions by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balances amounts differ from restricted balances in that the constraints on the funds' usage is internally generated, rather than from external sources, constitutional provisions, or enabling legislation.

d. Assigned Fund Balance - Represents amounts which the City intends to use for a specific purpose but does not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of the amounts is for a specific purpose that is narrower than the general purpose of the City itself. The City Council has not yet delegated authority to assign fund balance amounts to a specific individual.

e. Unassigned Fund Balance - Represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative fund balance in this classification because of overspending for specific purposes for which amounts have been restricted, committed or assigned.

1. The City reports only the General Fund as a major governmental fund. The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. The City reports four of its proprietary funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of golf course, refuse, water/wastewater and gas facilities. These funds are intended to be entirely or predominantly self-supported through user charges to customers. The City reports the following proprietary funds as major funds:
    - Golf Course Fund
    - Refuse Fund
    - Water/Wastewater Fund
    - Gas Fund

INVESTMENTS

The City invests its investable funds in investments authorized by State 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.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations 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 unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) (i) certificates of deposit and share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), 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; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be 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 designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) 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 "AAA-m" 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.

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

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

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

Under State 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 family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (4) require the registered principal of firms seeking to sell securities to 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, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), , and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (6) 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 repurchase agreement, (7) restrict the investment in non-money market 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, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer 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.

TABLE 11 - CURRENT INVESTMENTS

As of March 31, 2021, the City's investable funds were invested in the following categories:

Description	Market Value
TexPool	$ 914,443
Bank Accounts	758,621
	$ 1,673,064

TAX MATTERS

OPINIONS . . . On the date of initial delivery of the Certificates, 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 Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates 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 Certificates. See APPENDIX C - Form of Bond Counsel's Opinion.

In rendering the foregoing opinion, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, (b) covenants of the City contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Certificates 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 Certificates in order for interest on the Certificates 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 Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The foregoing opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Issue.

The foregoing opinion of Bond Counsel represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. None of the aforementioned opinions is 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 such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the projects financed with the proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with any of aforementioned opinions of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Certificates 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 Certificates may be less than the maturity amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Securities"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Security, and (ii) the initial offering price to the public of such Original Issue Discount Security would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates 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 Security 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 Security 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 Security prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Security 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 Security was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Security 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 Issue 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 Security 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 Security.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Securities 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 Securities 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 Securities 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 Securities.

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 Certificates. 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 excessive passive income, foreign corporation 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 WITH THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, 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 Certificates, 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 Certificates 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 Certificates 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 Certificates under Federal or state law and could affect the market price or marketability of the Certificates. 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 Certificates 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 City has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City covenanted to take such action that would assure, or to refrain from such action that would adversely affect the treatment of the Certificates 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 aforementioned dollar limitation and the Certificates would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligations, because the City does not currently have outstanding more than $10,000,000 in aggregate principal amount of municipal securities (excluding securities offered in transactions that were exempt from the Rule) and no person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system, free of charge at www.emma.msrb.org.

ANNUAL REPORTS . . . 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 that is customarily prepared by the City and publicly available, which currently consists of an annual audited financial statement. The City will update and provide this information within twelve months after the end of each fiscal year ending in or after 2021. The City will provide the updated information to the MSRB through the EMMA information system in accordance with recent amendments to Rule 15c2-12 (the "Rule") promulgated by the SEC.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial information and operating data of the type described in the preceding paragraph by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B 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, it must provide 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 notify the MSRB.

OTHER EVENT NOTICES . . . 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 Certificates 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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule, which includes certain debt, debt-like, and debt related obligations) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

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

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only as described above to the MSRB. The foregoing information to be provided described under "Annual Reports" and "Notice of Certain Events" may also be obtained from: City of Sundown, Texas; Director of Finance, City of Sundown, Texas; 72 West College Avenue, Sundown, Texas 76903; Phone: (325) 657-4270.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of 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 Certificates 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 of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time 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 (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates 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 (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment 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 holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

If the City so amends the agreement, it has agreed to 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 financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City has not previously entered into any continuing disclosure agreements under the Rule.

OTHER INFORMATION

RATINGS . . . The Certificates are rated "A" with a stable outlook by S&P. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of any rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

POTENTIAL IMPACT OF COVID-19 . . . The financial and operating condition of the City may be materially affected by a national or localized outbreak of an infectious disease, such as the outbreak of COVID-19, a respiratory illness caused by a novel strain of coronavirus, or other highly contagious or epidemic disease (an "Outbreak"). The current spread of COVID-19 appears to be altering the behavior of businesses and people in a manner that may adversely affect global, national, regional and local economies, including economic activity in the City. Additionally, stock and other financial markets in the United States and globally have seen significant recent volatility attributed to concerns about COVID-19. There can be no assurances that an Outbreak, including the current spread of COVID-19 in the State , nationally and globally, will not materially adversely affect the City, the state and the national economies and, accordingly, materially adversely affect the financial condition of the City.

LITIGATION . . . It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE . . . The sale of the Certificates 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 Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the

Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . **The Certificates.** Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates 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. In addition, various provisions of the Texas Finance Code provide that, subject to a prudence standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

Section 271.051, Texas Local Government Code, provides that the Certificates are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the sinking funds of municipalities, school districts, and other political subdivisions or public agencies of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school districts, and other political subdivisions of the State, and are legal security for those deposits to the extent of their market value.

General Considerations. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the PFIA, the Certificates may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. 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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS . . . The City will furnish to the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Though it may represent the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "THE CERTIFICATES" (exclusive of subcaptions "Book-Entry-Only System" and "Certificateholders' Remedies"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Opinions" (excluding the last two sentences of the first paragraph thereof), "Registration and Qualification of Certificates for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fees of such firm are contingent upon the sale and delivery of the Certificates.

The legal opinions to be delivered concurrently with the delivery of the Certificates 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 that 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.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING . . . The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices to the public, as shown on page 2 of this Official Statement, less an underwriting discount of $30,262.75. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City'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. The City's actual results could differ materially from those discussed in such forward-looking statements.

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

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which 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 ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinance. 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.

The Ordinance authorizing the issuance of the Certificates approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Underwriter.

This Official Statement has been approved by the City Council for distribution in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

Jonathan Strickland
Mayor
City of Sundown, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION

The City of Sundown (the "City") is located in Hockley County approximately 50 miles southwest of Lubbock. The City is an agricultural and oil field supply center located in the Levelland and Slaughter Oil Fields. The U.S. Census Bureau 2010 population was 1,397, a 7.18% decrease since 2000.

HOCKLEY COUNTY

Hockley County (the "County") is a northwest Texas county created from the Bexar and Young Districts in 1876. Hockley is split into quadrants by U.S. Highway 385 and State Highway 114. The county was the third largest producing county of cotton in Texas in 2016. The U.S. Census Bureau 2010 population for the County was 22,927.

ECONOMY

Mineral: stone, oil and gas.

Industry: oil, manufacturing, gas production and agribusiness.

Agricultural: irrigation, hogs, grain sorghum, cotton and cattle.

HOCKLEY COUNTY LABOR FORCE ESTIMATES

		Annual Averages			
	March, 2021 (1)	2020 (1)	2019	2018	2017
Civilian Labor Force	10,583	10,671	11,268	11,429	11,260
Total Employment	9,765	9,826	10,936	11,073	10,839
Total Unemployment	818	845	332	356	421
Percent Unemployment	7.7%	7.9%	2.9%	3.1%	3.7%

Source: Texas Labor Market Information.

(1) The COVID-19 Pandemic has negatively affected travel, commerce, employment rates and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. See "INFECTIOUS DISEASE OUTBREAK – COVID-19."

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APPENDIX B

EXCERPTS FROM THE

CITY OF SUNDOWN, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2020

The information contained in this Appendix consists of excerpts from the City of Sundown, Texas Annual Financial Report for the Year Ended September 30, 2020, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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atlas

CMMS CPAs & Advisors PLLC - Levelland
812 9th Street
Levelland, TX 79336

It's about time.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Sundown, Texas
Sundown, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sundown, 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 the that management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of contributions, notes to schedule of contributions, schedule of changes in total OPEB liability, and notes of schedule of contributions GASB 75 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 of Sundown, Texas' basic financial statements. The accompanying schedules listed as Other Supplementary Information in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2021, on our consideration of the City of Sundown, Texas' 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 the effectiveness of the City of Sundown, TX internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sundown, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

CMMS CPAs & Advisors, PLLC.

CMMS CPAs & Advisors, PLLC.
Levelland, TX

February 10, 2021

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

CITY OF SUNDOWN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 1,825,974	$ -	$ 1,825,974
Taxes Receivable, Net	28,088	-	28,088
Accounts Receivable, Net	4,514	19,463	23,977
Notes Receivable	69,845	-	69,845
Due from Other Funds	(55,205)	55,205	-
Bond Issuance Cost	-	2,629	2,629
Investments - Non current	-	208,276	208,276
Capital Assets:			
Land Purchase and Improvements	325,024	-	325,024
Furniture and Equipment, Net	214,238	619,279	833,517
Total Assets	2,412,478	904,852	3,317,330
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	37,760	18,959	56,719
Deferred Outflow Related to OPEB Plan	6,418	3,221	9,639
Total Deferred Outflows of Resources	44,178	22,180	66,358
LIABILITIES			
Accounts Payable	13,163	-	13,163
Wages and Salaries Payable	743	-	743
Compensated Absences Payable	49,272	66,004	115,276
Intergovernmental Payable	-	2,152	2,152
Customer Deposits	-	90,120	90,120
Other Current Liabilities	45,017	213	45,230
Noncurrent Liabilities:			
Debt Due Within One Year	-	80,141	80,141
Debt Payable - Noncurrent	-	75,160	75,160
Accrued Landfill Closure Costs	-	16,654	16,654
Net Pension Liability	130,464	65,504	195,968
Net OPEB Liability	40,022	20,095	60,117
Total Liabilities	278,681	416,043	694,724
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	114,239	57,357	171,596
Deferred Inflow Related to OPEB Plan	1,757	882	2,639
Total Deferred Inflows of Resources	115,996	58,239	174,235
NET POSITION			
Net Investment in Capital Assets	539,262	463,978	1,003,240
Unrestricted Net Position	1,522,717	(11,228)	1,511,489
Total Net Position	$ 2,061,979	$ 452,750	$ 2,514,729

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

CITY OF SUNDOWN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Judicial	$ 21,029	$ -	$ -
Administration	354,019	8,083	15,510
Buildings	101,070	1,972	-
Police	167,773	6,900	-
Fire Protection	40,187	2,760	-
EMS	25,385	-	10,000
Highways and Streets	165,442	-	-
Community Development	37,922	-	-
Parks	121,603	-	-
Libraries	12,524	-	-
Total Governmental Activities	1,046,954	19,715	25,510
BUSINESS-TYPE ACTIVITIES:			
Golf Course Fund	191,825	76,693	-
Refuse Fund	256,000	292,709	-
Water/ Wastewater Fund	358,231	400,964	-
Gas Fund	353,312	388,364	-
Total Business-Type Activities	1,159,368	1,158,730	-
TOTAL PRIMARY GOVERNMENT	$ 2,206,322	$ 1,178,445	$ 25,510

General Revenues:
Taxes:
Property Taxes, Levied for General Purposes
General Sales and Use Taxes
Franchise Tax
Miscellaneous Revenue
Investment Earnings
Gains/(Loss) in Sale of Asset
Total General Revenues and Transfers

Change in Net Position
Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (21,029)	$ -	$ (21,029)
(330,426)	-	(330,426)
(99,098)	-	(99,098)
(160,873)	-	(160,873)
(37,427)	-	(37,427)
(15,385)	-	(15,385)
(165,442)	-	(165,442)
(37,922)	-	(37,922)
(121,603)	-	(121,603)
(12,524)	-	(12,524)
(1,001,729)	-	(1,001,729)
-	(115,132)	(115,132)
-	36,709	36,709
-	42,733	42,733
-	35,052	35,052
-	(638)	(638)
(1,001,729)	(638)	(1,002,367)
394,855	-	394,855
658,554	-	658,554
13,271	-	13,271
30,199	5,139	35,338
12,507	4,102	16,609
19,956	-	19,956
1,129,342	9,241	1,138,583
127,613	8,603	136,216
1,934,366	444,147	2,378,513
$ 2,061,979	$ 452,750	$ 2,514,729

CITY OF SUNDOWN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 1,819,277	$ 6,697	$ 1,825,974
Taxes Receivable	56,254	-	56,254
Allowance for Uncollectible Taxes (credit)	(51,843)	-	(51,843)
Accounts Receivable (Net)	4,514	-	4,514
Notes Receivable	69,845	-	69,845
Total Assets	$ 1,898,047	$ 6,697	$ 1,904,744
LIABILITIES			
Accounts Payable	$ 13,163	$ -	$ 13,163
Payroll Related Payable	743	-	743
Due to Other Funds	55,205	-	55,205
Other Current Liabilities	45,017	-	45,017
Total Liabilities	114,128	-	114,128
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	4,411	-	4,411
Total Deferred Inflows of Resources	4,411	-	4,411
FUND BALANCES			
Assigned Fund Balance:			
Other Assigned Fund Balance	-	6,697	6,697
Unassigned Fund Balance	1,779,508	-	1,779,508
Total Fund Balances	1,779,508	6,697	1,786,205
Total Liabilities, Deferred Inflows & Fund Balances	$ 1,898,047	$ 6,697	$ 1,904,744

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

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

Total Fund Balances - Governmental Funds	$	1,786,205
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.		599,465
Current year capital outlays expenditures in the fund financial statements,but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase net position.		17,456
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of ($130,464), a Deferred Resource Outflow in the amount of $37,760 and a Deferred Resources Inflow in the amount of ($114,239) . The net effect of these was to decrease the ending net position by ($206,943).		(206,943)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of ($40,022), a Deferred Resource Outflow in the amount of $6,418 and a Deferred Resources Inflow in the amount of ($1,757) . The net effect of these was to decrease the ending net position by ($35,361).		(35,361)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(77,659)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(21,184)
Net Position of Governmental Activities	$	2,061,979

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

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

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	$ 394,956	$ -	$ 394,956
General Sales and Use Taxes	658,554	-	658,554
Franchise Tax	13,271	-	13,271
Intergovernmental Revenue and Grants	15,510	-	15,510
Charges for Services	19,715	-	19,715
Investment Earnings	12,507	-	12,507
Rents and Royalties	8,284	-	8,284
Contributions & Donations from Private Sources	10,195	-	10,195
Other Revenue	21,720	-	21,720
Total Revenues	1,154,712	-	1,154,712
EXPENDITURES:			
Current:			
General Government:			
Judicial	20,036	-	20,036
Administration	358,104	-	358,104
Buildings	89,334	-	89,334
Public Safety:			
Police	164,900	-	164,900
Fire Protection	34,148	-	34,148
EMS	20,250	-	20,250
Public Works:			
Highways and Streets	147,398	-	147,398
Community Development	37,922	-	37,922
Culture and Recreation:			
Parks	111,172	-	111,172
Libraries	13,162	-	13,162
Total Expenditures	996,426	-	996,426
Excess of Revenues Over Expenditures	158,286	-	158,286
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	19,956	-	19,956
Total Other Financing Sources (Uses)	19,956	-	19,956
Net Change in Fund Balances	178,242	-	178,242
Fund Balance - October 1 (Beginning)	1,601,266	6,697	1,607,963
Fund Balance - September 30 (Ending)	$ 1,779,508	$ 6,697	$ 1,786,205

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

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

Total Net Change in Fund Balances - Governmental Funds	$	178,242
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2020 capital outlays is to increase the change in net position.		17,456
The implementation of GASB 68 required that certain expenditures to be de-expended and record as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position in the amount of $31,615. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflow and recorded as current year expense. This caused a decreased in the change in net position totaling ($28,821). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by $11,267. The result of these changes is to increase the change in net position by $14,061.		14,061
The implementation of GASB 75 required that certain expenditures to be de-expended and record as deferred resource outflows. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position in the amount of $565. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflow and recorded as current year expense. This caused a decreased in the change in net position totaling ($513). The City's reported TMRS net pension expense had to be recorded. The net OPEB expense decreased the change in net position by ($3,114). The result of these changes is to decrease the change in net position by ($3,062).		(3,062)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(77,659)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		(1,425)
Change in Net Position of Governmental Activities	$	127,613

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

CITY OF SUNDOWN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-Type Activities	
	Golf Course Fund	Refuse Fund
ASSETS		
Current Assets:		
Accounts Receivable (Net)	$ -	$ 5,140
Due from Other Funds	-	395,734
Bond Issuance Cost	-	-
Total Current Assets	-	400,874
Noncurrent Assets:		
Restricted Investments	-	208,276
Capital Assets:		
Capital Assets	1,078,832	237,258
Accumulated Depreciation - Capital Assets	(1,014,201)	(149,374)
Total Noncurrent Assets	64,631	296,160
Total Assets	64,631	697,034
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to Pension Plan	3,811	1,146
Deferred Outflow Related to OPEB Plan	648	195
Total Deferred Outflows of Resources	4,459	1,341
LIABILITIES		
Current Liabilities:		
Intergovernmental Payable	251	1,716
Due to Other Funds	2,365,165	-
Customer Deposits & Credirs	-	-
Long Term Debt - Current	18,141	-
Other Current Liabilities	213	-
Total Current Liabilities	2,383,770	1,716
Noncurrent Liabilities:		
Long Term Debt - Noncurrent	11,160	-
Accrued Landfill Closure Costs	-	16,654
Compensated Absences Payable	13,016	4,939
Net Pension Liability	13,165	3,962
Net OPEB Liability	4,040	1,216
Total Noncurrent Liabilities	41,381	26,771
Total Liabilities	2,425,151	28,487
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Pension Plan	11,527	3,470
Deferred Inflow Related to OPEB Plan	177	53
Total Deferred Inflows of Resources	11,704	3,523
NET POSITION		
Net Investment in Capital Assets	35,330	87,884
Unrestricted Net Position	(2,403,095)	578,481
Total Net Position	$ (2,367,765)	$ 666,365

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

- Enterprise Funds

Water/ Wastewater Fund	Gas Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
$ 11,312	$ 3,011	$ -	$ 19,463
785,983	1,168,938	69,715	2,420,370
2,629	-	-	2,629
799,924	1,171,949	69,715	2,442,462
-	-	-	208,276
2,691,379	632,957	53,479	4,693,905
(2,231,039)	(626,533)	(53,479)	(4,074,626)
460,340	6,424	-	827,555
1,260,264	1,178,373	69,715	3,270,017
6,226	7,776	-	18,959
1,057	1,321	-	3,221
7,283	9,097	-	22,180
-	185	-	2,152
-	-	-	2,365,165
52,453	37,667	-	90,120
62,000	-	-	80,141
-	-	-	213
114,453	37,852	-	2,537,791
64,000	-	-	75,160
-	-	-	16,654
20,051	27,998	-	66,004
21,510	26,867	-	65,504
6,597	8,242	-	20,095
112,158	63,107	-	243,417
226,611	100,959	-	2,781,208
18,835	23,525	-	57,357
290	362	-	882
19,125	23,887	-	58,239
334,340	6,424	-	463,978
687,471	1,056,200	69,715	(11,228)
$ 1,021,811	$ 1,062,624	$ 69,715	$ 452,750

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

	Business-Type Activities	
	Golf Course Fund	Refuse Fund
OPERATING REVENUES:		
Charges for Services	$ 76,693	$ 292,709
Rents and Royalties	250	-
Other Revenue	678	-
Total Operating Revenues	77,621	292,709
OPERATING EXPENSES:		
Personnel Services - Salaries and Wages	58,981	17,028
Personnel Services - Employee Benefits	24,991	7,987
Purchased Professional & Technical Services	-	2,688
Purchased Property Services	54,825	198,406
Other Operating Costs	3,763	1,710
Supplies	7,984	11,379
Depreciation	39,413	16,693
Interest Expense	1,868	109
Total Operating Expenses	191,825	256,000
Operating Income (Loss)	(114,204)	36,709
NONOPERATING REVENUES (EXPENSES):		
Investment Earnings	-	4,102
Total Nonoperating Revenue (Expenses)	-	4,102
Income (Loss) Before Transfers	(114,204)	40,811
Non-Operating Transfers In	-	964
Transfers Out (Use)	-	-
Change in Net Position	(114,204)	41,775
Total Net Position - October 1 (Beginning)	(2,253,561)	624,590
Total Net Position - September 30 (Ending)	$ (2,367,765)	$ 666,365

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

- Enterprise Funds

Water/ Wastewater Fund	Gas Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
$ 400,964	$ 388,364	$ -	$ 1,158,730
4,211	-	-	4,461
-	-	-	678
405,175	388,364	-	1,163,869
97,389	114,112	-	287,510
46,722	62,477	-	142,177
736	812	-	4,236
70,206	139,585	-	463,022
13,499	4,831	-	23,803
42,289	19,245	-	80,897
81,095	12,141	-	149,342
6,295	109	-	8,381
358,231	353,312	-	1,159,368
46,944	35,052	-	4,501
-	-	-	4,102
-	-	-	4,102
46,944	35,052	-	8,603
-	964	-	1,928
(1,928)	-	-	(1,928)
45,016	36,016	-	8,603
976,795	1,026,608	69,715	444,147
$ 1,021,811	$ 1,062,624	$ 69,715	$ 452,750

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

	Business-Type Activities	
	Golf Course Fund	Refuse Fund
Cash Flows from Operating Activities:		
Cash Received from User Charges	$ 77,621	$ 293,202
Cash Payments to Employees for Services	(81,966)	(26,415)
Cash Payments for Suppliers	(64,581)	(209,840)
Cash Payments for Other Operating Expenses	(3,763)	(1,710)
Net Cash Provided by Operating Activities	(72,689)	55,237
Cash Flows from Non-Capital Financing Activities:		
Decrease (Increase) in Due to/from Other Funds	94,569	2,485
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	-	(54,474)
Increase (Decrease) in Debt	(21,880)	(3,249)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(21,880)	(57,723)
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	-	4,102
Net Increase in Cash and Cash Equivalents	-	4,101
Cash and Cash Equivalents at Beginning of the Year	-	204,175
Cash and Cash Equivalents at the End of the Year	$ -	$ 208,276
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Operating Income (Loss)	$ (114,204)	$ 36,709
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:		
Depreciation	39,413	16,693
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (Increase) in Receivables	-	493
Increase (Decrease) in Accounts Payable	96	54
Increase (Decrease) in Payroll Deductions	2,006	1,288
Increase (Decrease) in Customer Deposits	-	-
Net Cash Provided by Operating Activities	$ (72,689)	$ 55,237

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

- Enterprise Funds

Water/ Wastewater Fund	Gas Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
$ 405,093	$ 389,746	$ -	$ 1,165,662
(143,251)	(171,927)	-	(423,559)
(119,526)	(159,772)	-	(553,719)
(13,499)	(4,831)	-	(23,803)
128,817	53,216	-	164,581
9,557	(49,467)	-	57,144
(75,553)	-	-	(130,027)
(62,821)	(3,749)	-	(91,699)
(138,374)	(3,749)	-	(221,726)
-	-	-	4,102
-	-	-	4,101
-	-	-	204,175
$ -	$ -	$ -	$ 208,276
$ 46,944	$ 35,052	$ -	$ 4,501
81,095	12,141	-	149,342
(879)	419	-	33
-	(21)	-	129
860	4,662	-	8,816
797	963	-	1,760
$ 128,817	$ 53,216	$ -	$ 164,581

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sundown, Texas (the "City") was incorporated as a general law city, per the laws of the State of Texas, in 1947 and has been under the aldermanic form of government since 1977. As such, it must operate under the specific legal direction put forth by the State Legislature: specifically Chapters 1-10, Title 28, and Vernon's Texas Civil Statutes.

The City provides the following services: public safety, streets, sanitation, health and social services, recreation, public improvements, and general administrative services. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board, other authoritative sources identified in of the American Institute of Certified Public Accountants and the requirements of contracts and grants of agencies from which it receives funds.

REPORTING ENTITY

The City Council (Council) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB 61 – The Financial Reporting Entity: Omnibus (GASB 61). Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise control. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relations, regardless of whether the government is able to exercise control.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Sundown, Texas' nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include water charges for water services provided to the residents of the City. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Examples include grants for emergency response equipment. If revenues are not program revenues, they are general revenues used to support all of the City's functions. Taxes are always general revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont.)

Interfund activities within governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions within governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column for each major fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end. Revenues not considered available are recorded as deferred revenues.

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, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenues 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Cont.)

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Pursuant to GASB Statement No. 62, the City applies all GASB pronouncements as well as all Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund statement of net assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

FUND ACCOUNTING

With the implementation of GASB 54, the City now reports fund balance of governmental funds in the following classifications depending on the relative strength of the spending constraints placed on the purpose for which resources can be used:

a. **Nonspendable Fund Balance** – Represents the amount that cannot be spent because the assets are not in a spendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

b. **Restricted Fund Balance** – Represents the amounts that are constrained by external parties, constitutional provisions or enabling legislation.

c. **Committed Fuud Balance** – Represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes the restrictions by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balances amounts differ from restricted balances in that the constraints on the funds' usage is internally generated, rather than from external sources, constitutional provisions, or enabling legislation.

d. **Assigned Fund Balance** – Represents amounts which the City intends to use for a specific purpose but does not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of the amounts is for a specific purpose that is narrower than the general purpose of the County itself. The Councilors have not yet delegated authority to assign fund balance amounts to a specific individual.

e. **Unassigned Fund Balance** – Represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative fund balance in this classification because of overspending for specific purposes for wbich amounts have been restricted, committed or assigned.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

FUND ACCOUNTING (Cont.)

1. The City reports only the General Fund as a major governmental fund. The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. The City reports four of its proprietary funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of golf course, refuse, water/wastewater and gas facilities. These funds are intended to be entirely or predominantly self-supported through user charges to customers. The City reports the following proprietary funds as major funds:

   - Golf Course Fund
   - Refuse Fund
   - Water/Wastewater Fund
   - Gas Fund

3. Additionally, the City reports the following fund type(s):

   Governmental Funds:

   a. **Special Revenue Funds** – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in special revenue funds. Most federal and some state financial assistance is accounted for in special revenue funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The City has one special revenue fund for HOME grant activity.

   Proprietary Funds:

   a. **Enterprise Funds** – The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in enterprise funds. The City has five enterprise funds, of which four are considered to be major funds.

DEFERRED OUTFLOWS/DEFERRED INFLOWS

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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in that category:

- Deferred outflow related to pensions and OPEB, which result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and differences in projected and actual earnings on pension liabilities. This amount is amortized over a five year period.

In addition to liabilities, the 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 net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting on the government-wide statement of net position.

- Deferred inflow related to pensions and OPEB, which result from differences in projected and actual earnings on pension liabilities. This amount is amortized over a five year period.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

DEFERRED OUTFLOWS/DEFERRED INFLOWS (Cont.)

Additionally the City has one type of this item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported on in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

PENSIONS

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

OTHER POST-EMPLOYMENT BENEFITS

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

OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. Any inventory or materials and supplies on hand at year end are considered insignificant, and therefore are not reflected in the financial statements.

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in accordance with GASB No. 65 – *Items Previously Reported as Assets and Liabilities*.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

OTHER ACCOUNTING POLICIES (Cont.)

5. Capital assets, which include land, buildings, furniture, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than; $5,000 for equipment and machinery; $100,000 for buildings (and building improvements) and infrastructure; and an estimated useful life in excess of two years. Land is always capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30
Building Improvements	20-25
Infrastructure	20-25
Vehicles	5
Office Equipment	5
Machinery & Equipment	5

6. Since internal service funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the City as a whole.

7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

8. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. The City participates in federally-assisted programs. In connection with grants under these programs, the City is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management, the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

10. The City of Sundown, Texas has established policies allowing employees vacation time. Employees may earn vacation leave of up to 20 days per year, depending on years of service. No employee may accrue more than 20 days of vacation leave. Employees may be compensated for vacation pay should their work situation require their presence and cause them to exceed the maximum 20 days' accumulation allowed. An employee can, upon request, be compensated for 1 week of accumulated vacation time.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

OTHER ACCOUNTING POLICIES (Cont.)

The City of Sundown, Texas has established a policy which allows employees to accumulate sick leave on the basis of 1.5 working days for each month of service. Unused sick leave may be carried over from year to year to an accumulated total of 60 working days. In the event of employee retirement or resignation, in good standing, an employee having 5 years or more of continuous service will receive payment for accrued sick days as follows:

5-9 Years	20 Days
10-14 Years	30 Days
15-19 Years	40 Days
20 or More Years	60 Days

12. FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events though the date of the auditor's report, which is the date the financial statements were available to be issued.

NOTE B – BUDGETARY DATA

The City Council has prepared an "appropriated budget" for the General Fund. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1.

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

1. Prior to October 1, the City Administrator prepares a budget for the succeeding fiscal year beginning October 1 which must be adopted before the preceding September 15. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council. Amendments are presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end.

4. The budget is controlled by the City Administrator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Council. The City Administrator is authorized to transfer budgeted amounts between object classes within functions/departments within any fund. However, all other revisions must be approved by the City Council. All budget appropriations lapse at year end.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits - State statute requires that public funds in the City's depository institution be secured by eligible securities, as defined by V.T.C.A., Local Government Code Chapter 2257, in an amount not less than the amount on deposit plus any accrued interest less any amount provided for by insurance of the United States or an instrumentality thereof.

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law.** The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City 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. The City's depository agreement provides that as security for the deposits of the City their bank will pledge to the City securities at 102% of the largest balances the City maintains in the bank. Value of the securities comprising the pledge will be set at the lower of par value or market value. The securities pledged must satisfy the requirements of Article 2560 of the Texas Revised Civil Statutes Annotated. Furthermore, the pledged securities are subject to the approval of the City Council as to type and value. Substitutions of securities or changes in total amounts of securities may be made only by the City with proper written authorization. A copy of the safekeeping receipts for securities pledged will be issued to the City at the conclusion of each investment transaction.

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) at financial institutions was $909,390. At all times during the fiscal year, the City's cash deposits were secured by pledged collateral and by FDIC insurance.

Investments - The City's investment policies are governed by State statutes. 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 the City 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, (9) and bid solicitation preferences for certificates of deposit. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City's investment policies further limit State statutes such that eligible investments include the following:

- Certificates of deposit if issued by a state or national bank domiciled in this state, savings and loan association domiciled in this state, or a state or federal credit union domiciled in this state;
- Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- Direct obligations of this state or its agencies and instrumentalities;
- 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;
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities;
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent

The City is in substantial compliance with the Act as of September 30, 2020. The City has $207,984 in a certificate of deposit classified as an investment.

NOTE C - DEPOSITS AND INVESTMENTS (Cont.)

TexPool - The City maintain accounts with TexPool which is a public funds investment pool established under the authority of the Interlocal Cooperation Act and subject to the provisions of the Act. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires the pools to: 1) Have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) Maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by Standard and Poor's or other nationally recognized rating services; and 3) Maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. Participation in the pools as allowed under the guidelines of the PFIA is voluntary and may be terminated and the funds withdrawn at the discretion of the City Council without any liquidity fees.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA-m by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. TexPool issues a separately stated annual financial report with an August 31 fiscal year-end. A copy of this report may be obtained by writing to Texas Treasury Safekeeping Trust Company, 208 East 10th Street, Austin, TX, 78701. The report is also available on the Trust's website at www.ttstc.com.

As of September 30, 2020, the City had deposits totaling $914,070 with TexPool, and is included in the cash balance in the General Fund.

NOTE D - 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 located in the City 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 by state law to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the City's fiscal year.

Delinquent Taxes Receivable - Allowances for uncollectible tax receivables within the General Fund are based on 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. The $23,677 difference between the Governmental Activities and the General Fund is a reconciling item between the two financial statements.

	Governmental Activities	General Fund
Property Taxes Receivable	$ 56,254	$ 56,254
Allowance for Uncollectibles	(28,166)	(51,843)
Net Property Taxes Receivable	$ 28,088	$ 4,411

NOTE E – ACCOUNTS RECEIVABLE

Receivables of the City's business-type activities are reported net of uncollectible amounts. Total estimated uncollectible amounts related to revenues of the current period are as follows:

	Refuse Fund	Water/ Wastewater Fund	Gas Fund	Totals
Gross Accounts Receivable	$ 5,257	$ 11,568	$ 3,079	$ 19,904
Allowance for Uncollectibles	(117)	(256)	(68)	(441)
Net Accounts Receivable	$ 5,140	$ 11,312	$ 3,011	$ 19,463

NOTE F – NOTES RECEIVABLE

During the fiscal year ended September 30, 2020, the city had several economic development loans outstanding. The purposes of these loans are to provide funds for capital improvements for businesses located within the City of Sundown.

The notes receivable activity for the fiscal years ending September 30, 2020 is summarized below:

	Beginning Balance	Additions	Payments Received	Principal Forgiven/ Uncollectible	Ending Balance
Fiscal Year Ended September 30, 2020	$ 107,767	$ -	$ -	$ (37,922)	$ 69,845

	Sundown Car Wash	Breezy Street	Sundown Tire And Lube
Initial Date	6/1/15	9/30/15	05/30/17
Initial Loan	$ 81,124	$ 50,000	$ 110,000
Maturity	6/1/22	9/30/20	5/30/2022
Interest Rate	0%	0%	0%
Payment	None	None	None
Principal Forgiveness	$ 11,589/yr.	$ 8,000/yr.	$ 18,333/yr.
Collateral	Deed of Trust/ Equipment Security Interest	Deed of Trust/Real & Personal Property	Deed of Trust/Real & Personal Property
Business Type	Automotive	Beauty Shop	Automotive
Balance at 9/30/20	$ 23,178	$ 10,000	$ 36,667

NOTE G - CAPITAL ASSET ACTIVITY

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

	Primary Government			
	Beginning Balance	**Additions**	**Retirements**	**Ending Balance**
Governmental Activities:				
Land	$ 325,024	$ -	$ -	$ 325,024
Land Improvements	727,896	-	-	727,896
Infrastructure	699,714	-	-	699,714
Buildings	559,068	-	-	559,068
Machinery & Equipment	1,618,573	17,456	(34,136)	1,601,893
Totals at Historic Cost	3,930,275	17,456	(34,136)	3,913,595
Governmental Activities:				
Less Accumulated Depreciation for:				
Land Improvements	(631,399)	(9,200)	-	(640,599)
Infrastructure	(688,054)	(1,945)	-	(689,999)
Buildings	(439,270)	(11,476)	-	(450,746)
Machinery & Equipment	(1,572,087)	(55,038)	34,136	(1,592,989)
Total Accumulated Depreciation	(3,330,810)	(77,659)	34,136	(3,374,333)
Governmental Activities Capital Assets, Net	$ 599,465	$ (60,203)	$ -	$ 539,262

The City reported depreciation expense as a separate line item on the Statement of Activities. The depreciation expense for governmental activities is allocated to functions as follows:

Administration	$ 1,244
Buildings	11,736
Police	18,341
Fire Protection	11,671
EMS	5,963
Highway and Streets	17,782
Parks	10,922
Total	$ 77,659

	Beginning Balance	**Additions**	**Retirements**	**Ending Balance**
Business-type Activities:				
Land Improvements	$ 709,975	$ 54,474	$ -	$ 764,449
Construction in Progress	-	-	-	-
System Improvements	2,775,369	30,554	-	2,805,923
Buildings	25,060	-	-	25,060
Machinery & Equipment	1,053,474	44,999	-	1,098,473
Totals at Historic Cost	4,563,878	130,027	-	4,693,905
Less Accumulated Depreciation:				
Land Improvements	(626,957)	(24,147)	-	(651,104)
System Improvements	(2,338,903)	(50,383)	-	(2,389,286)
Buildings	(25,060)	-	-	(25,060)
Machinery & Equipment	(934,364)	(74,812)	-	(1,009,176)
Total Accumulated Depreciation	(3,925,284)	(149,342)	-	(4,074,626)
Business-type Activities Capital Assets, Net	$ 638,594	$ (19,315)	$ -	$ 619,279

NOTE H - LONG-TERM LIABILITIES

Long-term liabilities for the fiscal year ended September 30, 2020, are detailed below.

Capital Leases – Business-type Activities:

During the 2013 fiscal year, the City purchased a Toro fairway mower and a Toro greens mower for the golf course for $56,217. The City financed this purchase with a capital lease. The interest rate on this capital lease is 4.79%. The City is to make 48 monthly payments of approximately $1,300 beginning March, 2013, maturing on February, 2017. During 2017 fiscal year the City became aware that the lease was an operating lease. The note was refinanced on March 30, 2017 as a capital lease for the purchase of these mowers. The amount refinanced was $26,200, due over 48 months.

During the 2015 fiscal year, the City financed improvements to the water system with a $400,000 note payable. Payments are due on October 1 of each year; the note matures on October 1, 2021, and interest accrues at a rate of 2.4% per year. The note can be prepaid, at the option of the City, on or after October 1, 2018, without premium or penalty.

During the 2017 fiscal year, the City purchased a 2013 420F Caterpillar Backhoe Loader for $32,320. The City financed this purchase with a capital lease. The interest rate on this capital lease is 3.2%. The City is to make 3 yearly payments of $11,606.12 beginning November 15, 2017, maturing on November 15, 2019. The capital lease was paid off during the fiscal year end September 30, 2020.

During the 2018 fiscal year, the City purchased twelve E-Z-GO Golf Carts for $66,960. The City financed this purchase with a non-bearing interest capital lease. The City is to make 60 monthly payments of $1,116 beginning October 1, 2017 and ending September 30, 2022.

Long-Term Activity: Long-term activity for business-type activities for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Interest Paid	Due Within One Year
Business-type Activities:						
Capital Leases						
Golf Carts	$ 40,176	$ -	$ (15,624)	$ 24,552	$ 1,687	$ 13,392
Mowers	11,005	-	(6,256)	4,749	416	4,749
Caterpillar 420F	11,248	-	(11,248)	-	328	-
	$ 62,429	$ -	$ (33,128)	$ 29,301	$ 2,431	$ 18,141
Notes Payable – Series 2014 – Ad Valorem Taxes	$ 187,000	$ -	$ (61,000)	$ 126,000	$ 3,726	$ 62,000
Total Business-type Activities Long-Term Liabilities	$ 249,429	$ -	$ (94,128)	$ 155,301	$ 6,157	$ 80,141

Funds from the General Fund's general revenue are to be used to service the Governmental Activities capital leases while receipts and revenues from the Golf Course Fund will be used to service the Business-type Activities capital leases.

The future debt service requirements for the Governmental and Business-type Activities are scheduled below.

	Business-type Activities		
Fiscal Year Ended	Principal	Interest	Total
2021	$ 80,141	$ 4,121	$ 84,262
2022	75,160	1,882	77,042
2023	-	-	-
2024	-	-	-
2025	-	-	-
Totals	$ 155,301	$ 6,003	$ 161,304

NOTE I – DEFINED BENEFIT PENSION PLANS

Plan Description: The City of Sundown participates as one of 866 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, with 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 the benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City of Sundown has adopted plan provisions that provide for retirement eligibility at age 60 and above with 5 or more years of service, or with 20 years of service regardless of age. The plan provides supplemental death benefits for both employees and retirees, as well as disability benefits. Members are vested after 5 years and may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

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	15
Inactive employees entitled to but not yet receiving benefits	12
Active employees	13
Total	40

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

Employees for the City of Sundown were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sundown were 11.23% and 11.75% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were $61,077, and were equal to the required contributions.

NOTE I – DEFINED BENEFIT PENSION PLANS (Cont.)

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% per year, including inflation
Investment rate of return	6.75%

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 the net pension liability

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balance at 12/31/2018	$ 3,320,987	$ 2,789,920	$ 531,067
Changes for the year:			
Service cost	70,960	-	70,960
Interest	221,886	-	221,886
Change of benefit terms	-	-	-
Difference between expected and actual experience	(116,801)	-	(116,801)
Changes of assumptions	9,440	-	9,440
Contributions – employer	-	56,880	(56,880)
Contributions – employee	-	35,455	(35,455)
Net investment income	-	430,759	(430,759)
Benefit payments, including refunds of employee contributions	(138,530)	(138,530)	-
Administrative expense	-	(2,437)	2,437
Other changes	-	(73)	73
Net changes	46,955	382,054	(335,099)
Balance at 12/31/2019	$ 3,367,942	$ 3,171,974	$ 195,968

NOTE I – DEFINED BENEFIT PENSION PLANS (Cont.)

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 in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 616,651	$ 195,968	$ (157,263)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2020, the City recognized pension expense of $39,956.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 3,198	$ 74,635
Changes in actuarial assumptions	6,032	-
Difference between projected and actual investment earnings	-	96,961
Contributions subsequent to the measurement date	47,489	-
Total	$ 56,719	$ 171,596

$47,489 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	(63,881)
2022	(58,212)
2023	8,214
2024	(48,487)
2025	-
Thereafter	-
Total	(162,366)

NOTE J - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The City also participates in the cost sharing multiple-employer OPEB plan operated by the Texas Municipal Retirement System (TMRS) known as Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective January 1 of the following year.

Benefits Provided: The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB. Contributions: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that the adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Employees 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	7
Inactive employees entitled to but not yet receiving benefits	4
Active employees	11
Total	22

Contributions: Employees for the City of Sundown were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sundown were 0.20% and 0.21% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were $1,091, and were equal to the required contributions.

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% per year, including inflation
Discount Rate	2.75%

Discount Rate

The discount rate used to measure the Total Pension Liability was 2.75%. 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.

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

Changes in the net pension liability

	Total OPEB Liability
Balance at 12/31/2018	$ 49,258
Changes for the year:	
Service cost	1,418
Interest	1,846
Change of benefit terms	-
Difference between expected and actual experience	(838)
Changes of assumptions	8,838
Benefit payments	(405)
Net changes	10,859
Balance at 12/31/2019	$ 60,117

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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's net pension liability	$ 71,754	$ 60,117	$ 50,885

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2020, the City recognized pension expense of $11,264.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 304	$ 664
Changes in actuarial assumptions	8,486	1,975
Contributions subsequent to the measurement date	849	-
Total	$ 9,639	$ 2,639

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Cont.)

$849 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	1,819
2022	1,819
2023	1,231
2024	1,282
2025	-
Thereafter	-
Total	6,151

NOTE K - HEALTH CARE COVERAGE

The City of Sundown, Texas participates in a health insurance program with the Texas Municipal League. Specific benefits and requirements may vary from year to year, according to changes in the plan itself and in funding decisions by the City Council. The general benefits include hospitalization insurance. The City pays 100% of the health insurance premiums for all full-time employees and their dependents enrolled in this plan. For the twelve-month period ending September 30, 2020, the City paid approximately $178,884 for employees' health insurance.

NOTE L - INSURANCE

The City is exposed to various risks of loss related to torts; errors and omissions; violations of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TML Pool). The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance.

Losses under $1,000,000 for workers' compensation and liability, and losses under $500,000 for property that are incurred by TML Pool members are paid with TML Pool funds. Claims in excess of these limits are paid under terms of insurance policies obtained by the TML Pool. The City pays annual premiums for liability, property, and workers' compensation coverage.

Annual contribution rates are determined by the TML Pool Board or by the State Board of Insurance of Texas. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. The TML Pool has established Claims Reserves for each of the types of insurance offered. Thus, although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated.

The TML Pool also makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses. The City agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the TML Pool. In addition, the City has elected to include Sundown Economic Development Corporation for all of its coverage with the TML Pool except for workers' compensation. The Corporation does not contribute anything to the City for this coverage, but agrees to follow any actions recommended by the City or the TML Pool to reduce risks of loss.

For the year ended September 30, 2020, the City of Sundown, Texas remitted approximately $40,324 for its property, liability, and workers' compensation coverage.

NOTE L – INSURANCE (Cont.)

The City also carries commercial insurance on all other risks of loss including employee health and accident insurance.

No significant reductions in insurance coverage occurred in the past fiscal year, and settled claims have not exceeded insurance coverage in any of the past three fiscal years.

NOTE M - LANDFILL

The City opened a Type IV Landfill (TCEQ Permit No. MSW 1733) in 1999. On April 7, 1999 the engineering firm of Parkhill, Smith & Cooper, Inc. prepared a report to estimate the closure and post-closure costs of this landfill. According to this report the probable closure costs would be $49,302 and the post-closure care costs would be $77,773 for a total cost of $127,075. The City has restricted funds of $207,984 in a certificate of deposit to comply with the restriction requirements.

This landfill has an estimated capacity of 66,985 tons. Through September 30, 2020, approximately 8,784 tons of garbage has been placed in this landfill. The City has $127,075 in the Refuse Fund that the City has reserved for these estimated future landfill closure and post-closure care costs. Accordingly, an accrued liability for closure and post-closure costs of $16,664 ($127,075 X 8,784 / 66,985) has been reported by the City in their financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G-1

CITY OF SUNDOWN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	$ 402,200	$ 402,200	$ 394,956	$ (7,244)
General Sales and Use Taxes	720,000	720,000	658,554	(61,446)
Franchise Tax	10,000	10,000	13,271	3,271
Intergovernmental Revenue and Grants	-	-	15,510	15,510
Charges for Services	33,100	33,100	19,715	(13,385)
Investment Earnings	9,200	9,200	12,507	3,307
Rents and Royalties	7,200	7,200	8,284	1,084
Contributions & Donations from Private Sources	-	-	10,195	10,195
Other Revenue	5,100	5,100	21,720	16,620
Total Revenues	1,186,800	1,186,800	1,154,712	(32,088)
EXPENDITURES:				
Current:				
General Government:				
Judicial	27,047	27,047	20,036	7,011
Administration	384,900	384,900	358,104	26,796
Buildings	145,300	145,300	89,334	55,966
Public Safety:				
Police	202,800	202,800	164,900	37,900
Fire Protection	55,900	55,900	34,148	21,752
EMS	-	-	20,250	(20,250)
Public Works:				
Highways and Streets	121,000	152,836	147,398	5,438
Community Development	-	-	37,922	(37,922)
Culture and Recreation:				
Parks	164,900	164,900	111,172	53,728
Libraries	25,100	25,100	13,162	11,938
Total Expenditures	1,126,947	1,158,783	996,426	162,357
Excess (Deficiency) of Revenues Over (Under) Expenditures	59,853	28,017	158,286	130,269
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	(15,500)	(15,500)	19,956	35,456
Total Other Financing Sources (Uses)	(15,500)	(15,500)	19,956	35,456
Net Change	44,353	12,517	178,242	165,725
Fund Balance - October 1 (Beginning)	1,601,266	1,601,266	1,601,266	-
Fund Balance - September 30 (Ending)	$ 1,645,619	$ 1,613,783	$ 1,779,508	$ 165,725

CITY OF SUNDOWN, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (1)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Plan Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	$ 70,960	$ 74,894	$ 77,977	$ 83,965	$ 84,668	$ 93,186
Interest (on the total pension liability)	221,886	211,157	201,136	190,693	186,335	175,830
Changes of benefit terms						-
Difference between expected and actual experience	(116,801)	9,724	(3,709)	1,876	(73,559)	16,911
Change of assumptions	9,440	-	-	-	74,618	-
Benefit payments, including refunds of employee contributions	(138,530)	(131,178)	(119,637)	(118,031)	(99,070)	(164,135)
Net Change in Total Pension Liability	46,955	164,597	155,767	158,503	172,992	121,792
Total Pension Liability - Beginning	3,320,987	3,156,390	3,000,623	2,842,120	2,669,128	2,547,336
Total Pension Liability - Ending (a)	$ 3,367,942	$ 3,320,987	$ 3,156,390	$ 3,000,623	$ 2,842,120	$ 2,669,128
Plan Fiduciary Net Position						
Contributions - employer	$ 56,880	$ 61,982	$ 58,267	$ 58,858	$ 68,496	$ 51,357
Contributions - employee	35,455	37,662	37,801	41,159	43,708	39,549
Net investment income	430,759	(87,072)	356,992	164,109	3,570	135,004
Benefit payments, including refunds of employee contributions	(138,530)	(131,178)	(119,637)	(118,031)	(99,070)	(164,135)
Administrative expense	(2,437)	(1,685)	(1,852)	(1,858)	(2,175)	(1,410)
Other	(73)	(88)	(94)	(100)	(107)	(116)
Net Change in Plan Fiduciary Net Position	382,054	(120,379)	331,477	144,137	14,422	60,249
Plan Fiduciary Net Position - Beginning	2,789,920	2,910,299	2,578,822	2,434,685	2,420,263	2,360,014
Plan Fiduciary Net Position - Ending (b)	$ 3,171,974	$ 2,789,920	$ 2,910,299	$ 2,578,822	$ 2,434,685	$ 2,420,263
Net Pension Liability - Ending (a) - (b)	195,968	531,067	246,091	421,801	407,435	248,865
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.18%	84.01%	92.20%	85.94%	85.66%	90.68%
Covered Employee Payroll	$ 506,498	$ 538,035	$ 540,008	$ 587,991	$ 624,396	$ 564,985
Net Pension Liability as a Percentage of Covered Employee Payroll	38.69%	98.70%	45.57%	71.74%	65.25%	44.05%

(1) This schedule is intended to show 10 years of information. Additional information will be presented as it becomes available.

CITY OF SUNDOWN, TEXAS
SCHEDULE OF CONTRIBUTIONS (1)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiscal Year Ended September 30,					
	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 61,077	$ 58,682	$ 61,464	$ 58,915	$ 63,909	$ 65,530
Contributions in relation to actuarially determined contribution	(61,077)	(58,682)	(61,464)	(58,915)	(63,909)	(65,530)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 525,161	$ 519,097	$ 542,271	$ 544,041	$ 608,349	$ 611,553
Contributions as a percentage of covered employee payroll	11.63%	11.30%	11.33%	10.83%	10.51%	10.72%

(1) This schedule is intended to show 10 years of information. Additional information will be presented as it becomes available.

CITY OF SUNDOWN, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Valuation Date:	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	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortability 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:	There were no benefit changes during the year. There were no changes in assumptions or plan provisions.

CITY OF SUNDOWN, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY(1)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Plan Year Ended December 31, 2019	2018	2017
Total Pension Liability			
Service cost	$ 1,418	$ 1,668	$ 1,458
Interest (on the total OPEB liability)	1,846	1,645	1,636
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(838)	496	-
Change of assumptions	8,838	(3,229)	3,552
Benefit payments, including refunds of employee contributions	(405)	(377)	(270)
Net Change in Total Pension Liability	10,859	203	6,376
Total Pension Liability - Beginning	49,258	49,055	42,679
Total Pension Liability - Ending (a)	$ 60,117	$ 49,258	$ 49,055
Covered Employee Payroll	$ 506,498	$ 538,035	$ 540,008
Net Pension Liability as a Percentage of Covered Employee Payroll	11.87%	9.16%	9.08%

(1) This schedule is intended to show 10 years of information. Additional information will be presented as it becomes available.

CITY OF SUNDOWN, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Valuation Date:	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
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% 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.
Other Information:	There were no benefit changes during the year. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SUNDOWN, TEXAS
COMBINED SCHEDULE OF INVESTMENTS - ALL FUND TYPES
YEAR ENDED SEPTEMBER 30, 2020

Description:	Certificate Number	Interest Rate	Maturity Date	Book Value
TexPool - Investment Pool		Variable		914,070
Total				$ 914,070
Investments by Fund:				
General Fund:				
TexPool - Investment Pool				
General Fund		Variable		$ 914,070
Total General Fund				$ 914,070
TOTAL ALL FUNDS				$ 914,070

CITY OF SUNDOWN, TEXAS
RECONCILIATION OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED SEPTEMBER 30, 2020

2019 Tax Roll				Total
Assessed Valuation				
(Adjusted for Correction)			$	56,439,692
Tax Rate $0.697768 per $100	$	393,818		
Adjustments and Supplements		(6,305)		
Current Year Tax Available To Be Collected				387,513
Prior Years' Delinquent Taxes				54,296
Total Taxes To Be Collected				441,809
Fiscal Year Collections				
Current Year		371,882.00		
Prior Year Delinquent		13,673.00	$	385,555
Taxes Considered Delinquent at Year End				56,254
Percentage of Collection				87.27%

CITY OF SUNDOWN, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2020

YEAR ENDED DECEMBER 31,	TAX RATES					ASSESSED/ APPRAISED VALUE FOR TAX PURPOSES
		LOCAL				
2010 AND PRIOR	$	VARIOUS	$	VARIOUS	$	VARIOUS
2011	$	0.6500	$	0.0000	$	68,597,633
2102	$	0.6500	$	0.0000	$	69,529,221
2013	$	0.6500	$	0.0000	$	80,329,039
2014	$	0.6500	$	0.0000	$	68,046,741
2015	$	0.6500	$	0.0000	$	59,465,197
2016	$	0.7407	$	0.0000	$	51,210,618
2017	$	0.7052	$	0.0000	$	53,450,605
2018	$	0.7182	$	0.0000	$	52,850,037
2019	$	0.6978	$	0.0000	$	56,439,692
TOTALS						

BEGINNING BALANCE 10/01/2019	CURRENT YEAR'S TOTAL LEVY	TOTAL COLLECTIONS	ADJUSTMENTS	ENDING BALANCE 9/30/2020
$ 9,691	$ -	$ -	$ (153)	$ 9,538
364	-	-	(69)	295
2,119	-	-	(70)	2,049
1,504	-	-	(52)	1,452
1,660	-	97	(44)	1,519
3,850	-	516	(162)	3,172
3,902	-	982	(203)	2,717
11,743	-	3,027	(351)	8,365
19,463	-	9,051	(420)	9,992
-	393,818	371,882	(4,781)	17,155
$ 54,296	$ 393,818	$ 385,555	$ (6,305)	$ 56,254

CITY OF SUNDOWN, TEXAS
SCHEDULE OF INSURANCE COVERAGE
FISCAL YEAR ENDED SEPTEMBER 30, 2020

Company	Policy Number	Date Effective	Date Expired
CNA Surety	70445532	2/15/2020	2/15/2021
Texas Municipal League	23401Y3	10/1/2019	10/1/2020
Texas Municipal League	23401Y3	10/1/2019	10/1/2020
Texas Municipal League	0729	10/1/2019	10/1/2020
Texas Municipal League	0729	10/1/2019	10/1/2020
Texas Municipal League	0729	10/1/2019	10/1/2020
Texas Municipal League	0729	10/1/2019	10/1/2020
Texas Municipal League	0729	10/1/2019	10/1/2020
Texas Municipal League	0729	10/1/2019	10/1/2020
Texas Municipal League	0729	10/1/2019	10/1/2020
Texas Municipal League	0729	10/1/2019	10/1/2020
Texas Municipal League	0729	10/1/2019	10/1/2020

Coverage		Amount
Employee's Blanket Bond	$	50,000
Employee's Group Insurance, Hospitalization, Dental, and Life	$	N/A
Long-Term Disability	$	N/A
Workmen's Compensation	$	N/A
Law Enforcement Liability	$	2,000,000
Errors and Omissions Liability	$	2,000,000
General Liability	$	2,000,000
Real and Personal Property	$	5,713,059
Mobile Equipment	$	454,223
Boiler and Machinery	$	100,000
Automobile Liability	$	2,000,000
Auto Physical Damage	$	1,000

INTERNAL CONTROL AND COMPLIANCE

atlas

CMMS CPAs & Advisors PLLC - Levelland
812 9th Street
Levelland, TX 79336

It's about time.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Sundown, Texas
Sundown, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sundown, Texas as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Sundown, Texas' basic financial statements, and have issued our report thereon dated February 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sundown, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sundown, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sundown, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sundown, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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An ATLAS Navigators LLC Firm

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CMMS CPAs & Advisors, PLLC.

CMMS CPAs & Advisors, PLLC.
Levelland, TX

February 10, 2021

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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

CITY OF SUNDOWN, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2021
DATED JUNE 1, 2021
IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,060,000

AS BOND COUNSEL FOR THE CITY OF SUNDOWN, TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Revenue Certificates of Obligation, Series 2021, described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, which bear interest from the dates and mature and are subject to redemption on the dates, in accordance with the terms and conditions stated in the text of the Certificates of Obligation. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates of Obligation (the "Ordinance").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates of Obligation have been duly authorized, issued, and delivered in accordance with law, and that the Certificates of Obligation, except as may be limited by laws applicable to the Issuer relating to principles of governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates of Obligation have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates of Obligation are additionally secured by and payable from a pledge of surplus revenues of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates of Obligation 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 Certificates of Obligation are not "specified private activity bonds" and that, accordingly, interest on the Certificates of Obligation will not be included as an individual or corporate 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 and investment of the proceeds of the Certificates of Obligation 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 upon a failure by the Issuer to comply with such covenants, interest on the Certificates of Obligation may become includable in gross income retroactively to the date of issuance of the Certificates of Obligation.

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 Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates 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 Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates 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 Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates 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, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

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

Respectfully,

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES