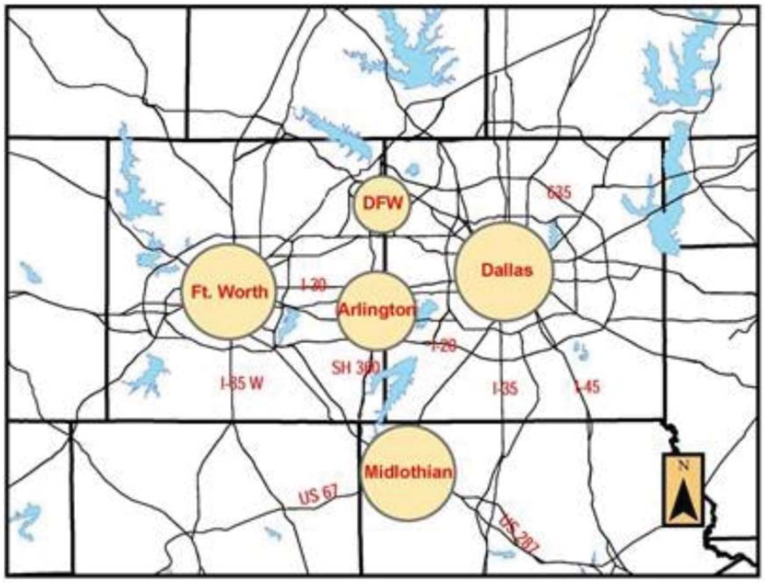
OFFICIAL NOTICE OF SALE, BID FORM
and
PRELIMINARY OFFICIAL STATEMENT

$21,280,000
CITY OF MIDLOTHIAN, TEXAS
(Ellis County)

General Obligation Bonds
Series 2019

Bids Due
Tuesday, August 13, 2019
at
11:00 A.M., Central Time

MAP SHOWING LOCATION FOR CITY OF MIDLOTHIAN, TEXAS



This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds described herein. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

$21,280,000*
CITY OF MIDLOTHIAN, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2019

Dated: August 7, 2019

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The City Council of the City of Midlothian, Texas (the "City" or "Issuer") is offering for sale at competitive bid $21,280,000* General Obligation Bonds, Series 2019 (the "Bonds").

Bidders must submit bids for the Bonds electronically by internet as described below in "BIDS BY INTERNET".

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central time, on August 13, 2019. Bidders submitting a bid by internet **shall not be required to submit signed Official Bid Forms prior to the award**. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by no later than 9:00 A.M., Central time, on August 13, 2019 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to Mark McLiney, SAMCO Capital Markets, Inc. (the "Financial Advisor") at mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via an email, please call 210-832-9760 to notify the Financial Advisor of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY (or by the Financial Advisor if there is a problem with the electronic bidding system). All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being the sole risk of the prospective bidder.

BIDS BY FACSIMILE: BIDS BY FACSIMILE WILL NOT BE ACCEPTED.

BIDS BY TELEPHONE: BIDS BY TELEPHONE WILL NOT BE ACCEPTED.

PLACE AND TIME OF BID OPENING: The bids for the Bonds will be publicly opened and reviewed at the Dallas offices of SAMCO Capital Markets, Inc., 1700 Pacific Ave., Suite 2000, Dallas, Texas 75201, at 11:00 A.M., Central time, on Tuesday, August 13, 2019.

AWARD AND SALE OF THE BONDS: At a regular meeting to commence at 6:00 P.M., Central time on Tuesday, August 13, 2019, the City Council will take action to reject all bids or award the sale of the Bonds pursuant to an ordinance adopted by the City Council (the "Ordinance"). The Issuer reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

* *Preliminary, subject to change. See "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS" herein.*

THE BONDS

DESCRIPTION OF CERTAIN TERMS OF THE BONDS: The Bonds will be dated August 15, 2019 (the "Dated Date") and interest on the Bonds shall accrue from the Dated Date and will be payable on February 1, 2020, and on each August 1 and February 1 thereafter until maturity or prior redemption. The Bonds will be issued as fully-registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository") for the Bonds. Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

MATURITY SCHEDULE

The Bonds will be stated to mature on February 1 in each of the following years in the following amounts:

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2020	$ 885,000	2030	$ 955,000
2021	1,530,000	2031	985,000
2022	1,950,000	2032	1,015,000
2023	765,000	2033	1,045,000
2024	790,000	2034	1,080,000
2025	815,000	2035	1,115,000
2026	840,000	2036	1,150,000
2027	870,000	2037	1,185,000
2028	895,000	2038	1,225,000
2029	925,000	2039	1,260,000

OPTIONAL REDEMPTION: The Issuer reserves the right to redeem the Bonds maturing on and after February 1, 2029, on February 1, 2028, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS – Optional Redemption Provisions" in the Preliminary Official Statement.)

SERIAL BONDS AND/OR TERM BONDS: Bidders may provide that all of the Bonds be issued as serial maturities or may provide that any two or more consecutive annual principal amounts for maturities 2030 through 2039 be combined into one or more term Bonds ("Term Bonds").

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts to be combined into one or more Term Bonds, each such Term Bond will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Bond and continuing on February 1 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table under the caption "MATURITY SCHEDULE" on page ii of the Notice of Sale. Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Bonds then subject to such mandatory sinking fund redemption.

The principal amount of the Term Bonds of a stated maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Bonds of like stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds 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 Bonds plus accrued interest to the date of purchase or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

The Final Official Statement will incorporate the mandatory redemption provisions for the Bonds in the event the successful bidder elects to convert serial maturities into one or more Term Bonds.

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Texas Government Code, Chapter 1331, as amended, the City's Home Rule Charter, an election held on November 7, 2017, and the Ordinance. (See "THE BONDS - Authority for Issuance" in the Preliminary Official Statement.)

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* *Preliminary, subject to change. See "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS" herein.*

The Bonds constitute direct obligations of the Issuer payable as to principal and interest from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See “THE BONDS - Security for Payment” in the Preliminary Official Statement.)

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Bonds. In the Ordinance the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the City has agreed to notify each registered owner of the Bonds then outstanding by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM: The City intends to utilize the Book-Entry-Only System of DTC, with respect to the issuance of the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.)

PRELIMINARY OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDINANCE: Further details regarding the Bonds and certain covenants of the City contained in the Ordinance are set forth in the Preliminary Official Statement, to which reference is made for all purposes.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an “All or None” basis, and at a price of not less than their par value, plus accrued interest on the Bonds from the Dated Date of the Bonds to the date of Initial Delivery (defined herein) of the Bonds. **No bid producing a cash premium on the Bonds that results in a dollar price of less than 101% nor greater than 106% will be considered; provided, however, that any bid is subject to adjustment as described below under the caption “ADJUSTMENT OF INITIAL PRICIPAL AMOUNTS”.** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Bonds (calculated in the manner required by Texas Government Code, Chapter 1204, as amended) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the lowest **True Interest Cost** rate to the Issuer (the “Purchaser” or the “Initial Purchaser”). The True Interest Cost rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Bonds on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Bonds plus the premium (but not interest accrued from the Dated Date to the date of their delivery). In the event of a bidder’s error in interest cost rate calculation, the interest rates, and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City and its consultants with information required to be submitted to the Texas Bond Review Board pursuant to Texas Government Code, Section 1202.008, as amended, the Initial Purchaser will be required to provide the City (on or before the 10th business day prior to the delivery of the Bonds) with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHING THE ISSUE PRICE FOR THE BONDS

The Issuer intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of municipal bonds), which requires, among other things, that the Issuer receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the “Competitive Sale Requirement”).

If the Competitive Sale Requirement is satisfied, the winning bidder must complete, execute, and deliver the Issue Price Certificate described below to the Issuer or SAMCO Capital Markets, Inc. (the “Issuer’s Municipal Advisor”) at least five (5) business days before the closing date (see “DELIVERY AND ACCOMPANYING DOCUMENTS – Initial Delivery of Initial Bonds” below). If the Competitive Sale Requirement is not satisfied, the winning bidder will be required to complete, execute, and deliver the Issue Price Certificate to the Issuer or the Issuer's Municipal Advisor within five (5) business days of the date on which the 10% Test (as defined below) is satisfied with respect to each of the maturities of the Bonds, other than Hold-the-Price Maturities (as described below).

In the event that the bidding process does not satisfy the Competitive Sale Requirement, each bidder shall designate whether any maturity is a "Hold-the-Price Maturity" by checking the appropriate column in the attached Official Bid Form. Such designation shall be provided to the Issuer's Municipal Advisor not later than 3 p.m. CDT on the date of the bid opening. Such designation shall in no way change the prices bid for the Bonds. With respect to each maturity so designated as a Hold-the-Price Maturity, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date, or (2) the date on which the Underwriters have sold at least 10% of that maturity of the Bonds to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the Issuer when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

In the event that the bidding process does not satisfy the Competitive Sale Requirement Bids, the bids **will not be subject to cancellation** and the winning bidder agrees to promptly report to the Issuer the prices at which at least 10% of each maturity of the Bonds other than a Hold-the-Price Maturity have been sold to the Public. That reporting obligation shall continue until 10% of each such maturity is sold to the Public, whether or not the Closing Date has occurred. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity. Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale.

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer or to the Issuer's Municipal Advisor, , within the required period (provided below), a certification as to the Bonds' "issue price" substantially in the form and to the effect as the applicable form attached hereto or accompanying this Notice of Sale (the "Issue Price Certificate"). In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the Issuer. Each bidder, by submitting its bid, agrees to complete, execute, and timely deliver the applicable Issue Price Certificate, if its bid is accepted by the Issuer. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public),

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Bonds are awarded by the Issuer to the winning bidder.

All actions to be taken by the Issuer under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer's Municipal Advisor, and any notice or report to be provided to the Issuer may be provided to the Issuer's Municipal Advisor.

The Issuer will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate on the Bonds as described in this Notice of Sale.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: The City reserves the right to increase or decrease the principal amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal amount of the Bonds shall not exceed $21,280,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "City of Midlothian, Texas" **in the amount of $425,600, which is 2% of the par value of the Bonds** (the "Good Faith Deposit"), is required. The Good Faith Deposit of the Purchaser will be retained uncashed by the Issuer until the Bonds are delivered, and at that time it will be returned to the Purchaser of the Bonds. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the Issuer prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM: Pursuant to Texas Government Code, Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to a bidder unless the winning bidder either: (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"), or (ii) certifies in the Official Bid Form that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity. In the event that the bidder's bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a Disclosure Form, such notification will obligate the winning bidder to establish (unless the winning bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 – name of the governmental entity (City of Midlothian, Texas) and (b) item 3 – the identification number assigned to this contract by the City (GO Bonds 2019.1) and description of the goods or services (Purchase of the City of Midlothian Texas GO Bonds, Series 2019). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a business entity contracting with the City to complete the Disclosure Form electronically at https://www.ethics.state.tx.us/main/file.htm, print, sign, notarize, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The notarized Disclosure Form must be sent by email, to the City's Financial Advisor at MMcLiney@samcocapital.com and its bond counsel at jleuschel@mphlegal.com as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. **Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Bonds until a completed Disclosure Form is received.** If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

* *Preliminary; subject to change.*

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Verification Pursuant to Chapter 2270 of the Texas Government Code: Pursuant to Chapter 2270 of the Texas Government Code, as amended, the winning bidder will be required to verify in the Official Bid Form, for purposes of such chapter, that at the time of execution and delivery of its bid and, except to the extent otherwise required by applicable federal law, to the date of delivery of the Certificates, neither the winning bidder, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the winning bidder, boycotts or will boycott Israel. The terms “boycotts Israel” and “boycott Israel” as used in this paragraph have the meanings assigned to the term “boycott Israel” in Section 808.001 of the Texas Government Code, as amended.

Verification Pursuant to Chapters 2252 and 2270 of the Texas Government Code: Pursuant to Chapter 2252 and Chapter 2270 of the Texas Government Code, as amended, the winning bidder will be required to verify that at the time of the execution and delivery of its bid through the date of delivery of the Certificates, the winning bidder, including any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the winning bidder, is not: (i) listed as a scrutinized company with business operations in Sudan or Iran, (ii) engaged in scrutinized business operations with a designated foreign terrorist organization and (iii) a company known to have contracted with or provided services to a foreign terrorist organization or designated foreign terrorist organization on the lists prepared and maintained pursuant to Sections 2252.152 and 2270.0201 of the Texas Government Code, as amended.

OFFICIAL STATEMENT

To assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of Rule 15c2-12 of the SEC (the “Rule”), except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Bonds.

Thereafter, the Issuer will complete and authorize distribution of the Final Official Statement identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Preliminary Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the Final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Preliminary Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the Issuer, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds.

CONTINUING DISCLOSURE AGREEMENT: The City has agreed in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Preliminary Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Initial Purchaser’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the last five years, the Issuer has complied in all material respects with its previous continuing disclosure agreements made pursuant to the Rule.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of fifty (50) copies of the Final Official Statement (and 50 copies of any addenda, supplement or amendment thereto), together with information regarding interest rates and other terms relating to the reoffering of the Bonds, in accordance with the Rule. The Issuer agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in such printed or electronic format may be required for the Purchaser to comply with the Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Issuer consents to the distribution of such documents in electronic format. The Purchaser may arrange at its own expense to have the Final Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Final Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the Issuer and the Bonds to subsequent purchasers of the Bonds, and the Issuer will undertake no responsibility for providing such information other than to make the Final Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Final Official Statement to correct representations determined to be materially misleading, after the date of the

Final Official Statement, shall terminate upon the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Bonds. The Purchaser by submitting a bid for the Bonds agrees to promptly file the Official Statement with the MSRB. Unless otherwise notified in writing by the Purchaser, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the date of the initial delivery of the Bonds to the Purchaser.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Final Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Final Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Final Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the Issuer to do so will terminate on the date specified under "FINAL OFFICIAL STATEMENT" above.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the Initial Bonds, the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacity, in the form specified in the Official Statement under the heading "OTHER PERTINENT INFORMATION – Certification of the Official Statement and No-Litigation." The Ordinance will approve the Official Statement as to form and content and the use thereof in the offering of the Bonds. The Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of the Ordinance evidencing such approval, duly executed by the proper officials of the Issuer.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BONDS: Initial Delivery will be accomplished by the issuance of one fully registered Bond for each maturity in the aggregate principal amount of $21,280,000*, payable to the Purchaser (the "Initial Bonds"), signed by the Mayor and City Secretary, by their manual or facsimile signatures, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts. Initial Delivery will be at the designated office of the Paying Agent/Registrar. Upon delivery of the Initial Bonds, it shall be immediately canceled and one definitive bond for each maturity in the aggregate principal amount of $21,280,000* payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that the delivery of the Initial Bonds can be made on or about September 5, 2019, but if for any reason the City is unable to make delivery by October 5, 2019, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend its obligation to take up and pay for the Bonds an additional 30 days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Bonds, provided that such failure is due to circumstances beyond the City's reasonable control.

DTC DEFINITIVE BONDS: The Bonds will be issued in book-entry-only form. Cede & Co. is the nominee for DTC. All references herein and in the Official Statement to the holders or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form in the denomination of $5,000 principal amounts or any integral multiple thereof. Under certain limited circumstances, there may be a cessation of the immobilization of the Bonds at DTC, or another securities depository, in which case, such beneficial interests would become exchangeable for definitive printed obligations of like principal amount.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the Issuer; however, **the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.**

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE," all as described below. In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Bonds, and of the Issuer to deliver the Bonds to the Initial Purchaser, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Bonds are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see the discussion "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" in the Official Statement).

____

* *Preliminary, subject to change.*

CHANGE IN TAX-EXEMPT STATUS: At any time before the Bonds are tendered for initial delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Bonds shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

RATING: A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The Issuer currently has an S&P underlying rating of "AA" on its ad valorem tax supported debt. An explanation of the significance of such rating may be obtained from the rating agency. An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SALE OF ADDITIONAL DEBT: The City does not anticipate the issuance of additional general obligation debt during the next twelve months, except for potentially refunding currently outstanding obligations for debt service savings.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but the City will in no instance execute a special or general consent to service of process in any state in which the Bonds are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described under "OFFICIAL STATEMENT" herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement may be obtained from SAMCO Capital Markets, Inc., 1700 Pacific Ave., Suite 2000, Dallas, Texas 75201, Attention: Peggy Kilborn (214-765-1440, pkilborn@samcocapital.com).

Mayor
City of Midlothian, Texas

ATTEST:

City Secretary
City of Midlothian, Texas

OFFICIAL BID FORM

Honorable Mayor and City Council
City of Midlothian
104 West Avenue E.
Midlothian, Texas 76065

August 13, 2019

Ladies and Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated August 6, 2019 of $21,280,000* City of Midlothian, Texas General Obligation Bonds, Series 2019, both of which constitute a part hereof.

For your legally issued Bonds, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price of $__________ (being a price of no less than 101% nor more than 106% of the par value) plus accrued interest from their Dated Date to the date of delivery to us, for Bonds maturing February 1 and bearing interest as follows:

Stated Maturity	Principal Amount*	Interest Rate	Stated Maturity	Principal Amount*	Interest Rate
2020	$ 885,000	%	2030*	$ 955,000	%
2021	1,530,000	%	2031*	985,000	%
2022	1,950,000	%	2032	1,015,000	%
2023	765,000	%	2033*	1,045,000	%
2024	790,000	%	2034*	1,080,000	%
2025	815,000	%	2035*	1,115,000	%
2026	840,000	%	2036*	1,150,000	%
2027	870,000	%	2037*	1,185,000	%
2028	895,000	%	2038*	1,225,000	%
2029	925,000	%	2039*	1,260,000	%

* *Maturities available for term bonds*

Of the principal maturities set forth in the table above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond or no term bonds if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date will mature in such year. The term bonds created are as follows:

Term Bond Maturity Date February 1	Year of First Mandatory Redemption	Principal Amount of Term Bond	Interest Rate

Our calculation (which is not part of this bid) of the interest cost in accordance with the above bid is:

TRUE INTEREST COST ________________%

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed $21,280,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

By its acceptance of this bid, we understand the City will provide the copies of the Final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and will cooperate to permit the undersigned to comply with Rule 15c2-12 of the Securities and Exchange Commission. The Purchaser by submitting this bid for the Bonds agrees to promptly file the Official Statement when received from the City with the Municipal Securities Rulemaking Board.

The Initial Bonds shall be registered in the name of __________________________________ (Syndicate Manager), which will upon payment for the Bonds, be canceled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System. We will advise DTC of registration instructions at least five business days prior to the date set for Initial Delivery.

Cashier's Check of the ____________________________ Bank, _______________, in the amount of $425,600 which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale. Upon delivery of the Bonds, said check shall be returned to the Initial Purchaser.

We agree to accept delivery of the Initial Bond(s) through DTC and make payment for the Initial Bond(s) in immediately available funds at BOKF, NA, Dallas, Texas, no later than 10:00 A.M., Central time, on September 5, 2019 or thereafter on the date the Initial Bond(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The undersigned agrees to complete, execute and deliver to the City by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the Bond Counsel for the Issuer. The undersigned also agrees to provide the City and its consultants, at least ten business days prior to the delivery of the Bonds, a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

The undersigned (check applicable):

___ Upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed and sent by email to the City's financial advisor at MMcLiney@samcocapital.com and its bond counsel at jleuschel@mphlegal.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

___ Certifies that the Underwriter is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

The undersigned verifies, for purposes of Chapter 2270 of the Texas Government Code, as amended, that at the time of execution and delivery of this bid and, except to the extent otherwise required by applicable federal law, to the date of delivery of the Bonds, neither the undersigned, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the undersigned, boycotts or will boycott Israel. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

The undersigned verifies, for purposes of Chapter 2252 and Chapter 2270 of the Texas Government Code, as amended, that at the time of execution and delivery of this bid through the date of delivery of the Bonds, the undersigned, including any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the undersigned, is not: (i) listed as a scrutinized company with business operations in Sudan or Iran, (ii) engaged in scrutinized business operations with a designated foreign terrorist organization and (iii) a company known to have contracted with or provided services to a foreign terrorist organization or designated foreign terrorist organization on the lists prepared and maintained pursuant to Sections 2252.153 and 2270.0201 of the Texas Government Code, as amended.

Respectfully submitted,

____

By: _________________________________
Underwriter's Authorized Representative

ACCEPTANCE CLAUSE

THE ABOVE AND FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this 13th day of August 2019, by the City Council of the City of Midlothian, Texas.

ATTEST:

____
Mayor, City of Midlothian, Texas

____
City Secretary, City of Midlothian, Texas

ISSUE PRICE CERTIFICATE

(**Form of Certificate if at least 3 bids are received from underwriters**)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the General Obligation Bonds, Series 2019 issued by the City of Midlothian, Texas ("Issuer") in the principal amount of $21,280,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

(b) The Purchaser had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By:____________________________________

Name:__________________________________

* *Preliminary, subject to change. See "ADJUSTMENT OF INITIAL PRINICPAL AMOUNTS" herein.*

ISSUE PRICE CERTIFICATE

(**Form of Certificate if less than 3 bids are received from underwriters**)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the General Obligation Bonds, Series 2019 issued by the City of Midlothian, Texas ("Issuer") in the principal amount of $21,280,000* ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Bonds maturing in ____ ("Hold-the-Price Maturities"), the][The first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Certificate as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Bonds ("Sale Date"), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Maturity.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By:_____________________________________

Name:___________________________________

* *Preliminary, subject to change. See "ADJUSTMENT OF INITIAL PRINICPAL AMOUNTS" herein.*

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)

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NEW ISSUE BOOK-ENTRY-ONLY Ratings: S&P: Applied for

(See "OTHER PERTINENT INFORMATION - Ratings", herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: August 6, 2019

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

$21,280,000*
CITY OF MIDLOTHIAN, TEXAS
(Ellis County)
GENERAL OBLIGATION BONDS, SERIES 2019

Dated Date: August 15, 2019 **Due February 1, as shown on page ii**

The City of Midlothian, Texas (the "City" or the "Issuer") $21,280,000* General Obligation Bonds, Series 2019 (the "Bonds") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, an election held on November 7, 2017, an ordinance adopted by the City Council, (the "Ordinance") and the City's Home Rule Charter. (See "THE BONDS - Authority for Issuance" herein.)

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

Interest on the Bonds will accrue from August 15, 2019 (the "Dated Date") as shown above and will be payable on February 1, 2020, and on each August 1 and February 1 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, improving, upgrading and reconstructing streets and roads, including related bridges and intersections, utility relocation, drainage, landscaping, sidewalks, traffic safety and operational improvements and signalization and signage, the acquisition of any necessary right-of-way, (ii) acquiring, constructing, improving and equipping municipal parks and recreational facilities, and the acquisition of land and interest in land necessary therefor and (iii) paying costs associated with the issuance of the Bonds. (See "THE BONDS – Use of Bond Proceeds" herein.)

STATED MATURITY SCHEDULE
(On Page ii)

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Bonds will be available for delivery through DTC on or about September 5, 2019.

* *Preliminary, subject to change.*

BIDS DUE ON AUGUST 13, 2019 AT 11:00 A.M, CENTRAL TIME.

STATED MATURITY SCHEDULE*
(Due February 1)
Base CUSIP – 597834 [(a)]

Stated Maturity February 1	Principal Amount*	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(a)]
2020	$ 885,000			
2021	1,530,000			
2022	1,950,000			
2023	765,000			
2024	790,000			
2025	815,000			
2026	840,000			
2027	870,000			
2028	895,000			
2029	925,000			
2030	955,000			
2031	985,000			
2032	1,015,000			
2033	1,045,000			
2034	1,080,000			
2035	1,115,000			
2036	1,150,000			
2037	1,185,000			
2038	1,225,000			
2039	1,260,000			

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on and after February 1, 2029, on February 1, 2028, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS - Redemption Provisions" herein.)

(a) CUSIP numbers are included solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), 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 services provided by CGS. The City, the Financial Advisor, and the Purchaser are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

* *Preliminary, subject to change.*

CITY OF MIDLOTHIAN, TEXAS

104 W. Avenue E
Midlothian, Texas 76065
(972) 775-3481

ELECTED OFFICIALS

Name	Title	Term Expires May	Occupation / Employer
Richard Reno	Mayor	2020	Business Owner
Justin Coffman	Mayor Pro Tem Council Member-Place 5	2021	Harvest Hill Church
Wayne Sibley	Council Member-Place 1	2020	Retired
Mike Rodgers	Council Member-Place 2	2020	Self-Employed
Ted Miller	Council Member-Place 3	2022	Property Management
Clark Wickliffe	Council Member-Place 4	2022	Real Estate
Art Pierard	Council Member-Place 6	2021	Retail

ADMINISTRATION

Name	Position	Length of Service With the City
Christopher Dick	City Manager	12 years
Clyde Melick	Assistant City Manager	1 year
Ann Honza	Finance Director	4 years
Sue McKenrick	Assistant Finance Director	17 years
Tammy Varner	City Secretary	17 years
Joe Gorfida	City Attorney	4 years
Mike Adams	City Engineer	17 years
Adam Mergener	Director of Public Works	25 years

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Certified Public Accountants	Pattillo, Brown & Hill, L.L.P. Waco, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission (the "Rule"), this document constitutes a preliminary official statement of the Issuer with respect to the Bonds that has been deemed "final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

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

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

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

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

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Midlothian, Texas (the "City" or the "Issuer"), located in Ellis County, is a home-rule municipal corporation and a political subdivision of the State of Texas, operating under a Mayor-Council-Manager form of government with a City Council comprised of seven members including the Mayor. All seven Council members are elected by place and at-large for three-year staggered terms. The 2010 census for the City was 18,037, an increase of 141% over the 2000 census. The City's current population estimate is 32,603. (See "Appendix B - General Information Regarding City of Midlothian and Ellis County, Texas" herein.)
The Bonds	The Bonds are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, an election held on November 7, 2017, an ordinance adopted by the City Council (the "Ordinance") and the City's Home Rule Charter. (See "THE BONDS - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas.
Security	The Bonds constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" herein.)
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature on and after February 1, 2029, on February 1, 2028 or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. (See "THE BONDS - Redemption Provisions" herein.) Under the terms of the Official Notice of Sale, a bidder may structure certain maturities as a term bond, and if the winning bidder does structure one or more term bonds, such Bonds will be subject to mandatory sinking fund redemption.
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, improving, upgrading and reconstructing streets and roads, including related bridges and intersections, utility relocation, drainage, landscaping, sidewalks, traffic safety and operational improvements and signalization and signage, the acquisition of any necessary right-of-way, (ii) acquiring, constructing, improving and equipping municipal parks and recreational facilities, and the acquisition of land and interest in land necessary therefor and (iii) paying costs associated with the issuance of the Bonds. (See "THE BONDS – Use of Bond Proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The Issuer currently has an underlying rating from S&P of "AA" on its general obligation debt. An explanation of the significance of such rating may be obtained from S&P. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Issuance of Additional Debt	The City does not anticipate the issuance of additional general obligation debt during the next twelve months, except for potentially refunding currently outstanding obligations for debt service savings.
Payment Record	The City has not defaulted on the payment of its general obligation debt since 1934, when all bonds were refunded at par with a reduction in interest rate. The City has never defaulted on the payment of its revenue debt.
Delivery	When issued, anticipated on or about September 5, 2019.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Midlothian, Texas (the "City" or the "Issuer") of its $21,280,000* General Obligation Bonds, Series 2019 (the "Bonds") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a home-rule municipality under the statutes and the Constitution of the State of Texas (the "State"). The Bonds are being issued pursuant to the Constitution and general laws of the State, an election held on November 7, 2017, an ordinance adopted by the City Council (the "Ordinance"), and the City's Home Rule Charter. (See "THE BONDS - Authority for Issuance" herein.) The Bonds constitute the second installment of bonds issued under authority of the November 7, 2017 election.

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

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless otherwise specified, references to websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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

THE BONDS

General

The Bonds will be dated August 15, 2019 (the "Dated Date"). The Bonds are stated to mature on February 1 in the years and in the principal amounts set forth on page ii hereof. The Bonds shall bear interest from the Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable on February 1, 2020, and on each August 1 and February 1 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Bonds, initially BOKF, NA, Dallas, Texas. Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Bonds. Such Book-Entry-Only System may change the method and timing of payment for the Bonds and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, an election held on November 7, 2017, the Ordinance, and the City's Home Rule Charter.

Security for Payment

The Bonds constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.)

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used for the purpose (i) constructing, improving, upgrading and reconstructing streets and roads, including related bridges and intersections, utility relocation, drainage, landscaping, sidewalks, traffic safety and operational improvements and signalization and signage, the acquisition of any necessary right-of-way, (ii) acquiring, constructing, improving and equipping municipal parks and recreational facilities, and the acquisition of land and interest in land necessary therefor and (iii) paying costs associated with the issuance of the Bonds.

Redemption Provisions

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Bonds maturing on and after February 1, 2029 on February 1, 2028, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Not less than thirty (30) days prior to a redemption date for the Bonds, the City shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and any other condition to redemption satisfied, all as provided above, the Bonds or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Bonds, 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 Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, 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 Bonds and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

Payment Record

The City has not defaulted on the payment of its general obligation debt since 1934, when all bonds were refunded at par with a reduction in interest rate. The City has never defaulted on the payment of its revenue debt.

Legality

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

Defeasance

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

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

Default and Remedies

The Ordinance provides that the following events constitute "Events of Default" with respect to the Bonds: (1) the failure by the City to pay the principal of or the interest on any Bond when the same shall become due, or (2) default in the performance or observance of any other covenant, agreement or obligation of the City, the failure to perform which materially, adversely affects the rights of the registered owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City. The Ordinance does not provide or specify remedies with regard to an Event of Default. If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or the City 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 the City officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has 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, owners of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.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 in certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or 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.

Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Bonds will be Cede & Co., as nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Bonds.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

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

The record date ("Record Date") for interest payable to the registered owner of a Bond on any Interest Payment Date means the fifteenth (15th) day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest 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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "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 registered owner 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.

Future Registration

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

Limitation on Transfer or Exchange of Bonds

The Paying Agent/Registrar shall not be required to transfer or exchange any Bonds or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

Replacement Bonds

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with and investment policy approved by the City Council (the "Investment Policy"). Authority to manage the City's investment program is derived from the PFIA and City's charter and reconfirmed by the Investment Policy. An Investment Committee, consisting of the City Manager, Director of Finance and any other designated Investment Officer(s) meets at least quarterly to determine operational strategies and to monitor investment results. Management responsibility for the investment program has been delegated by the City Council to the Director of Finance. Both State law and the City's investment policies and procedures are subject to change.

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which are guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (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 by the FDIC or the National Credit Union Share Insurance Fund (the “NCUSIF”) or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the FDIC or the NCUSIF, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270[(a)] days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the SEC that comply with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities;**;** and (14) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or AAAm or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days; and (15) a brokered certificate of deposit security invested through a Texas broker approved by the City Council in which the broker or depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity in an amount insured by the United States or an instrumentality of the United States If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Governmental bodies in the State such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (11) through (13) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

[(a)] *Pursuant to legislation effective September 1, 2019, the stated maturity for commercial paper is extended to 365 days or less.*

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

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

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

Effective September 1, 2019, the following changes to the PFIA will go into effect. For a fully collateralized repurchase agreement to be an authorized investment for governmental entities, the repurchase agreement must, among other requirements, be secured by a combination of cash and obligations described by Section 2256.009(a)(1), Government Code (to include obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Bank), or commercial paper as described in Section 2256.013, Government Code, or, for independent school districts, corporate bonds as described in Section 2256.0204, Government Code. In addition, effective September 1, 2019, Section 2256.0208 is added to Subchapter A, Chapter 2256, Government Code, requiring the investment officer of a local government 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.

Authorized Investments

The following are authorized investments under the Investment Policy:

- Obligations of the United States of America, its agencies and instrumentalities, excluding mortgage backed securities, with a maximum stated maturity of three (3) years. Reserve funds may only include securities with a maximum stated maturity of five years.
- Fully insured or collateralized certificates of deposit of banks doing business in the State collateralized in accordance with the Policy, under a written agreement, and with a maximum stated maturity of one year.
- Fully collateralized direct repurchase agreements with a defined termination date, secured in accordance with the Policy and placed with a primary securities dealer. All repurchase agreement transactions shall be governed by an executed Bond Market Repurchase Agreement. Maximum stated maturity shall be 90 days except for flex repurchase agreements.
  Bond proceeds may be invested in a single flex repurchase agreement the maximum stated maturity of which shall be matched to the expenditure plan of the bonds.

- Constant dollar, Texas local government investment pools as defined by the PFIA and specifically approved by resolution of the City Council
- AAA-rated SEC registered money market mutual funds which strive to maintain $1 net asset value at all times
- Depository accounts of designated depositories
- State and local government debt from any US state, rated A or better by a nationally recognized rating agency with a maximum maturity of three years to stated maturity.
- FDIC insured *brokered* certificates of deposit securities from a bank in any US state, delivered versus payment to the City's safekeeping agent, not to exceed one year to maturity. Before purchase, the Investment Officer or Adviser must verify the FDIC status of the bank on www.fdic.gov to insure that the bank is FDIC insured.

If additional types of securities are approved for investment by public funds by State statute, they will not be eligible for investment by the City until the Policy has been amended and the amended version has been adopted by the City Council.

Unauthorized Investments

Under the PFIA, the City is not authorized to invest its funds and funds under its control in the following:

- Interest-Only mortgaged backed securities (IO) whose payment represents only the coupon payments on outstanding principal balances of underlying mortgage.
- Principal-Only mortgage backed securities (PO) whose payment represents only the principal stream from underlying mortgages.
- Collateralized mortgage obligations (CMO) with a stated final maturity date of greater than 10 years.
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the change in a market index.

The following investments have not been authorized as eligible investments under the Investment Policy:

- Commercial paper
- Bankers' acceptances

Current Investments

As of May 31, 2019 (unaudited), the City's investable funds were invested in the investment categories / percentages shown below. As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

Investment Vehicle	Total Invested	Percent
General Fund		
Wells Fargo Accounts	$ 2,736,621	4.97%
Investment Pool Accounts (TexPool / TexStar)	14,391,697	26.16%
Federal Securities (FNDN / FMCDN / CDs)	19,200,000	34.90%
Money Market Accounts – Various Banks	7,885,263	14.33%
Certificates of Deposit	10,801,123	19.63%
General Fund Subtotal	$ 55,014,707	100.00%
Utility Fund		
Wells Fargo Accounts	$ 5,321,692	13.78%
Investment Pool Accounts (TexPool / TexStar)	5,910,615	15.30%
Federal Securities (FNDN / FMCDN / CDs)	10,000,000	25.89%
Money Market Accounts – Various Banks	9,298,062	24.07%
Certificates of Deposit	8,099,609	20.97%
Utility Fund Subtotal	$ 38,629,979	100.00%
Total	**$ 93,644,687**	**100.00%**

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

TexStar is a local government investment pool for whom First Southwest Asset Management, a division of Hilltop Securities, Inc., provides customer service and marketing for the pool. TexStar currently maintains a "AAAm" rating from S&P and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds are allowed by the participants.

DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

Plan Descriptions

The City participates as one of 886 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 agency 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 of 1986 (the "Code"). TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

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

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2010, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Employee deposit rate	7%
Matching ratio (City to Employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated Service Credits	100% repeating, transfers
Annuity increases to retirees	70% of CPI, repeating

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled but not yet receiving benefits	118
Active employees	217
Total	423

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.66% and 14.74% in calendar years 2018 and 2017, of which, 14.53% and 14.59%, respectively, represented the retirement portion of the contribution. The City's retirement contributions to TMRS for the year ended September 30, 2018, were $2,079,310 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013, valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of arithmetic real rates return for each major assets class in fiscal year 2018 are summarized in the following table:

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

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 statue. 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 period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2016	$41,482,671	$33,223,322	$8,259,349
Changes for the year:			
Service Cost	2,398,347	-	2,398,347
Interest	2,836,106	-	2,836,106
Difference between expected and actual experience	(85,922)	-	(85,922)
Contributions - employer	-	1,939,729	(1,939,729)
Contributions – employee	-	930,622	(930,622)
Net Investment Income	-	4,608,375	(4,608,375)
Benefit payments, including refunds of employee contributions	(1,330,913)	(1,330,913)	-
Administrative expense	-	(23,863)	23,863
Other Changes	-	(1,209)	1,209
Net Changes	3,817,618	6,122,741	(2,305,123)
Balance at 12/31/2017	$45,300,289	$39,346,063	$5,954,226

In prior years, the net pension liability for governmental activities has been primarily liquidated by the general fund.

The following presents the net pension liability of the City and the discretely presented Component Unit, calculated using the discount rate of 6.75%, as well as what the City's and Component Unit's net pension liability would be if they were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 13,308,915	$ 5,835,140	$ (161,040)

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Component Unit's net pension liability	$ 271,611	$ 119,086	$ (3,287)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of $2,034,447. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 211,661	$ 147,676
Changes in actuarial assumptions	-	36,023
Difference between projected and actual investment earnings	-	1,014,093
Contributions subsequent to the measurement date	1,621,302	-
Total	$ 1,832,963	$ 1,197,792

For the year ended September 30, 2018, the Component Unit recognized pension expense of $41,519. At September 30, 2018, the Component Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Discretely Presented Component Unit	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 4,320	$ 3,014
Changes in actuarial assumptions	-	735
Difference between projected and actual investment earnings	-	20,695
Contributions subsequent to the measurement date	33,087	-
Total	$ 37,407	$ 24,444

For the primary government and component unit, respectively, $1,621,302 and $33,087 reported as deferred outflows of resources related to pension 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended Dec 31	City	Component Unit
2019	$ (10,155)	$ (207)
2020	(48,182)	(983)
2021	(442,109)	(9,023)
2022	(476,798)	(9,731)
2023	(8,887)	(180)
Thereafter	-	-

OTHER POST EMPLOYMENT BENEFITS

Plan Description

Retiree Health Care Plan. The City offers its retired employees health insurance benefits through a single-employer defined benefit "OPEB" (as defined below) plan, under City policy, known as the Retiree Health Care Plan (RHCP). City Council, by way of resolution, grants itself the authority, on an annual basis, to reestablish and amend the benefit terms and financing requirements of the Plan. This plan is administered by the City and no separate audited financial statements are available. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Eligible retirees may receive medical and dental benefits provided through Cigna Health and Life. The City pays a percentage of the current monthly contribution rate for individual coverage for retirees age 60-65 based on the years of service at normal retirement age. Retirees younger than age 60 pay 100% of the contribution for individual coverage. The retiree pays 100% of the contribution for elected dependent coverage and any balance of the required individual coverage contribution. All active tire directly from the City and meet the eligibility criteria may participate.

Supplemental Death Benefits Fund. The City also participates in a single-employer defined benefit group-term life insurance plan administered by the TMRS)known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. City Council elected, by ordinance, to provide group-term life insurance coverage to both active and retired employees. City Council may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following

January 1. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under paragraph 4 of GASB Statement No. 75.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit (OPEB) and is a fixed amount of $7,500.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.13% for 2018 and 0.15 for 2017, of which 0.02% and 0.03%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employee' entire careers. The City's contribution to the TMRS SDBF for the years ended 2018, 2017, and 2016 were $18,586, $19,578, $17,340, respectively, which equaled the required contributions each year.

Employees covered by benefit terms

At December 31, 2017, the following employees were covered by the benefit terms under the RHCP and SDBF plans:

	RHCP	SDBF
Inactive employees or beneficiaries currently receiving benefits	5	63
Inactive employees entitled to but not yet receiving benefits	-	23
Active employees	214	217
Total	219	303

Total OPEB Liability

The total OPEB liability of $1,957,608, comprised of $1,525,822 and $431,786 for RHCP and SDBF, respectively, was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	RHCP	SDBF
Actuarial Cost Method	Individual Entry-Age	Individual Entry-Age
Discount Rate	3.31%	3.31%
Inflation	2.50%	2.50%
Salary Increase	3.5% to 10.50%, including inflation	3.5% to 10.50%, including inflation
Health Care Trend Rates	Initial rate of 7.50% declining to an ultimate rate of 4.50% after 14 years; Ultimate trend rate includes a 0.25% adjustment for the excise tax	None

Under the SDBF plan, all administrative expenses are paid through the Pension Trust Fund and are accounted for under reporting requirements of GASB Statement No. 68.

Under both the RHCP and SDBF plans, salary increases were based on a service-related table.

The discount rate was based on the Fidelity 20-Year GO Municipal Bond Index with an average rating of AA.

Mortality rates for healthy retirees were based on the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants under the SDBF plan, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Under both the RHCP and SDBF plans, the actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

	RHCP	SDBF
Service Cost	$ 114,015	$ 25,260
Interest on the total OPEB liability	51,694	14,029
Changes in assumptions or other inputs	77,204	35,988
Benefit Payments	(33,739)	(3,988)
Net Changes	209,174	71,289
Total OPEB liability – as of beginning of the year	1,316,648	360,497
Total OPEB liability – as of end of the year	$1,525,822	$ 431,786

Note: There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

In prior years, the liability for OPEB in governmental activities has been primarily liquidated by the general fund.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

Retiree Health Care Plan. The following presents the total OPEB liability of the City calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate.

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	$ 1,693,184	$ 1,525,822	$ 1,375,873

The following presents the total OPEB liability of the City calculated using the current healthcare cost trend rate, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% decreasing to 4.5%)	1% Increase (8.5% decreasing to 6.5%)
Total OPEB liability	$ 1,323,454	$ 1,525,822	$ 1,771,584

Supplemental Death Benefits Fund. The following presents the total OPEB liability of the City and the discretely presented component unit, calculated using the discount rate of 3.31%, as well as what the City's and component unit's total OPEB liability would be if they were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's total OPEB liability	$ 514,353	$ 423,151	$ 353,013

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Component Unit's total OPEB liability	$ 10,497	$ 8,635	$ 7,204

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

Retiree Health Care Plan. For the year ended September 30, 2018, the City recognized OPEB expense of $173,514. At September 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ -
Changes in actuarial assumptions	69,399	-
Contributions subsequent to the measurement date	56,654	-
Total	$ 126,053	$ -

For the City, $56,654 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows to OPEB will be recognized in OPEB expense as follows:

Year ended Sept 30	
2019	$ 7,805
2020	7,805
2021	7,805
2022	7,805
2023	7,805
Thereafter	30,374

Supplemental Death Benefits Fund. For the year ended September 30, 2018, the City recognized OPEB expense of $43,238. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Primary Government	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Changes in actuarial assumptions	$ 30,534	$ -
Contributions subsequent to the measurement date	2,159	-
Total	$ 32,693	$ -

For the year ended September 30, 2018, the component unit recognized OPEB expense of $882. At September 30, 2018, the component unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Discretely Presented Component Unit	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Changes in actuarial assumptions	$ 623	$ -
Contributions subsequent to the measurement date	44	-
Total	$ 667	$ -

For the primary government and component unit, respectively, $2,159 and $44 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended Sept 30	City	Component Unit
2019	$ 4,734	$ 97
2020	4,734	97
2021	4,734	97
2022	4,734	97
2023	4,734	97
Thereafter	6,864	138

AD VALOREM TAX PROCEDURES

Property Tax Code and Countywide Appraisal District

Title I, Texas Tax Code, as amended (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 responsible for appraising property for all taxable units within the county. The Ellis County Appraisal District (the “Appraisal District”) is responsible for appraising property within the City, generally, as of January 1 of each year. Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code 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, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office, or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board (the "Appraisal Review Board") consisting of five members, which are appointed by the Board of Directors of the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the City in establishing its tax roll and tax rate. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

The Property Tax Code 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. Article VIII, Section 21 of the Texas Constitution provides that, subject to any exception prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed in the preceding year unless a notice of intent to consider an increase in taxes is given and two public hearings on the proposed increase are held before the total taxes are increased. See "AD VALOREM TAX PROCEDURES - Effective Tax Rate and Rollback Tax Rate", herein.

Property Subject to Taxation by the Issuer

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Residence Homestead Exemptions: Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of person 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be increased or decreased in amount, or repealed altogether, either (i) by the governing body of the political subdivision, or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption; (ii) the surviving spouse was at least 55 years of age when the deceased spouse died; and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision may, at its option, grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Homestead Tax Limitation: Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead and to the surviving spouse living in such homestead if (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was 55 or older when the deceased spouse died and (3) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following year. Once established such freeze cannot be repealed or rescinded.

Disabled/Deceased Veterans Exemption: State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces;

the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs, or its successor, 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Effective January 1, 2016, the surviving spouse of a deceased veteran who qualified for such an exemption when the disabled veteran died, or the surviving spouse of a disabled veteran who would have qualified for such exemption if such exemption had been in effect on the date the disabled veteran died, is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Effective January 1, 2018, a partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran's disability. If the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a member of the armed forces who is killed in action in entitled to a property tax exemption for all or a part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Effective January 1, 2018 the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of the death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Agricultural/Open-Land Exemption: Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness Personal Property Exemption: Nonbusiness personal property, such as automobiles or light trucks, is exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Freeport Exemption: Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Goods in Transit: Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation of "goods-in-transit", which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory.

Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 1, 2011, to provide for the taxation of the goods-in-transit. After holding a public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking such official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body of the taxing units rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt, taxes may continue to be imposed on goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligations of the contract by which the debt was created.

Historical Structures and Archeological Sites: The governing body of a taxing unit may exempt from taxation part or all of the assessed value of a structure or archeological site and the land necessary for access to and use of the structure or site, if the structure or site is designated as a recorded Texas Historic Landmark or a state archeological landmark by the Texas Historical Commission or is designated as a historically or archeologically significant site in need of tax relief to encourage its preservation by the governing body of the taxing unit.

Community Housing Development Organizations: The Property Tax Code provides that a Community Housing Development Organization (a "CHDO") is entitled to an exemption from taxation of improved or unimproved real property under certain circumstances. A CHDO which applies for an exemption on or after January 1, 2004 is entitled to exemption from taxation of 60 percent of the appraised value of improved or unimproved real property it owns if it has for at least the preceding three years (i) been exempt from federal income taxation under section 501(c)(3) of the Code, (ii) met certain requirements for a charitable organization as delineated in the Property Tax Code, and (iii) had as one of its purposes low-income housing. In addition, for property to be exempt, a CHDO must own the property for the purpose of constructing or rehabilitating a housing project and renting or selling the property to individuals or families who are below a specified income level, to be adjusted annually by cost of living.

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

Tax Increment Reinvestment Zones and Tax Abatements: The City by action of the City Council, may create one or more tax increment reinvestment zones ("TIRZs") within the City, and in doing so, other overlapping taxing entities may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects within the TIRZ to encourage development and redevelopment 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 of taxable real property in the TIRZ is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion (as determined by the City) of the taxes levied by the City 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 the City.

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

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development; provided, however, that no obligations secured by ad valorem taxes may be issued for such purposes unless approved by the voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

Effective Tax Rate and Rollback Tax Rate

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt its annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides that the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures for the next year, and (2) a rate to fund debt service for the next year. Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate".

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

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.

Numerous changes to the Property Tax Code were approved by legislation passed in the 86th Regular Legislative Session of the Texas Legislature. See "Ad Valorem Tax Procedures – 86th Texas Legislature" for a general discussion of changes to the Property Tax Code affecting the City, which will become effective on January 1, 2020.

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Property within the City is generally assessed as of January 1 of each year based upon the valuation of property within the City as of the preceding January 1. 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 contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Property Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Taxpayers 65 years old or older or certain disabled persons are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and final installment due on August 1.

Penalties and Interest

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

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

[(a)] *After July, the 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 the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee not to exceed 20% of the amount of delinquent tax, penalty, and interest collected. Under certain circumstances, taxes, which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.*

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.

Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, annual direct ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limit prescribed by law. Article XI, Section 5, of the Texas Constitution applicable to home-rule cities is applicable to the City, and limits the maximum ad valorem tax rate of the City to $2.50 per $100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt, as calculated at the time of issuance and based on 90% tax collection factor.

Issuer's Rights in the Event of Tax Delinquencies

Taxes levied by the Issuer 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 Issuer, having power to tax the property. The Issuer's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Issuer is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Issuer 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 Issuer 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 City 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

86th Texas Legislature

The 86th Regular Legislative Session convened on January 8, 2019, and concluded on May 27, 2019. During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which may have an adverse impact on the City's operations and, therefore, the marketability of or market value of the Bonds. The Governor signed SB 2 into law on June 12, 2019.

SB 2 includes provisions that address the following goals as described by the Texas Senate Research Center: (1) lowering the rollback rate for maintenance and operations taxes from the existing 8.0% for the largest taxing units in the State; (2) requiring a tax ratification election if the rollback if the rollback rate is exceeded, eliminating the petition requirement in current statute; (3) making information about the tax rates proposed by local taxing units more accessible to property owners and more timely; and (4) making it easier for property owners to express their opinions about propose tax rates to local elected officials before tax rates are adopted. Specifically, with respect to municipalities such as the City, SB 2, as passed by both the Texas House and Senate, would lower the rollback rate to 3.5%.

At this time, the City cannot predict how the provisions of SB 2 will impact the City.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants an additional local optional exemption of $70,000 to the market value of the residence homestead of persons 65 years of age or older, but does not grant an additional local optional exemption for the disabled. See Appendix A – Table 1, page A-1 for a listing of the amounts of these exemptions.

The City does not grant an additional exemption of 20% of the market value of residence homesteads, minimum exemption of $5,000.

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

The City does not tax nonbusiness personal property.

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

The City does grant Article VIII, Section 1-j ("freeport property") exemption.

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

The City does not grant an exemption from taxation for part or all of the assessed value of a structure or archeological site designated as a Texas Historic Landmark, a state archeological landmark, or designated as historically or archeologically significant in need of tax relief.

The City does not grant an exemption from taxation for Community Housing Development Organizations.

Under certain circumstances, and according to Texas law, the City grants exemptions from taxation to disabled veterans, the surviving spouse of a disabled veteran, partially disabled veterans or the surviving spouse of a partially disabled veteran, the surviving spouse of a member of the armed forces killed in action, and the surviving spouse of a first responder killed in the line of duty.

The City has created a TIRZ and has entered into additional tax abatement agreements as more fully explained below. The total aggregate certified amount of property valuation captured by the TIRZ for Tax Year 2019-20 was $524,437,701.

The City has entered into tax abatement agreements with the businesses shown below (as well as additional abatement for the TIRZ) and has adopted criteria therefor, which is a prerequisite to the execution of abatement agreements:

Applied Natural Gas	Chemtrade
Ashgrove	Quick & Tasty Foods
Buckley Oil	Sharka

For the 2019-20 Tax Year, the total aggregate amount of property valuation loss as the result of the City's abatement agreements equals $25,269,197 and the latest expiration date for any of the agreements is January 2039.

Tax Increment Reinvestment Zone

Midlothian Development Authority / Tax Increment Reinvestment Zone Two (TIRZ): The Midlothian Development Authority (the "Authority"), a not-for-profit local government corporation, was established by the City, under the provisions of Chapter 431, Texas Transportation Code, as amended, and the general laws of the State to aid, assist, and act on behalf of the City in the performance of the City's governmental functions with respect to, and to provide an operating and financing vehicle for, Tax Increment Reinvestment Zone Number Two, City of Midlothian, Texas ("Reinvestment Zone Two"). Reinvestment Zone Two was created by the City pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended (the "TIF Act"), to facilitate the development of the land within the boundaries of Reinvestment Zone Two (the "Reinvestment Zone Two Area"). The Reinvestment Zone Two Area is located entirely within the City and Ellis County, Texas (the "County"). The City, the County and the Midlothian Independent School District ("MISD") each has agreed to deposit to the Tax Increment Fund established for Reinvestment Zone Two a certain percentage of tax collections arising from their respective taxation of the increase, if any, in the appraised value of real property located in Reinvestment Zone Two since January 1, 1998 (the "Tax Increment"). The City, the Authority and Reinvestment Zone Two have entered into a tri-party agreement which sets forth, among other things, the duties and responsibilities of the Authority, the City and Reinvestment Zone Two as they relate to the Reinvestment Zone Two Area and pursuant to which the City and Reinvestment Zone Two have agreed to pay to the Authority on a monthly basis the Tax Increment then available in the Tax Increment Fund (the "Contract Tax Increment").

Reinvestment Zone Two consists of approximately 2,284 acres, of which approximately 250-300 acres are available for development. (See information in the following paragraph regarding current projects within Reinvestment Zone Two.) The property was annexed into the City on August 25, 1998. Reinvestment Zone Two will terminate on the earlier of December 31, 2030, or the date on which the plan for Reinvestment Zone Two has been implemented and all project costs, tax increment bonds, interest on such tax increment bonds and all other obligations payable from the Tax Increment have been paid in full. Reinvestment Zone Two is located in the southwest portion of the City and is bounded on the west by V.V. Jones Road, on the north by U.S. Highway 67 and on the east by Water Works Road. The Burlington Northern and Santa Fe Railroad line lies adjacent to and south of the U.S. Highway 67 right-of-way. Reinvestment Zone Two is primarily surrounded by industrial developments and agricultural land. Gerdau Ameristeel, a major industrial development, is located to the north of Reinvestment Zone Two and a portion of the cement operations of Martin Marietta, a major industrial development, is located within the eastern portion of Reinvestment Zone Two.

The projects in Reinvestment Zone Two currently include the Midlothian Limited Partnership Power Generating Facility on a 58-acre site; a 1,350,000 square-foot warehouse/distribution facility on a 124-acre site for Target Corporation, a vacant retail company; an 800,000 square-foot warehouse/distribution facility on a 60.2-acre site; and a 165,000 square-foot warehouse/distribution facility on a 32.92-acre site for Quick & Tasty Foods, a distributor of specialty and secondary dry and refrigerated food products for sale to retail stores. The corporate headquarters and product distribution facility for Buckley Oil was completed in October 2014. It is on a 12-acre site. A distribution facility for Western Power Sports was also opened in 2015 on a 22-acre site. Applied LNG opened a new Liquefied Natural Gas Production Platform on a 31-acre site in October 2015. There is a new facility comprised of 375.68 acres owned by Sharka LLC (Google LLC) to establish a new data center. Ground-breaking of Phase 1 was in June 2019. Each phase opened up to 2028 will have a ten year abatement contingent upon job creation criteria which must be met by the fifth year of the abatement period of Phase 1.

The Authority currently has outstanding in the aggregate principal amount of $30,140,000 Tax Increment Contract Revenue Refunding Bonds, Series 2014 and Series 2017 (the "TICR Bonds"), with no plans to issue additional bonds to finance new projects in the near future. The Series 2014 Bonds have a final maturity of November 15, 2029 and the Series 2017 Bonds have a final maturity of November 15, 2026. The Authority may issue bonds to refund outstanding TICR Bonds to achieve debt service savings should prevailing market conditions be favorable. The TICR Bonds are limited obligations of the Authority payable solely from the Contract Tax Increment and certain other funds on deposit with the Trustee, together with earnings and investment thereon (the "Pledged Revenues"). The TICR Bonds are not payable from any other funds of the Authority other than the Pledged Revenues. **THE TICR BONDS ARE LIMITED OBLIGATIONS SOLELY OF THE AUTHORITY AND ARE NOT OBLIGATIONS OF THE CITY AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR GENERAL TAXING POWERS OF THE CITY. FURTHERMORE, THE TICR BONDS ARE NOT OBLIGATIONS OF THE COUNTY, MISD OR THE STATE OR ANY ENTITY OTHER THAN THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.**

ADDITIONAL TAX COLLECTIONS

Municipal Sales Tax Collections

The City has adopted the provisions of Chapter 34 of the Tax Code, as amended, which provides for the maximum levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of the Bonds or other indebtedness. Net collections on a fiscal year basis are shown in Table 15 of Appendix A – Financial Information of the Issuer.

Optional Sales Tax

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

At an election held on August 8, 1998, the City's registered voters approved an additional ½ % sales tax to be collected for economic development purposes in accordance with Section 4A, Article 5190.6 of Vernon's Annotated Texas Civil Statutes, as amended ("Article 5190.6"). Section 4A of Article 5190.6 is now codified as Chapter 504, Texas Local Government Code.

At an election held on August 8, 1998, the City's registered voters approved an additional ½ % sales tax to be collected for community development purposes in accordance with Section 4B, Article 5190. Section 4B of Article 5190.6 is now codified as Chapter 505, Texas Local Government Code.

The City has not held an election regarding an additional sales tax for the purpose of reducing its ad valorem taxes.

Corporations acting on behalf of the City have issued sales tax revenue bonds payable from the respective "4A" sales taxes and "4B" sales taxes. The City has no obligation to contribute funds, other than the receipts from the respective 4A and 4B sales taxes to support any debt service payments on such sales tax revenue bonds.

TAX MATTERS

Opinion

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Owner may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered owner and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish 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 to investors who are not United States persons, certification as to foreign status, and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement under Tables numbered 1, 2, 11, 12, 13, 14, 15 and 20 of Appendix A and the information of the general type included in Appendix D. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2019.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed within twelve months after the end of each fiscal year ending in or after 2019. If audited financial statements are not available by the end of the twelve-month period, the Issuer will provide notice to the MSRB that the audited financial statements are not available to be provided by the required time, and will provide unaudited financial information by the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day in March in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten Business Days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12)

bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports".

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

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

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Agreements

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

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

Litigation

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

Future Debt Issuance

The City does not anticipate the issuance of additional general obligation debt during the next twelve months, except for potentially refunding currently outstanding obligations for debt service savings.

Legal Investments and Eligibility to Secure Public Funds in Texas

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

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

Legal Opinions and No-Litigation Certificate

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

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

Ratings

A municipal bond rating application have been made to S&P Global Ratings ("S&P"). Currently the Issuer has an S&P underlying rating of "AA" on its ad valorem tax supported debt. An explanation of the significance of such rating may be obtained from the rating agency. An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

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

Winning Bidder

On August 13, 2019, it is expected that the Bonds will be awarded to an underwriter or group of underwriters managed by ________________ (the "Purchaser") through a competitive bid process, or the City will reject all bids in accordance with the provisions of the Official Notice of Sale. The initial reoffering yields will be supplied to the City by the Purchaser. The initial reoffering yields shown on the final cover page of the Official Statement will produce compensation to the Purchaser of approximately $____________.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement relating to the Bonds, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Bonds, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2018, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Ordinance authorized the City Manager to approve the Official Statement, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval.

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.

Concluding Statement

The financial data and other information contained in this Official Statement 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 ordinances contained in this Official Statement are made subject to all of the provisions of such statues, documents and ordinances. 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 adopted by the City Council of the Issuer approved the Official Statement and its distribution in accordance with the provisions of the Rule.

CITY OF MIDLOTHIAN, TEXAS

ATTEST:

____
Mayor
City of Midlothian, Texas

____
City Secretary
City of Midlothian, Texas

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

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

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2018-2019 Actual Market Value of Taxable Property		$ 4,556,344,807
Less Exemptions / Losses:		
Local Optional Homestead	$ 119,351,296	
Disabled and Deceased Veterans'	2,572,000	
Disabled Veterans Homestead	35,804,006	
Agricultural Productivity Loss	143,382,607	
Abatements	40,157,591	
Freeport	62,343,551	
10% Value Cap Loss	32,089,912	
Pollution Control	168,753,936	
Other	67,320	
Totally Exempt Property	257,010,398	$ 861,532,617
2018-2019 Net Taxable Assessed Valuation (Including TIRZ Valuation)		$ 3,694,812,190
Certified Value Captured by the Tax Increment Reinvestment Zone ("TIRZ")		502,137,783
2018-2019 Net Taxable Assessed Valuation (Excluding TIRZ Captured Value)		$ 3,192,674,407
2019-2020 Preliminary Assessed Valuation of Taxable Property		$ 4,099,505,228

Source: Ellis County Appraisal District

General Obligation Debt Principal Outstanding (As of June 30, 2019):		
Comb. Unlimited Tax & Rev. Refunding Bonds, Series 2000[c] (assumed Water Dist Debt)[a]	$	4,549,922
General Obligation Refunding Bonds, Series 2006 (assumed Water District debt) [a] [c]		2,400,000
General Obligation Refunding Bonds, Series 2010		1,890,000
General Obligation Refunding Bonds, Series 2012		3,575,000
General Obligation Bonds, Series 2013		5,815,000
General Obligation Refunding Bonds, Series 2014 [c]		10,855,000
Combination Tax and Revenue Refunding Bonds, Series 2014		2,855,000
Combination Tax and Revenue Certificates of Obligation, Series 2014		1,975,000
General Obligation Bonds, Series 2015		8,640,000
General Obligation Refunding bonds, Series 2016		6,165,000
General Obligation Refunding Bonds, Series 2017		4,750,000
General Obligation Bonds, 2018		15,600,000
General Obligation Refunding Bonds, Series 2018 [d]		13,630,000
Total **Gross** General Obligation Debt Principal Outstanding:	$	82,699,922
Current Issue General Obligation Debt Principal		
General Obligation Bonds, 2019 (the "Bonds")	$	21,280,000 *
Total **Gross** General Obligation Debt Principal Outstanding (Following the Issuance of the Bonds):	$	103,979,922 *
Less: Self-Supporting General Obligation Debt Principal		
General Obligation Refunding Bonds, Series 2010 (12.57% MDA) (6.30% UF)		356,643
General Obligation Refunding Bonds, Series 2012 (37.20% UF)		1,330,000
General Obligation Refunding Bonds, Series 2014 (33.03% UF)		3,585,000
Combination Tax and Revenue Refunding Bonds, Series 2014 (100% Lease Revenues) [b]		2,855,000
General Obligation Refunding Bonds, Series 2016 (3.73% UF)		230,000
General Obligation Refunding Bonds, Series 2017 (100% UF)		4,750,000
General Obligation Refunding Bonds, Series 2018 (100% UF)		13,630,000
Total Self-Supporting General Obligation Debt Principal	$	26,736,643
Total **Net** General Obligation Debt Outstanding (Following the issuance of the Bonds):	$	77,243,279 *
General Obligation Interest and Sinking Fund Balance as of May 31, 2019 (Unaudited)		7,837,849
Ratio of **Gross** General Obligation Debt Principal to 2018-19 Net Taxable Assessed Valuation		2.81% *
Ratio of **Net** General Obligation Debt Principal to 2018-19 Net Taxable Assessed Valuation		2.09% *
2018-2019 Net Taxable Assessed Valuation (Excluding Value Captured by the TIRZ)	$	3,694,812,190

Population: 1980 - 3,219; 1990 - 5,141; 2000 - 7,480; 2010 - 18,037: Current -	32,603 [c]
Per Capita 2018-19 Net Taxable Assessed Valuation -	$113,327
Per Capita **Gross** General Obligation Debt Principal -	$3,189 *
Per Capita **Net** General Obligation Debt Principal -	$2,369 *

Note: *All Capital Appreciation Bonds are included at original principal amount.*

(a) *Effective November 2004, the City of Midlothian agreed to the dissolution of the Midlothian Water District (the "Water District") and the assumption of the Water District's bonded indebtedness. Effective October 1, 2005, the City levied an additional I&S tax rate of $0.194156 to service these bonds, which is the same tax rate that was being levied by the Water District.*

(b) *Debt service is being paid from lease revenues received under an agreement with Navarro College District.*

(c) *Estimate.*

(d) *Includes debt that was originally issued as water and sewer system revenue bonds and was refunded as general obligation bonds.*

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS — TABLE 3

Fiscal Year 30-Sep	Current Total Debt Service[(a)]	The Bonds			Combined Debt Service[(a)]*	Less: Debt Service Paid from Other Sources[(b)]	Net General Obligation Debt Service[(c)]*
		Principal*	Interest*	Total*			
2019	14,953,742.81	$ -	$ -	$ -	$ 14,953,742.81	$ 3,722,797.00	$ 11,230,945.81
2020	13,587,506.25	885,000.00	625,310.77	1,510,310.77	15,097,817.02	3,625,705.00	11,472,112.02
2021	13,499,198.62	1,530,000.00	613,437.51	2,143,437.51	15,642,636.13	3,560,162.00	12,082,474.13
2022	11,485,918.75	1,950,000.00	559,062.51	2,509,062.51	13,994,981.26	2,923,963.00	11,071,018.26
2023	9,916,248.15	765,000.00	516,640.63	1,281,640.63	11,197,888.78	2,915,488.00	8,282,400.78
2024	9,619,979.64	790,000.00	492,343.75	1,282,343.75	10,902,323.39	2,624,688.00	8,277,635.39
2025	9,019,310.88	815,000.00	467,265.63	1,282,265.63	10,301,576.51	2,643,988.00	7,657,588.51
2026	7,139,425.00	840,000.00	441,406.26	1,281,406.26	8,420,831.26	2,629,088.00	5,791,743.26
2027	5,126,056.25	870,000.00	414,687.51	1,284,687.51	6,410,743.76	2,637,100.00	3,773,643.76
2028	4,533,743.75	895,000.00	387,109.38	1,282,109.38	5,815,853.13	2,633,588.00	3,182,265.13
2029	2,926,356.25	925,000.00	358,671.88	1,283,671.88	4,210,028.13	1,022,100.00	3,187,928.13
2030	2,188,781.25	955,000.00	329,296.88	1,284,296.88	3,473,078.13	285,794.00	3,187,284.13
2031	2,191,937.50	985,000.00	298,984.38	1,283,984.38	3,475,921.88	282,669.00	3,193,252.88
2032	2,185,243.75	1,015,000.00	267,734.38	1,282,734.38	3,467,978.13	284,063.00	3,183,915.13
2033	2,180,800.00	1,045,000.00	235,546.88	1,280,546.88	3,461,346.88	279,788.00	3,181,558.88
2034	1,404,600.00	1,080,000.00	202,343.76	1,282,343.76	2,686,943.76	-	2,686,943.76
2035	738,878.13	1,115,000.00	168,046.88	1,283,046.88	2,021,925.01	-	2,021,925.01
2036	741,350.00	1,150,000.00	132,656.25	1,282,656.25	2,024,006.25	-	2,024,006.25
2037	737,625.00	1,185,000.00	96,171.88	1,281,171.88	2,018,796.88	-	2,018,796.88
2038	737,687.50	1,225,000.00	58,515.63	1,283,515.63	2,021,203.13	-	2,021,203.13
2039	-	1,260,000.00	19,687.50	1,279,687.50	1,279,687.50	-	1,279,687.50
	$ 114,914,389.48	$ 21,280,000.00	$ 6,684,920.25	$ 27,964,920.25	$ 142,879,309.73	$ 32,070,981.00	$ 110,808,328.73

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

[(b)] *Includes debt being paid from water and sewer system revenue, ad valorem taxes recaptured from the TIRZ and Navarro College lease revenues. See footnotes to Table 2, page A-2 for more detailed information.*

[(c)] *Excludes debt service paid from sources other than City taxes.*

** Preliminary; subject to change.*

TAX ADEQUACY (Includes Self-Supporting Debt) — TABLE 4

2018-2019 Net Taxable Assess Valuation After TIRZ Adjustment	$	3,694,812,190
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-21*)	$	15,642,636 *
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$	0.43201 *

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

** Preliminary; subject to change.*

TAX ADEQUACY (Excludes Self-Supporting Debt) — TABLE 5

2018-2019 Net Taxable Assess Valuation After TIRZ Adjustment	$	3,694,812,190
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-21*)	$	12,082,474 *
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$	0.33369 *

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

** Preliminary; subject to change.*

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE — TABLE 6

Fiscal Year Ending 9/30	Principal Repayment Schedule: Outstanding Principal[(a)*]	The Bonds*	Total	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2019	$ 9,060,000	$ -	$ 9,060,000	$ 94,919,922	8.71%
2020	9,553,125	885,000	10,438,125	84,481,797	18.75%
2021	9,724,736	1,530,000	11,254,736	73,227,061	29.58%
2022	7,972,297	1,950,000	9,922,297	63,304,764	39.12%
2023	6,584,736	765,000	7,349,736	55,955,028	46.19%
2024	6,462,006	790,000	7,252,006	48,703,022	53.16%
2025	6,031,432	815,000	6,846,432	41,856,590	59.75%
2026	4,706,590	840,000	5,546,590	36,310,000	65.08%
2027	4,430,000	870,000	5,300,000	31,010,000	70.18%
2028	3,970,000	895,000	4,865,000	26,145,000	74.86%
2029	2,490,000	925,000	3,415,000	22,730,000	78.14%
2030	1,835,000	955,000	2,790,000	19,940,000	80.82%
2031	1,895,000	985,000	2,880,000	17,060,000	83.59%
2032	1,945,000	1,015,000	2,960,000	14,100,000	86.44%
2033	2,000,000	1,045,000	3,045,000	11,055,000	89.37%
2034	1,280,000	1,080,000	2,360,000	8,695,000	91.64%
2035	655,000	1,115,000	1,770,000	6,925,000	93.34%
2036	680,000	1,150,000	1,830,000	5,095,000	95.10%
2037	700,000	1,185,000	1,885,000	3,210,000	96.91%
2038	725,000	1,225,000	1,950,000	1,260,000	98.79%
2039	-	1,260,000	1,260,000	-	100.00%
	$ 82,699,922	$ 21,280,000	$ 103,979,922		

(a) Includes self-supporting debt principal.
** Preliminary; subject to change.*

OTHER OBLIGATIONS - CAPITAL LEASES — TABLE 7

The City has entered into capital lease agreements. The leased property under capital leases is classified as machinery and equipment with a net carrying value of approximately $74,648 for governmental activities. Amortization expense has been included in depreciation expense for the year ended September 30, 2018. All leases of the City were paid off during fiscal year 2018.

INTEREST AND SINKING FUND MANAGEMENT INDEX — TABLE 8

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2018	$ 821,888
FY 2018 Interest and Sinking Fund Tax Levy of $0.327021 at 99% Collections Produces (Claculation is based on Net Taxable Assessed Valuation before exclusion of TIRZ Value.)	11,961,984
Total Available for Debt Service	$ 12,783,872 (a)
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-19	11,230,946 (b)*
Estimated Interest & Sinking Fund Balance at Fiscal Year Ending 9-30-19	$ 1,552,926 (c)

(a) Calculated using Net Taxable Assessed Valuation, excluding value captured by the TIRZ.
(b) Excludes self-supporting general obligation debt paid from sources other than taxes
(c) Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment
** Preliminary; subject to change.*

TAXABLE ASSESSED VALUATION HISTORY **TABLE 9**

Year	Net Taxable Assessed Valuation[(a)]	Change From Preceding Year Amount ($)	Percent
2008-09	$ 2,063,856,375	$ 142,564,509	7.42%
2009-10	2,122,200,197	58,343,822	2.83%
2010-11	2,028,299,309	(93,900,888)	(4.42%)
2011-12	1,955,669,097	(72,630,212)	(3.58%)
2012-13	2,013,954,034	58,284,937	2.98%
2013-14	2,101,220,583	87,266,549	4.33%
2014-15	2,222,831,269	121,610,686	5.79%
2015-16	2,509,554,503	286,723,234	12.90%
2016-17	2,733,484,411	223,929,908	11.43%
2017-18	3,024,514,485	291,030,074	8.19%
2018-19	3,694,812,190	670,297,705	9.62%

(a) Includes value captured by the TIRZ. See Table 12 for assessed valuation after deducting value losses to theTIRZ.
Sources: Issuer's 2018 Comprehensive Annual Financial Report and Ellis Central Appraisal District.

FUND BALANCES **TABLE 10**

	As of 9-30-18	As of 5-31-19 (Unaudited)
General Fund	$ 17,632,346	$ 22,313,038
General Obligation Debt Service Fund	821,888	7,837,849
Special Revenue Fund	667,899	735,559
Capital Projects Fund (General Fund)	25,677,867	21,108,649
Capital Projects Fund (Utilities)	-	-
Revenue Bond Debt Service Fund	613,204	2,373,958
Revenue Bond Reserve Fund	1,693,017	-
Water and Sewer Operating Fund (Cash and Investment Only)	20,966,281	25,421,736
Utility Capital Recovery Fund (Impact Fees)	9,569,184	11,242,565
Total	$ 77,641,686	$ 91,033,354

MUNICIPAL SALES TAX COLLECTIONS **TABLE 11**

The table below shows total sales tax collections for the City of Midlothian. On August 8, 1998 the City approved additional sales tax of 1% (1/2% sales tax for economic and community development under each of Chapter 504 and Chapter 505 of the Texas Local Government Code). Collection of the additional sales tax began January 1, 1999.

Fiscal Year	Total Collections	1% City Tax Collections	Tax Levy	Percent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2008	3,617,442	1,808,721	12,548,917	14.41%	0.09
2009	3,638,012	1,819,006	13,251,643	13.73%	0.09
2010	3,588,102	1,794,051	13,725,168	13.07%	0.08
2011	4,011,447	2,005,723	13,214,950	15.18%	0.10
2012	4,360,961	2,180,480	12,683,522	17.19%	0.11
2013	5,008,081	2,504,040	13,125,732	19.08%	0.12
2014	6,263,719	3,131,859	13,865,613	22.59%	0.15
2015	6,417,556	3,208,778	15,770,800	20.35%	0.14
2016	6,857,852	3,428,926	17,778,047	19.29%	0.14
2017	7,538,793	3,769,397	19,376,285	19.45%	0.14
2018	8,619,125	4,309,563	21,385,703	20.15%	0.14
2019 (a)	5,082,116	2,541,058	21,448,519	11.85%	0.08

(a) Current Fiscal Year collections are for 7 months only.
Source: Texas Comptroller of Public Accounts website and the Issuer.
Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the City, which is two months after they are generated/collected.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 12

Category	2018-2019	% of Total	2017-2018	% of Total	2016-2017	% of Total	2015-2016	% of Total	2014-2015	% of Total
Real, Residential, Single-Family	$ 2,169,974,487	47.63%	$ 1,496,074,768	39.89%	$ 1,255,995,034	36.22%	$ 1,073,772,841	33.49%	$ 947,091,877	33.41%
Real, Residential, Multi-Family	87,137,565	1.91%	62,807,223	1.67%	54,946,220	1.58%	53,220,647	1.66%	46,488,113	1.64%
Real, Vacant Lots/Tracts	45,583,530	1.00%	55,825,470	1.49%	38,333,990	1.11%	37,964,235	1.18%	38,409,466	1.36%
Real Acreage (Land Only)	147,028,654	3.23%	146,009,189	3.89%	126,457,063	3.65%	121,932,783	3.80%	110,586,430	3.90%
Farm & Ranch Improvements	80,937,768	1.78%	64,236,862	1.71%	52,408,893	1.51%	49,462,369	1.54%	40,080,777	1.41%
Real, Commercial	289,330,806	6.35%	250,203,498	6.67%	247,565,137	7.14%	225,930,880	7.05%	201,276,714	7.10%
Real, Industrial	830,005,100	18.22%	783,522,056	20.89%	819,873,876	23.64%	861,638,067	26.87%	776,706,971	27.40%
Oil and Gas	1,336,176	0.03%	1,213,541	0.03%	1,312,178	0.04%	1,154,982	0.04%	1,352,390	0.05%
Real & Tangible, Personal Utilities	39,907,300	0.88%	38,269,387	1.02%	36,619,478	1.06%	34,354,585	1.07%	31,938,561	1.13%
Tangible Personal, Commercial	226,283,349	4.97%	205,595,581	5.48%	189,103,587	5.45%	152,654,304	4.76%	127,722,014	4.51%
Tangible Personal, Industrial	277,290,135	6.09%	328,889,390	8.77%	350,824,620	10.12%	328,202,000	10.24%	301,484,050	10.64%
Tangible Personal, Mobil Homes	2,499,970	0.05%	2,504,740	0.07%	2,504,350	0.07%	2,516,190	0.08%	2,417,180	0.09%
Real Property, Inventory / Other	102,019,569	2.24%	77,247,290	2.06%	61,584,740	1.78%	34,877,040	1.09%	21,177,820	0.75%
Totally Exempt Property	257,010,398	5.64%	238,562,765	6.36%	230,621,142	6.65%	228,761,399	7.13%	187,717,283	6.62%
Total Market Value	$ 4,556,344,807	100.00%	$ 3,750,961,760	100.00%	$ 3,468,150,308	100.00%	$ 3,206,442,322	100.00%	$ 2,834,449,646	100.00%
Less Exemptions:										
Local, Optional Homestead	$ 119,351,296		$ 89,640,143		$ 81,484,862		$ 77,852,748		$ 70,244,327	
Disabled and Deceased Veterans'	2,572,000		1,895,500		1,561,500		1,525,000		1,398,500	
Disabled Veterans Homestead	35,804,006		24,298,701		17,437,011		10,929,666		6,695,670	
Agricultural Productivity Loss	143,382,607		142,485,445		123,025,114		118,608,726		107,530,792	
Abatements	40,157,591		35,484,428		38,548,958		41,644,649		45,864,268	
Freeport	62,343,551		51,498,423		80,481,952		56,388,570		60,752,379	
10% Value Cap Loss	32,089,912		13,312,684		15,312,488		1,812,191		2,409,020	
Pollution Control	168,753,936		129,234,476		146,163,390		159,339,420		128,978,608	
Other	67,320		34,710		29,480		31,490		33,990	
Totally Exempt Property	257,010,398		238,562,765		230,621,142		228,755,359		187,710,823	
Total Exemptions	$ 861,532,617		$ 726,447,275		$ 734,665,897		$ 696,887,819		$ 611,618,377	
Net Taxable Assessed Valuation	$ 3,694,812,190		$ 3,024,514,485		$ 2,733,484,411		$ 2,509,554,503		$ 2,222,831,269	
Value Captured by Tax Increment Reinvestment Zone (TIRZ)	$ 502,137,783		$ 491,064,677		$ 464,436,076		$ 466,666,585		$ 431,581,170	
Net Taxable Assessed Valuation after TIRZ Adjustment	**$ 3,192,674,407**		**$ 2,533,449,808**		**$ 2,269,048,335**		**$ 2,042,887,918**		**$ 1,791,250,099**	

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

Source: Ellis County Appraisal District and the Issuer.

PRINCIPAL TAXPAYERS - 2018-2019 **TABLE 13**

Name	Type of Property	2018 Net Taxable Assessed Valuation		% of Total 2018 Assessed Valuation
Gerdau Ameristeel	Steel Manufacturer	$ 149,878,623		4.69%
HolCim (US) Inc.	Cement Plant	114,797,700		3.60%
Martin Marietta (TXI)	Cement Plant	57,777,280	(a)	1.81%
Target Corporation	Retail Sales Distribution	54,438,638	(b)	1.71%
Toys R Us (Giraffe Properties LLC) [d]	Retail Sales Distribution	35,659,785	(c)	1.12%
North Texas Cement Co/Ash Grove Tx	Cement Plant	23,576,573		0.74%
North Texas Cement Co/Ash Grove Tx	Cement Plant	21,228,069		0.66%
Quick N Tasty Foods	Retail Sales Distribution	21,177,280		0.66%
Timber Oaks Holdings, LLC	Real Estate	20,384,820		0.64%
Wal Mart Real Estate	Retail Sales Distribution	12,856,850		0.40%
	Total	$ 511,775,618		16.03%

Based on a **2018-2019** Net Taxable Assessed of (After TIRZ Adjustment) $ 3,192,674,407

[a] *Excludes the portion of the TXI property located in the TIRZ in the amount of $65,884,920.*
[b] *Excludes the portion of the Target property located in the TIRZ in the amount of $39,639,380.*
[c] *Excludes the portion of the Toys R US plant located in the TIRZ, in the amount of $24,999,000.*
[d] *Toys R Us filed for voluntary Chapter 11 bankruptcy protection on September 18, 2017.*

Source: Issuer

PROPERTY TAX RATES AND COLLECTIONS [a] **TABLE 14**

Tax Year	Net Taxable Assessed Valuation After TIRZ Adjustment	Total Tax Rate	Tax Levy	% Collections[b] Current	% Collections[b] Total	Fiscal Year Ended
2008	$ 1,645,080,877	0.650000	13,251,643	99.35%	99.97%	9/30/2009
2009	1,682,004,693	0.650000	13,716,728	99.19%	99.93%	9/30/2010
2010	1,641,078,339	0.650000	13,186,511	99.05%	99.85%	9/30/2011
2011	1,579,392,681	0.650000	12,648,665	99.37%	99.81%	9/30/2012
2012	1,584,889,520	0.650000	13,092,434	99.27%	99.80%	9/30/2013
2013	1,665,101,780	0.658244	13,833,963	99.38%	99.80%	9/30/2014
2014	1,791,250,099	0.708244	15,745,386	99.53%	99.84%	9/30/2015
2015	2,042,887,918	0.708244	17,778,047	99.74%	99.80%	9/30/2016
2016	2,269,048,335	0.708244	19,376,285	99.58%	99.58%	9/30/2017
2017	2,533,449,808	0.708244	21,385,703	99.48%	99.48%	9/30/2018
2018	3,192,674,407	0.708244	26,243,638	99.44% [c]	99.97% [c]	9/30/2019

[a] *See "AD VALOREM TAX PROCEDURES - Levy and Collection of Taxes" in the body of the Official Statement for a complete discussion of the City's provisions.*
[b] *Excludes penalties and interest.*
[c] *Current year collections as of June 30, 2019.*
Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Ellis Appraisal District and the Issuer.

TAX RATE DISTRIBUTION **TABLE 15**

	2018-19	2017-18	2016-17	2015-16	2014-15
General Fund	$0.381223	$0.367873	$0.365641	$0.354757	$0.357561
I & S Fund	0.327021	0.340371	0.342603	0.353487	0.350683
TOTAL	$0.708244	$0.708244	$0.708244	$0.708244	$0.708244

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

DIRECT AND OVERLAPPING DEBT DATA INFORMATION — TABLE 16

(As of June 30, 2019)

Taxing Body	Gross Debt Principal	% Overlapping	Amount Overlapping
Ellis County	$ 35,325,000	22.56%	$ 7,969,320
Midlothian Independent School District	356,066,373	68.31%	243,228,939
Waxahachie Independent School District	245,367,560	0.94%	2,306,455
Total Net Overlapping Debt			$ 253,504,714
City of Midlothian	103,979,922 (a)*	100.00%	103,979,922 (a)*
Total **Gross** Direct and Overlapping Debt Principal			**$ 357,484,637** (a)*

Ratio of Gross Direct and Overlapping Debt to 2018-2019 Net Taxable Assessed Valuation (Excluding TIRZ Captured Value)	9.68% (a)*
Ratio of Gross Direct and Overlapping Debt to 2018-2019 Actual Value	7.85% (a)*
Per Capita Gross Direct and Overlapping Debt	$10,964.78 (a)*

Note: The above figures show Gross General Obligation Debt for the City of Midlothian, Texas

The Issuer's Net General Obligation Debt Principal is $ 77,243,279 (b)*

Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total **Net** Direct and Overlapping Debt Principal	$330,747,994 (b)*
Ratio of Net Direct and Overlapping Debt to 2018-2019 Net Taxable Assessed Valuation (Excluding TIRZ Captured Value)	8.95% (b)*
Ratio of Net Direct and Overlapping Debt Principal to 2018-2019 Actual Value	7.26% (b)*
Per Capita Net Direct and Overlapping Debt	$10,145 (b)*

(a) Includes the Bonds, self-supporting debt and unlimited tax debt.
Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas.
Note: See "CITY APPLICATION OF THE PROPERTY TAX CODE - Tax Increment Reinvestment Zone" on pages 15-16 of the Official Statement for information regarding the Midlothian Development Authority / Tax Increment Reinvestment Zone Two (TIRZ).
** Preliminary; subject to change.*

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES — TABLE 17

Governmental Entity	2018 Net Taxable Assessed Valuation	% of Actual	2018 Tax Rate
Ellis County	$ 15,355,774,687 (a)	100%	$ 0.359713 (b)
Midlothian Independent School District	4,619,229,379 (a)	100%	1.540000
Waxahachie Independent School District	4,128,751,549	100%	1.553900

(a) Includes taxable assessed valuation captured by the Tax Increment Reinvestment Zone
(b) Does not include Lateral Road tax rate.
Source: Ellis County Appraisal District

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF OVERLAPPING GOVERNMENTAL ENTITIES — TABLE 18

(As of June 30, 2019)

Taxing Body	Date Authorized	Purpose	Amount Authorized	Issued To-Date	Unissued
Ellis County			$ -	$ -	$ -
Midlothian ISD	5/22/1999	School Building	46,245,000	46,243,938	1,062 (a)
	11/8/2016	School Building/Stadium	268,000,000	148,000,000	120,000,000
Waxahachie ISD	5/5/2018	School Building	23,000,000	23,000,000	-

(a) Midlothian Independent School District has no plans to issue these bonds.
Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED DIRECT GENERAL OBLIGATION BONDS OF THE CITY — TABLE 19

Taxing Body	Date Authorized	Purpose	Amount Authorized	Issued To-Date	Amount Being Issued	Unissued
Midlothian, City of	11/7/2017	Street Improvements	$ 22,200,000	$ 3,230,000	$ 7,080,000	$ 11,890,000
	11/7/2017	Parks & Recreation	$ 16,100,000	$ 1,900,000	$ 14,200,000	$ -

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

	Fiscal Year Ended September 30				
	2018	**2017**	**2016**	**2015**	**2014**
Revenues:					
Taxes	$ 18,377,051	$ 16,393,741	$ 15,249,642	$ 14,190,611	$ 12,317,661
Licenses and Permits	1,671,771	1,119,635	884,715	727,583	662,782
Intergovernmental	4,513,105	4,015,415	3,966,500	3,747,456	2,768,792
Charges for Services	1,707,421	1,904,997	1,885,929	1,566,532	1,304,151
Fines and Forfeits	438,938	377,053	383,397	346,075	432,845
Interest Income	297,196	125,649	80,784	53,551	37,508
Contributions and Donations	15,497	41,687	313,352	318,249	281,439
Other Revenues	254,783	2,657,262	66,878	41,709	49,747
Total Revenues	$ 27,275,762	$ 26,635,439	$ 22,831,197	$ 20,991,766	$ 17,854,925
Expenditures:					
Current:					
General Government	$ 6,081,992	$ 5,961,760	$ 5,446,569	$ 4,818,449	$ 3,995,715
Public Safety	14,720,807	13,125,829	11,982,639	10,627,181	9,470,325
Public Works	3,523,576	2,579,875	2,638,676	2,423,171	3,002,644
Culture and Recreation	1,703,920	1,549,853	2,726,652	1,152,123	1,444,289
Intergovernmental (Payment to TIRZ)	1,785,567	1,659,765	1,668,234	1,542,181	1,285,153
Capital Outlay	-	92,539			
Debt Service					
Principal retirement	29,559	28,652	38,607	49,919	-
Interest charges	997	1,904	3,308	5,477	-
Total Expenditures	$ 27,846,418	$ 25,000,177	$ 24,504,685	$ 20,618,501	$ 19,198,126
Excess (Deficit) of Revenues Over Expenditures	$ (570,656)	$ 1,635,262	$ (1,673,488)	$ 373,265	$ (1,343,201)
Other Financing Sources (Uses):					
Note/Capital Lease Proceeds	$ -	$ -	$ -	$ -	$ 142,256
Transfers In (Includes Component Units)	2,801,674	2,805,224	2,771,119	2,779,790	2,749,609
Transfers Out	(1,713,655)	(1,723,344)	(779,443)	(1,763,543)	(675,396)
Total Other Financing Sources (Uses)	$ 1,088,019	$ 1,081,880	$ 1,991,676	$ 1,016,247	$ 2,216,469
Excess (Deficit) of Revenues/Other Sources Sources Over Expenditures/Other Uses	517,363	2,717,142	318,188	1,389,512	873,268
Fund Balance - Beginning of Year	17,114,983 [(a)]	14,438,575	14,120,387	12,730,875 [(a)]	11,738,502
Fund Balance - September 30	$ 17,632,346	$ 17,155,717	$ 14,438,575	$ 14,120,387	$ 12,611,770

[(a)] *Restated-See the Notes to Basic Financial Statements*

Note: The City anticipates the unaudited General Fund balance for period ending September 30, 2019 will be approximately $ 17,340,000

Source: The Issuer's Audited Financial Statements

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF MIDLOTHIAN AND ELLIS COUNTY, TEXAS

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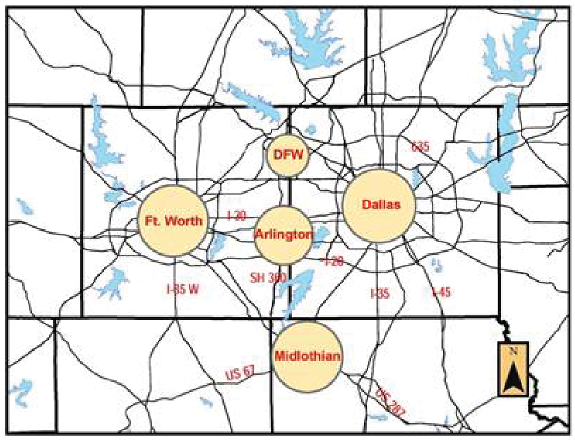
GENERAL INFORMATION REGARDING THE CITY OF MIDLOTHIAN AND ELLIS COUNTY, TEXAS

Location:

Chartered In 1888, the City of Midlothian (the "City") Is a commercial and Industrial center located 25 miles southwest of the City of Dallas and 25 miles southeast of the City of Fort Worth, at the Intersection of United States Highways 67 and 287. The City is a component of the Dallas-Fort Worth Consolidated Metropolitan Statistical Area (CMSA) and Is traversed by Interstate Highways 35E and 45, United States Highways 77 and 287, and State Highways 34 and 342. The City's economy Is primarily based on steel manufacturing, cement production, auto assembly and distribution and agriculture. According to the U.S. Census Bureau, the City's 2010 population was 18,037. The City's 2019 population estimate is 32,603.



Population Trends:

Census Report	City of Midlothian	Ellis County
Current Estimate	32,603	180,000
2010	18,037	149,610
2000	7,480	111,360
1990	5,141	85,167
1980	3,219	59,743

Sources: Latest available Census Reports and City of Midlothian.

Major Employers:

Employer	Type of Business	Number of Employees
Gerdau Ameristeel	Steel Manufacturing	1000-1499
Midlothian Independent School District	Public Education	500-999
Target Distribution	Distribution Center	500-999
City of Midlothian	Municipal Government	200-499
Martin Marietta	Cement Production	200-499
Ash Grove, Texas	Cement Plant	100-199
Holcim, Inc.	Cement Plant	100-199
QuikTrip Corporation	Gasoline	100-199
Ennis, Inc.	Office Equipment	50-99
Dynegy	Electric Power	50-99

Source: Midlothian Economic Development Corporation and the City of Midlothian

Residential and Commercial Building Construction

	Residential		Commercial		Total	
Calendar Year	Number of Permits	AV Property Value $$ Amount	Number of Permits	AV Property Value $$ Amount	Number of Permits	AV Property Value $$ Amount
2019*	229	$ 47,580,779	14	$ 528,571,451	244	$ 576,152,230
2018	469	90,876,522	24	535,090,740	493	625,967,262
2017	627	103,038,830	16	30,951,283	643	133,990,113
2016	490	66,728,844	7	19,875,514	516	86,604,358
2015	414	56,700,000	9	20,200,000	423	76,900,000
2014	278	39,088,036	7	20,589,000	285	59,677,036
2013	238	32,531,488	8	20,136,989	246	52,668,477
2012	185	24,920,584	40	154,773,531	225	179,694,115
2011	167	21,805,836	3	517,000	170	22,322,836
2010	159	19,681,379	2	315,000	161	19,996,379
2009	107	12,904,180	15	8,360,178	122	21,264,358
2008	114	15,522,265	14	19,339,079	128	34,861,344

Sources: The Issuer.
**As of July 10, 2019.*
Note: Increase to Commercial AV Property Value for 2018 and 2019, is due to multiple large projects including Google Data Center.

ELLIS COUNTY, TEXAS

The 2010 U.S. Census reported a county-wide population of 149,610. The County contains a number *of* municipalities of various sizes Including: Ennis, Ferris, Italy, Maypearl, Midlothian, Ovilla, Palmer, Red Oak, and Waxahachie, which serves as the county seat. The County's economy Is based on manufacturing and agriculture. The Texas Almanac designates livestock, dairy production, honey cotton, corn, wheat, milo and hay as principal sources of agricultural income.

Southwestern Assemblies of God College Is located In the County. Other Institutions of higher education In neighboring Dallas, Hill, Navarro and Tarrant counties that *are* accessible to residents of Ellis County Include the following: Cedar Valley Community College, Dallas Baptist University, Dallas County Community Colleges, Hill County Junior College, Mountain View College, Navarro College, Northwood University, Southern Methodist University, Tarrant County Junior Colleges, Texas Christian University, University of Dallas, University of Texas at Arlington and University of Texas at Dallas.

Source: Texas Municipals Report published by the Municipal Advisory Council of Texas.

Labor Force Statistics - Ellis County

	Ellis County		State of Texas	
	May 2019	May 2018	May 2019	May 2018
Civilian Labor Force	91,464	89,406	13,966,869	13,810,959
Total Employed	89,102	86,646	13,558,175	13,312,236
Total Unemployed	2,362	2,760	408,694	498,723
% Unemployed	2.6%	3.1%	2.9%	3.6%
% Unemployed (United States)	3.4%	3.6%	3.4%	3.6%

Source: Texas Workforce Commission, Labor Market Information Department.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

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

CITY OF MIDLOTHIAN, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2019

AS BOND COUNSEL for the City of Midlothian, Texas (the "City"), the issuer of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which Bonds are issued in the aggregate principal amount of $21,280,000. The Bonds bear interest from the date and mature on the dates specified on the face of the Bonds, and are subject to redemption prior to maturity on the dates and in the manner specified on the face of the Bonds, all in accordance with the ordinance of the City authorizing the issuance of the Bonds (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, the charter of the City, certified copies of the proceedings of the City, and other proofs authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. R-1); however, we express no opinion with respect to any statement of insurance printed on the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with the Constitution and laws of the State of Texas, and constitute valid and legally binding obligations of the City; and that the ad valorem taxes, upon all taxable property within the City, necessary to pay the interest on and principal of the Bonds, have been pledged for such purpose, within the limits prescribed by the Constitution and the charter of the City. The opinion hereinbefore expressed is qualified to the extent that the obligations of the City, and the enforceability thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally, and the exercise of judicial discretion in accordance with general principles of equity.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

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

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

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

Respectfully,

APPENDIX D

EXCERPTS FROM THE CITY OF MIDLOTHIAN AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

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CITY OF MIDLOTHIAN, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

As Prepared By:

Finance Department

City of Midlothian, Texas

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

Independent Auditors' Report

To the Honorable Mayor
and Members of the City Council
City of Midlothian, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Midlothian, Texas, as of and for the year ended September 30, 2018, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, 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.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 26, 2019

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CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2018

As management of the City of Midlothian (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the City exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year by $259,234,702 (net position). Of this amount, $55,657,998 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The City's total net position increased by $29,185,692 for the current fiscal year, which resulted primarily from ad valorem, sales and franchise taxes ($29,909,806) and capital contributions of $22,288,419.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $44,800,000. Thirty-five percent (35%) of this total amount or $15,478,793 is unassigned and available for use within the City's policies.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $15,478,793 or 63% of total General Fund expenditures.

- The City's long-term debt increased $6,676,172 or 7%, due to the issuance of debt, offset by annual principal debt payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, public works and cultural and recreation. The business-type activities of the City include Water and Sewer operations. The government-wide financial statements can be found on page 12 – 14 of this report.

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 10 governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, and Capital Project Funds, all of which are considered to be major funds. Data from 7 additional funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 15-18.

Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Water and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer fund which is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 19-23 of this report.

Notes to the Financial Statements — the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-66.

Required Supplementary Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's pension and OPEB plans and a General Fund budgetary schedule. Required supplementary information can be found on pages 67-72 of this report.

The combining statements and individual fund schedule referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. These can be found on pages 73-77 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $259,234,702 as of September 30, 2018.

The largest portion of the City's net position $188,168,159 (73%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Current assets increased overall by $22,337,654 due to increased contract water sales in the Water and Sewer Fund by $850,185 and an increase in property and sales tax revenues by $3,143,829 and cash increase due to the issuance of debt ($18,315,000). Long-term liabilities increased by $6,676,172 for the fiscal year ended September 30, 2018 due to the issuance of debt and offset by the annual principal payments for the current year.

An additional portion of the City's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position ($58,255,574), which may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2018, the City is able to report positive balances in all three categories of net position, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

The following table provides a summary of the City's Statement of Net Position for the year ended September 30, 2018.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	$ 72,450,043	$ 55,614,055	$ 35,202,727	$ 29,701,061	$ 107,652,770	$ 85,315,116
Capital Assets	149,472,246	132,327,770	113,724,470	112,998,664	263,196,716	245,326,434
Total Assets	221,922,289	187,941,825	148,927,197	142,699,725	370,849,486	330,641,550
Total Deferred Outflows of Resources	2,755,565	4,146,585	656,912	840,994	3,412,477	4,987,579
Long Term Liabilities	81,557,327	72,053,359	25,857,782	28,655,045	107,415,109	100,708,404
Other Liabilities	4,554,605	3,462,828	1,859,755	1,588,997	6,414,360	5,051,825
Total Liabilities	86,111,932	75,516,187	27,717,537	30,244,042	113,829,469	105,760,229
Total Deferred Inflows of Resources	1,063,346	161,721	134,446	20,447	1,197,792	182,168
Net Investment in Capital Assets	103,682,036	83,990,206	91,436,058	86,781,144	195,118,094	170,771,350
Restricted for:						
Debt Service	3,477,907	592,496	1,693,017	1,659,724	5,170,924	2,252,220
Capital Improvements	-	-	9,569,184	7,486,142	9,569,184	7,486,142
Other	668,437	798,525	-	-	668,437	798,525
Unrestricted (deficit)	29,674,196	31,029,275	19,033,867	17,349,220	48,708,063	48,378,495
Net Position	$ 137,502,576	$ 116,410,502	$ 121,732,126	$ 113,276,230	$ 259,234,702	$ 229,686,732

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2018

The following table provides a summary of the City's Statement of Activities for the year ended September 30, 2018.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Fees, fines and charges for services	$ 5,753,359	$ 4,880,910	$ 17,976,259	$ 17,126,074	$ 23,729,618	$ 22,006,984
Operating Grants and Contributions	2,024,787	1,943,548	-	-	2,024,787	1,943,548
Capital Grants and Contributions	15,814,761	17,260,549	6,473,658	10,211,564	22,288,419	27,472,113
General Revenues:						
Ad Valorem Taxes	22,713,070	20,313,875	-	-	22,713,070	20,313,875
Sales Tax	4,243,989	3,755,683	-	-	4,243,989	3,755,683
Franchise Taxes	2,952,747	2,740,697	-	-	2,952,747	2,740,697
Other Taxes	215,154	198,756	-	-	215,154	198,756
Investment Earnings	539,448	216,440	452,247	139,820	991,695	356,260
Miscellaneous	439,006	2,988,084	-	-	439,006	2,988,084
Total Revenues	54,696,321	54,298,542	24,902,164	27,477,458	79,598,485	81,776,000
Expenses:						
General Government	8,265,542	9,869,378	-	-	8,265,542	9,869,378
Public Safety	13,494,731	14,218,800	-	-	13,494,731	14,218,800
Public Works	10,642,230	7,444,881	-	-	10,642,230	7,444,881
Cultural and Recreation	2,210,187	1,436,441	-	-	2,210,187	1,436,441
Interest on Long Term Debt	2,272,564	2,263,827	-	-	2,272,564	2,263,827
Water and Sewer	-	-	13,527,539	11,953,415	13,527,539	11,953,415
Total Expenses	36,885,254	35,233,327	13,527,539	11,953,415	50,412,793	47,186,742
Increases in net position before transfers	17,811,067	19,065,215	11,374,625	15,524,043	29,185,692	34,589,258
Transfers	2,995,393	3,226,558	(2,995,393)	(3,226,558)	-	-
Change in net position	20,806,460	22,291,773	8,379,232	12,297,485	29,185,692	34,589,258
Net position - beginning	116,410,502	94,118,729	113,276,230	100,978,745	229,686,732	195,097,474
Prior period adjustment	285,614	-	76,664	-	362,278	-
Net position - ending	$ 137,502,576	$ 116,410,502	$ 121,732,126	$ 113,276,230	$ 259,234,702	$ 229,686,732

Governmental activities - Governmental activities increased the City's net position by $22,291,773. Overall total revenues for fiscal year 2018 were less than 1% higher than the previous fiscal year and the City experienced increases and decreases in several categories of revenue. The largest increase came from Ad Valorem taxes as the City has experienced growth in both residential and commercial in 17-18 construction resulting in an increase of $2,399,195 (10.6%), along with retail growth, which has contributed to an increase in sales tax by 11%. The City has realized an increase in interest revenue due to higher interest rates compared to fiscal year-end 2017. A decrease in miscellaneous revenue of $2,549,078 was expected due to a large one-time payment that was received in the prior year. The City's operating expenses for 2018 increased by $1,651,927 due to a 4% increase in payroll to maintain a competitive market pay, new positions in public safety, building inspections and public works. Funding was increased for street drainage repair by 27% and street light maintenance expenses were increased to support an area annexed in 17-18. Overall net position increased by $21,092,074. Of this amount, $285,614 is attributable to a prior period adjustment that was recorded to properly state other post-employment benefits.

Business-type activities - Business-type activities increased the City's net position by $8,379,232. The increase is primarily due to an increase in demand and growth from development for all business-type activities consisting primarily of water, sewer and contract water sales. There was a a substantial increase in interest revenue ($312,427) due to higher interest rates. Business-type activities experienced a decrease in capital contributions from developers. The City has three water suppliers within the City limits, which may result in growth for sewer revenue only, therefore developer contributions can fluctuate based on the geographical area of new infrastructure. Operating expenses increased by $1,574,124 with a payroll increase of 4%, an increase in contractual costs to pay for sewer operations, and professional fees. Overall net position increased $8,455,896. Of this amount, $76,664 was attributable to a prior period adjustment that was recorded to properly state other post-employment benefits.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $44,800,000. Approximately 35% of this total amount ($15,478,793) constitutes unassigned fund balance. Restricted fund balance is primarily comprised of restrictions for capital improvements in the capital projects fund ($19,927,760) and restricted for debt service ($821,888). Additional restricted amounts are for police imprest/special response team, tourism, court technology and building security, and grants totaling $667,899. The General Fund has a nonspendable amount of $8,241 for prepaid items. In the General Fund, $209,484 is assigned for community improvements and a conference center. Additionally, the General Fund has $1,504,672 assigned for use in in the fiscal year 18-19 budget and $431,156 committed for construction contracts.

The increase in fund balance for the General Fund is due primarily from revenues exceeding expectations by $1,941,747. Tax collections contributed to the fund balance increase, exceeding budget by 4%. The City also annexed an area in the 17-18 fiscal year, which resulted in an increased tax levy, combined with growth and increased appraisal values. Additionally, investment income was 283% above budget expectations due to the increase in interest rates. The City Council approved the use of commercial paper in the investment policy, which allowed for short-term 90-day investments to achieve better rates for cash flow needs. The City Council limited the amount of commercial paper to 10% of the portfolio. The expenditures were below budget due to a cost saving for utilities, fluctuations in hiring/terminations of payroll, street maintenance and renovations approved by council to spend in 18-19 budget year ($1,504,672).

The fund balance for the Capital Projects Fund increased by $14,761,708 (135%). This was due from the issuance of debt in 2018 by a voter approved 2017 bond election.

The Debt Service Fund balance increased by $161,711 (24%) due to additional investment income and delinquent payments for tax collections.

Proprietary funds - The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the Water and Sewer Fund is $19,033,867. Factors affecting the performance of the fund during the year include an increase in water usage and an increase in sewer collections, along with an increase in costs for the new water treatment plant.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget - The difference between the original budgeted expenditures and the final amended budget in the General Fund was $633,412 and was the result of the City Council approving budget amendments for goods or services.

Final Budget Compared to Actual Results - The increase in fund balance for the General Fund is due primarily from revenues exceeding expectations by $1,941,747 above the budgeted amount of $25,334,015 and expenditures fell below budgeted amount of $30,692,144 by ($2,845,726). Tax collections contributed to the fund balance increase, exceeding budget by 4%. The City annexed an area in the 17-18 fiscal year, which resulted in an increased tax levy, combined with growth and increased appraisal values. Additionally, investment income was 283% above budget expectations due to the increase in interest rates. The City Council approved the use of commercial paper in the investment policy, which allowed for short term 90-day investments to achieve better rates for cash flow needs. The expenditures were below budget due to a cost saving for utilities, fluctuations in hiring/terminations of payroll, street maintenance and renovations approved by council to spend in 18-19 budget year ($1,504,672).

CAPITAL ASSETS

The City of Midlothian's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to $263,196,716 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was $17,870,282, (a 13% increase for governmental activities and a 6% increase in business-type activities.) The increase in the governmental activities is primarily from infrastructure, developer contributions, the addition of a new community park, and the purchase of large equipment. In December 2017, the city annexed an area that added additional assets for land ($7,397,788), and additional streets and drainage in the amount of $3,279,930. The increase in the business-type activities, excluding the change in accumulated depreciation, is primarily due to utility rehab construction, and developer contributions and the installation of new water meters city-wide and the supporting software for a cloud-based reading system.

	Governmental Activities 2018	Governmental Activities 2017	Business-type Activities 2018	Business-type Activities 2017	Total 2018	Total 2017
Land	$ 26,886,003	$ 18,634,563	$ 812,778	$ 812,778	$ 27,698,781	$ 19,447,341
Buildings	17,367,880	17,367,880	41,077,544	41,077,544	58,445,424	58,445,424
Equipment	17,012,835	14,737,211	5,387,574	3,482,092	22,400,409	18,219,303
Improvements	33,294,519	21,400,051	-	-	33,294,519	21,400,051
Infrastructure	131,728,308	122,762,974	58,861,759	55,426,823	190,590,067	178,189,797
Water Rights	-	-	29,949,793	29,949,793	29,949,793	29,949,793
Wastewater Rights	-	-	18,051,922	18,051,922	18,051,922	18,051,922
Progress	9,542,741	16,054,009	768,565	1,827,150	10,311,306	17,881,159
Depreciation	(86,360,040)	(78,628,918)	(41,185,465)	(37,629,438)	(127,545,505)	(116,258,356)
Total	$ 149,472,246	$ 132,327,770	$ 113,724,470	$ 112,998,664	$ 263,196,716	$ 245,326,434

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

- Installed new Water Meters and software for billing - $2,119,583
- Street and drainage additions (developer contributions) - $4,257,288
- Various street improvements - $1,428,713
- New public safety 911 Simulcast System - $2,034,824
- New water and sewer lines - $6,440,968
- New Medic and equipment - $223,215
- Completed construction on Community Park Phase I - $11,653,587

Additional information regarding the City's capital assets can be found in Note 6 on pages 45-47 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total bonded debt, notes payable, and other long-term debt of $107,384,576.

In May 2006, the voters approved a bond election for new street construction, a new 104+ acre multi-use community park, and renovation of fire station #1, for a total of $31,090,000. This debt was issued in increments with Council approval. The first phase of this bond package began with the issuance of $8,550,000 in debt in July 2007. The final $4,790,000 was issued in 2018 for street improvements. A bond election was held in November 2017 when the voters approved a $47,400,000 bond package for building a new fire station and firefighting training facility ($9,100,000) constructing and improving streets ($22,200,000) and Park construction and improvements ($16,100,000). The first issuance was in September 2018 for $13,525,000 to construct the fire station and training facility, engineering design of the second phase of the community park and to begin street construction.

At September 30, 2018, the City's long-term liabilities consisted of the following:

	Governmental 2018	Governmental 2017	Business-type Activities 2018	Business-type Activities 2017	Total 2018	Total 2017
Tax notes	$ 285,000	$ 2,070,000	$ -	$ -	$ 285,000	$ 2,070,000
General obligation bonds	60,145,864	48,179,009	10,014,057	11,305,912	70,159,921	59,484,921
Accreted interest	8,674,361	7,926,223	-	-	8,674,361	7,926,223
Certificates of obligation	1,975,000	2,275,000	-	-	1,975,000	2,275,000
Revenue bonds	-	-	14,045,000	15,250,000	14,045,000	15,250,000
Capital leases	-	29,559	-	-	-	29,559
Bond premiums	2,263,503	1,475,746	540,030	595,317	2,803,533	2,071,063
Net pension liability	5,180,177	7,185,634	654,963	908,527	5,835,140	-
Total other post-employment benefits liability	1,482,250	1,536,419	466,723	480,987	1,948,973	2,017,406
Compensated absences	1,551,172	1,375,769	137,009	114,302	1,688,181	1,490,071
Total	$ 81,557,327	$ 72,053,359	$ 25,857,782	$ 28,655,045	$ 107,415,109	$ 100,708,404

Additional information on the City's long-term debt can be found in Note 7 on pages 47-52 of this report.

COMPONENT UNITS

Financial reports for the City's component units are located at the City of Midlothian, Finance Department 104 West Ave. E Midlothian, Texas 76065.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2018-2019 fiscal year, General Fund revenues and transfers in from other funds are budgeted to increase by 16% from the 2017-2018 budgeted amounts, with property taxes making up about 43% of General Fund budgeted revenues. Total ad valorem tax revenues are projected to increase 27% over the preceding year. This is due to the amount of retail and residential growth, along with an area that was annexed in December 2017. Sales tax revenue is forecasted to increase in fiscal year 2018-2019 by 10% as compared to the 17-18 budgeted amount. The City has budgeted for a 21% increase in garbage franchise tax for the 18-19 fiscal year based on current growth. Interest revenue has been budgeted to increase 190%. The rates increased 0.25% four times in 2018 leaving the Federal Fund rate in the current target range of 2.25% - 2.50% This has allowed operating funds and debt service funds to earn better rates. The Council also approved the addition of commercial paper in the 2017-18 Investment Policy (with a 10% limit) in the portfolio and 90 day maturity restrictions. Use of this market sector will also increase short-term earning.

The development services department expects growth for the 18-19 budget year, thus the City budgeted a 71% increase in building permit revenues. There are 8,373 preliminary platted lots waiting for approval for development, and 1,176 lots approved and available at this time. The voters approved a $47,400,000 bond package in November 2017 to include the final phase of the community park, street improvements and relocate and replace fire station #1. The first issuance was in August 2018, along with $4,790,000 remaining from the 2006 bond election to build streets. The City Council authorized the use of unassigned fund balance in the amount of $794,477 in 2018-2019 for large capital equipment purchases, and street improvements. In addition, the City continues to maintain over 180 days in fund balance which is in excess of the 90-day reserve as required in the finance policy. Certified tax values for 2018-2019 are $3,694,812,190 less $502,137,783 captured by the tax increment. The City Council approved a new property tax ceiling for persons age 65 years of age and older commencing with tax year 2018. This is in addition to a $70,000 property value exemption that has been in place for many years and it was the desire of council to provide both benefits for the age 65 and older community.

The net increase in taxable value is approximately 22%. The tax rate for 2018-2019 is $0.708244 per $100 valuation, which remains unchanged from the overall 17-18 tax rate.

The Water and Sewer Fund is funded by water/wastewater fees and other utility services. The Water and Sewer Fund saw a 6.5% increase in utility revenues for the 2018 fiscal year as compared to fiscal year 2017. This is attributed to the growth during 2018. The City has an agreement with Trinity River Authority (TRA) to provide wastewater services at the Mountain Creek Regional Wastewater System. The water treatment plant #1 and #2 is budgeted to account for 16.7% of the Water and Sewer Fund expenditures, wastewater 4%, and support services 72%.The water operations department maintains and repairs over 100 miles of water main lines, however only accounts for 2.9% of the utility expenses. Revenues are budgeted to have a ten percent increase due to growth; however unpredicted weather patterns can contribute significantly to revenue fluctuations. The City adopted $2,239,250 in the 17-18 budget and replaced the water meters city-wide. The meter installation is complete, and the Utility Billing department has begun the process of implementing WaterSmart, an online customer portal and app to assist customers with water usage, leak detection and conservation efforts. The staff training is projected to be in place and available by early summer 2019. The City is implementing a new software for customers to track usage, leak detection, troubleshoot, and pay their account balance using a mobile app or computer. The estimated date to provide this service is April 1, 2019. This software is the final phase of the installation of new water meters for all water customers.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attn: Finance Director, at 104 W. Ave E, Midlothian, Texas 76065 or call (972) 775-3481.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT–WIDE FINANCIAL STATEMENTS

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CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 27,156,146	$ 8,212,204	$ 35,368,350	$ 8,872,345
Investments	18,776,222	10,964,026	29,740,248	27,103,855
Receivables:				
Taxes, net of allowance	143,166	-	143,166	-
Accounts, net of allowance	1,185,306	2,229,989	3,415,295	123,536
Other	-	476,410	476,410	-
Due from other governments	12,443,360	-	12,443,360	844,868
Direct financing lease	3,450,041	-	3,450,041	-
Note receivable	-	-	-	4,290,656
Due from component units	32,765	-	32,765	-
Prepaid items	8,241	-	8,241	-
Restricted assets:				
Cash and cash equivalents	-	8,860,529	8,860,529	1,733,810
Investments	-	4,459,569	4,459,569	5,692,663
Investment in joint venture	9,254,796	-	9,254,796	-
Land/development held for sale	-	-	-	3,475,158
Capital assets:				
Nondepreciable	36,428,744	31,531,136	67,959,880	1,182,006
Depreciable, net	113,043,502	82,193,334	195,236,836	4,375,634
Total assets	221,922,289	148,927,197	370,849,486	57,694,531
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	1,627,222	205,741	1,832,963	37,407
Deferred outflows related to OPEB	120,740	38,006	158,746	667
Deferred losses on bond refundings	1,007,603	413,165	1,420,768	1,999,021
Total deferred outflows of resources	2,755,565	656,912	3,412,477	2,037,095
LIABILITIES				
Accounts payable	2,911,520	805,363	3,716,883	154,520
Accrued liabilities	464,193	52,923	517,116	-
Accrued interest payable	250,514	81,452	331,966	519,466
Retainage payable	331,780	22,818	354,598	-
Due to other governments	1,557	2,172	3,729	-
Due to primary government	-	-	-	32,765
Customer deposits	-	895,027	895,027	-
Unearned revenue	595,041	-	595,041	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	10,229,678	2,597,367	12,827,045	4,197,313
Due in more than one year:				
Long-term debt	64,665,222	22,138,729	86,803,951	41,028,228
Net pension liability	5,180,177	654,963	5,835,140	119,086
Total OPEB liability	1,482,250	466,723	1,948,973	8,635
Total liabilities	86,111,932	27,717,537	113,829,469	46,060,013
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	1,063,346	134,446	1,197,792	24,444
Total deferred inflows of resources	1,063,346	134,446	1,197,792	24,444
NET POSITION				
Net investment in capital assets	103,682,036	91,436,058	188,168,159	5,557,640
Restricted for:				
Debt service	3,477,907	1,693,017	5,170,924	7,056,088
Capital improvements	-	9,569,184	9,569,184	-
Other purposes	668,437	-	668,437	7,085,181
Unrestricted	29,674,196	19,033,867	55,657,998	(6,051,740)
Total net position	$ 137,502,576	$ 121,732,126	$ 259,234,702	$ 13,647,169

Note: The City has issued bonds to acquire capital assets that are reported in business-type activities but expects the bonds to be repaid by governmental activities. Accordingly, the capital asset and related borrowing are reported in different activtiy columns but within the same primary government total column. As a result, the amount of net investment in capital assets and unrestricted net position do not crossfoot.

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues		
Program Activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government	$ 8,265,542	$ 1,964,540	$ 50,547	$ 20,702
Public safety	13,494,731	2,169,471	965,754	-
Public works	10,642,230	1,457,961	508,524	15,794,059
Culture and recreation	2,210,187	161,387	499,962	-
Interest on long-term debt	2,272,564	-	-	-
Total governmental activities	36,885,254	5,753,359	2,024,787	15,814,761
Business-type activities:				
Water and sewer	13,527,539	17,976,259	-	6,473,658
Total business-type activities	13,527,539	17,976,259	-	6,473,658
Total primary government	$ 50,412,793	$ 23,729,618	$ 2,024,787	$ 22,288,419
Component units:				
Midlothian Economic Development	$ 2,384,877	$ -	$ -	$ -
Midlothian Community Development Corporation	1,309,225	-	-	-
Midlothian Development Authority	2,840,947	-	1,011,134	-
Total component units	$ 6,535,049	$ -	$ 1,011,134	$ -

General Revenues:
Taxes:
Ad valorem
Sales
Franchise
Other
Grants and contributions not restricted to specific programs
Unrestricted investment income
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

Exhibit 2

Net (Expenses) Revenues and Changes in Net Position			
Governmental Activities	Business- type Activities	Total	Component Units
$(6,229,753)	$ -	$(6,229,753)	$ -
(10,359,506)	-	(10,359,506)	-
7,118,314	-	7,118,314	-
(1,548,838)	-	(1,548,838)	-
(2,272,564)	-	(2,272,564)	-
(13,292,347)	-	(13,292,347)	-
-	10,922,378	10,922,378	-
-	10,922,378	10,922,378	-
(13,292,347)	10,922,378	(2,369,969)	-
			(2,384,877)
			(1,309,225)
			(1,829,813)
			(5,523,915)
22,713,070	-	22,713,070	8,847,558
4,243,989	-	4,243,989	4,311,018
2,952,747	-	2,952,747	-
215,154	-	215,154	-
-	-	-	134,126
539,448	452,247	991,695	630,023
439,006	-	439,006	-
2,995,393	(2,995,393)	-	-
34,098,807	(2,543,146)	31,555,661	13,922,725
20,806,460	8,379,232	29,185,692	8,398,810
116,410,502	113,276,230	229,686,732	5,255,502
285,614	76,664	362,278	(7,143)
$ 137,502,576	$ 121,732,126	$ 259,234,702	$ 13,647,169

The Notes to Basic Financial Statements
are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Exhibit 3

CITY OF MIDLOTHIAN, TEXAS
BALANCE SHEET -
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 6,953,648	$ 383,578	$ 19,100,185	$ 718,735	$ 27,156,146
Investments	11,662,103	458,230	6,655,889	-	18,776,222
Receivables:					
Taxes, net	49,442	51,533	-	42,191	143,166
Accounts, net	1,085,654	2,389	36,014	61,249	1,185,306
Due from other governments	11,929,655	-	508,524	5,181	12,443,360
Due from other funds	-	-	-	1,228	1,228
Due from component units	32,765	-	-	-	32,765
Direct financing lease	-	3,450,041	-	-	3,450,041
Prepaid items	8,241	-	-	-	8,241
Total assets	31,721,508	4,345,771	26,300,612	828,584	63,196,475
LIABILITIES					
Accounts payable	2,107,547	22,309	622,745	158,919	2,911,520
Accrued liabilities	464,193	-	-	-	464,193
Due to other funds	-	-	-	1,228	1,228
Due to other governments	1,557	-	-	-	1,557
Unearned revenue	-	595,041	-	-	595,041
Total liabilities	2,573,297	617,350	622,745	160,147	3,973,539
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	11,515,865	2,906,533	-	538	14,422,936
Total deferred inflows of resources	11,515,865	2,906,533	-	538	14,422,936
FUND BALANCES					
Nonspendable:					
Prepaid items	8,241	-	-	-	8,241
Restricted for:					
Law enforcement	-	-	-	152,907	152,907
Tourism	-	-	-	102,098	102,098
Court	-	-	-	89,573	89,573
City Beautification	-	-	-	49,339	49,339
Grant	-	-	-	233,972	233,972
Community improvements	-	-	-	40,010	40,010
Capital improvements	-	-	19,927,760	-	19,927,760
Debt service	-	821,888	-	-	821,888
Committed - construction projects	431,156	-	-	-	431,156
Assigned to:					
Capital improvements	-	-	5,750,107	-	5,750,107
Community improvements	8,351	-	-	-	8,351
Conference center	201,133	-	-	-	201,133
Budget deficit	1,504,672	-	-	-	1,504,672
Unassigned	15,478,793	-	-	-	15,478,793
Total fund balances	17,632,346	821,888	25,677,867	667,899	44,800,000
Total liabilities, deferred inflows of resources and fund balances	$ 31,721,508	$ 4,345,771	$ 26,300,612	$ 828,584	$ 63,196,475

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF MIDLOTHIAN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances - governmental funds	$ 44,800,000
Amounts reported for governmental activities in the statement of net position are different because:	
The investment in joint venture is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet.	9,254,796
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	149,472,246
Deferred losses on refundings of debt are not recognized on the balance sheet for governmental funds.	1,007,603
Interest payable on long-term debt does not require current financial resources, and, therefore, is not reported as a liability in the governmental funds balance sheet.	(250,514)
Revenues earned but not available within sixty days of the fiscal year-end are not recognized as revenue in the fund financial statements.	14,422,936
Deferred inflows and outflows related to pensions and OPEB are not recognized on the governmental funds balance sheet.	684,616
Compensated absences, other post-employment benefits, net pension liability and certain retainage payable are not due and payable in the current period and therefore are not reported in the fund financial statements.	
Retainage payable	(331,780)
Net pension liability	(5,180,177)
Total OPEB liability	(1,482,250)
Compensated absences	(1,551,172)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(73,343,728)
Net position of governmental activities	$ 137,502,576

The Notes to Basic Financial Statements
are an integral part of this statement.

Exhibit 5

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 18,377,051	$ 10,344,400	$ -	$ 211,471	$ 28,932,922
Licenses and permits	1,671,771	-	-	-	1,671,771
Intergovernmental	4,513,105	50,000	524,864	102,739	5,190,708
Charges for services	1,707,421	-	-	62,771	1,770,192
Fines	438,938	-	-	-	438,938
Investment income	297,196	80,833	153,034	8,286	539,349
Contributions and donations	15,497	-	547	509,129	525,173
Direct financing lease	-	298,875	-	-	298,875
Miscellaneous	254,783	84,423	-	-	339,206
Total revenues	27,275,762	10,858,531	678,445	894,396	39,707,134
Expenditures					
Current:					
General government	6,081,992	-	3,834	796,977	6,882,803
Public safety	14,720,807	-	-	-	14,720,807
Public works	3,523,576	-	-	-	3,523,576
Culture and recreation	1,703,920	-	-	-	1,703,920
Intergovernmental:					
Payment to TIRZ	1,785,567	780,097	-	-	2,565,664
Capital outlay	-	-	7,038,502	-	7,038,502
Debt service:					
Principal retirement	29,559	8,433,145	-	-	8,462,704
Interest charges	997	1,291,530	-	-	1,292,527
Fiscal agent's fees and debt issuance costs	-	17,991	254,497	-	272,488
Total expenditures	27,846,418	10,522,763	7,296,833	796,977	46,462,991
Excess (deficiency) of revenues over (under) expenditures	(570,656)	335,768	(6,618,388)	97,419	(6,755,857)
Other financing sources (uses)					
Issuance of debt	-	-	18,315,000	-	18,315,000
Insurance recoveries	-	-	-	54,292	54,292
Bond premium	-	-	962,665	-	962,665
Transfers in	2,801,674	-	2,102,431	15,000	4,919,105
Transfers out	(1,713,655)	(174,057)	-	(36,000)	(1,923,712)
Total other financing sources (uses)	1,088,019	(174,057)	21,380,096	33,292	22,327,350
Net change in fund balances	517,363	161,711	14,761,708	130,711	15,571,493
Fund balances - beginning	17,114,983	660,177	10,916,159	537,188	29,228,507
Fund balances - ending	$ 17,632,346	$ 821,888	$ 25,677,867	$ 667,899	$ 44,800,000

The Notes to Basic Financial Statements are an integral part of this statement.

Exhibit 6

CITY OF MIDLOTHIAN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds	$ 15,571,493
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay in the current period.	9,634,086
Depreciation expense on capital assets is reported in the statement of activities, and does not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in the governmental funds.	(8,509,606)
Governmental funds do not recognize capital assets contributed by developers, component units or other fund types. However, in the statement of activities the acquisition value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	15,794,059
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(31,487)
The investment in joint venture reported in the statement of net position does not require the use of current financial resources; therefore, the current year net change in the investment is not reported in the governmental funds.	1,324,675
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of debt	(19,277,665)
Repayment of principal of long-term debt	8,462,704
Amortization of:	
Premium on bond issuance	(573,230)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds until they are paid. These expenses relate to the following:	
Compensated absences liability	(175,403)
Net pension liability	(90,782)
Total OPEB liability	(110,705)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds.	(89,661)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	(804,872)
Change in net position of governmental activities	$ 20,806,460

The Notes to Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

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CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF FUND NET POSITION -
PROPRIETARY FUND
SEPTEMBER 30, 2018

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 8,212,204
Investments	10,964,026
Receivables:	
Accounts receivable, net	2,229,989
Other receivables	476,410
Restricted assets:	
Cash and cash equivalents	8,860,529
Investments	4,459,569
Total current assets	35,202,727
Noncurrent assets:	
Capital assets:	
Land and land improvements	812,778
Construction in progress	768,565
Buildings and improvements	41,077,544
Waterworks and sewer system	58,861,759
Machinery and equipment	5,387,574
Water and wastewater rights	48,001,715
Accumulated depreciation	(41,185,465)
Total capital assets, net of accumulated depreciation	113,724,470
Total noncurrent assets	113,724,470
TOTAL ASSETS	148,927,197
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	205,741
Deferred outflows related to OPEB	38,006
Deferred loss on refunding	413,165
TOTAL DEFERRED OUTFLOWS OF RESOURCES	656,912

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF FUND NET POSITION -
PROPRIETARY FUND
SEPTEMBER 30, 2018
(Continued)

	Water and Sewer Fund
LIABILITIES	
Current liabilities:	
Accounts payable	$ 828,181
Accrued liabilities	52,923
Accrued interest payable	81,452
Due to other governments	2,172
Customer deposits	895,027
Noncurrent liabilities due within one year:	
Long-term debt	2,597,367
Total current liabilities	4,457,122
Noncurrent liabilities due in more than one year:	
Long-term debt	22,138,729
Net pension liability	654,963
Total OPEB liability	466,723
Total noncurrent liabilities	23,260,415
TOTAL LIABILITIES	27,717,537
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	134,446
TOTAL DEFERRED OUTFLOWS OF RESOURCES	134,446
NET POSITION	
Net investment in capital assets	91,436,058
Restricted for:	
Debt service	1,693,017
Capital improvements	9,569,184
Unrestricted	19,033,867
TOTAL NET POSITION	$ 121,732,126

The Notes to Basic Financial Statements are an integral part of this statement.

Exhibit 8

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2018

	Water and Sewer Fund
Operating revenues	
Water sales	$ 11,026,850
Sewer sales	6,486,337
Tap fees, penalties and other	463,072
Total operating revenue	17,976,259
Operating expenses	
Cost of sales and services	7,106,746
Administrative	1,230,848
Depreciation	3,891,217
Total operating expenses	12,228,811
Operating income	5,747,448
Nonoperating revenues (expenses)	
Investment income	452,247
Interest expense and agent fees	(865,660)
Loss on the disposal of assets	(433,068)
Total nonoperating revenues (expenses)	(846,481)
Income before contributions and transfers	4,900,967
Capital contributions	6,473,658
Transfers in	174,057
Transfers out	(3,169,450)
Change in net position	8,379,232
Net position - beginning	113,276,230
Prior period adjustment	76,664
Net position - beginning, restated	113,352,894
Net position - ending	$ 121,732,126

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2018

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 17,736,278
Cash paid to employees	(2,255,704)
Cash paid to suppliers	(5,774,811)
Net cash provided by operating activities	9,705,763
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	174,057
Transfers to other funds	(3,169,450)
Net cash used in noncapital financing activities	(2,995,393)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on debt	(2,496,855)
Interest and fees paid on debt	(489,499)
Acquisition and construction of capital assets	(6,416,274)
Capital contributions	5,320,686
Net cash used in capital and related financing activities	(4,081,942)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from investments	12,235,338
Purchases of investments	(15,935,177)
Interest on investments	452,247
Net cash used in investing activities	(3,247,592)
Net change in cash	(619,164)
Cash and cash equivalents, beginning of year	17,691,897
Cash and cash equivalents, end of year	$ 17,072,733

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2018
(continued)

	Water and Sewer Fund Current Assets	Water and Sewer Fund Restricted Assets	Statement of Cash Flows Totals
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION			
Cash and cash equivalents - beginning	$ 8,984,822	$ 8,707,075	$ 17,691,897
Net change	(772,618)	153,454	(619,164)
Cash and cash equivalents - ending	$ 8,212,204	$ 8,860,529	$ 17,072,733

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Water and Sewer Fund
Operating income	$ 5,747,448
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	3,891,217
Change in assets and liabilities:	
Decrease (increase) in customer receivable	(152,133)
Decrease (increase) in other receivable	(192,683)
Increase (decrease) in accounts payable	171,844
Increase (decrease) in other liabilities	(8)
Increase in customer deposits	104,835
Increase (decrease) in compensated absences	22,707
Increase (decrease) in net pension liability	45,670
Increase (decrease) in total OPEB liability	66,866
Net cash provided by operating activities	$ 9,705,763

SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Donations of capital assets	$ 1,152,972

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DISCRETELY PRESENTED COMPONENT UNITS

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Exhibit 10

CITY OF MIDLOTHIAN, TEXAS
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

	Midlothian Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
ASSETS				
Cash and cash equivalents	$ 2,234,982	$ 3,068,882	$ 3,568,481	$ 8,872,345
Investments	3,717,283	1,505,998	21,880,574	27,103,855
Receivables, net of allowance:				
Accounts receivable	21,003	12,589	89,944	123,536
Due from other governments	422,434	422,434	-	844,868
Notes	-	4,290,656	-	4,290,656
Land/development held for sale	3,475,158	-	-	3,475,158
Restricted assets:				
Cash and cash equivalents, restricted	-	-	1,733,810	1,733,810
Investments, restricted	-	-	5,692,663	5,692,663
Capital assets:				
Land	141,006	26,095	-	167,101
Buildings and improvements	7,540	-	-	7,540
Furniture and fixtures	5,516	-	-	5,516
Infrastructure	-	-	7,693,429	7,693,429
Construction in progress	-	-	1,014,905	1,014,905
Accumulated depreciation	(13,056)	-	(3,317,795)	(3,330,851)
Total assets	10,011,866	9,326,654	38,356,011	57,694,531
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	37,407	-	-	37,407
Deferred outflows related to OPEB	667	-	-	667
Deferred outflows related to loss on refunding	-	61,459	1,937,562	1,999,021
Total deferred outflows of resources	38,074	61,459	1,937,562	2,037,095
LIABILITIES				
Accounts payable and accrued liabilities	23,030	-	131,490	154,520
Accrued interest payable	116,393	23,518	379,555	519,466
Due to primary government	23,755	1,369	7,641	32,765
Noncurrent liabilities:				
Due within one year:				
Long-term debt	472,313	485,000	3,240,000	4,197,313
Due in more than one year				
Long-term debt	5,756,709	5,131,519	30,140,000	41,028,228
Net pension liability	119,086	-	-	119,086
Total OPEB liability	8,635	-	-	8,635
Total liabilities	6,519,921	5,641,406	33,898,686	46,060,013
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	24,444	-	-	24,444
Total deferred inflows of resources	24,444	-	-	24,444
NET POSITION				
Net investment in capital assets	141,006	26,095	5,390,539	5,557,640
Restricted for debt service	-	-	7,056,088	7,056,088
Restricted for economic development	3,364,569	3,720,612	-	7,085,181
Unrestricted	-	-	(6,051,740)	(6,051,740)
Total net position	$ 3,505,575	$ 3,746,707	$ 6,394,887	$ 13,647,169

The Notes to Basic Financial Statements are an integral part of this statement.

CITY OF MIDLOTHIAN, TEXAS
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Midlothian Economic Development				
General government	$ 540,967	$ -	$ -	$ -
Economic development	1,583,944	-	-	-
Interest on long-term debt	259,966	-	-	-
Total Midlothian Economic Development	2,384,877	-	-	-
Midlothian Community Development Corporation				
General government	1,049,170	-	-	-
Interest on long-term debt	260,055	-	-	-
Total Midlothian Community Development Corporation	1,309,225	-	-	-
Midlothian Development Authority				
General government	1,588,065	-	1,011,134	-
Interest on long-term debt	1,252,882	-	-	-
Total Midlothian Development Authority	2,840,947	-	1,011,134	-
Total component units	$ 6,535,049	$ -	$ 1,011,134	$ -

General revenues:

Ad valorem taxes
Sales taxes
Grants and contributions not restricted to specific programs
Unrestricted investment income
Total general revenues

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

The Notes to Basic Financial Statements are an integral part of this statement.

Exhibit 11

Net (Expenses) Revenues and Change in Net Position			
Midlothian Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
$(540,967)	$ -	$ -	$(540,967)
(1,583,944)	-	-	(1,583,944)
(259,966)	-	-	(259,966)
(2,384,877)	-	-	(2,384,877)
-	(1,049,170)	-	(1,049,170)
-	(260,055)	-	(260,055)
-	(1,309,225)	-	(1,309,225)
-	-	(576,931)	(576,931)
-	-	(1,252,882)	(1,252,882)
-	-	(1,829,813)	(1,829,813)
(2,384,877)	(1,309,225)	(1,829,813)	(5,523,915)
-	-	8,847,558	8,847,558
2,155,509	2,155,509	-	4,311,018
100,000	-	34,126	134,126
94,319	155,153	380,551	630,023
2,349,828	2,310,662	9,262,235	13,922,725
(35,049)	1,001,437	7,432,422	8,398,810
3,547,767	2,745,270	(1,037,535)	5,255,502
(7,143)	-	-	(7,143)
$ 3,505,575	$ 3,746,707	$ 6,394,887	$ 13,647,169

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NOTES TO FINANCIAL STATEMENTS

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the City

The City of Midlothian (the City) is a “home rule city” incorporated in 1888. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, water and sewer, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the City are described below.

B. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. Complete financial statements for the individual component units may be obtained at the City's office; 104 W. Avenue E, Midlothian, TX 76065.

Discretely Presented Component Units

The following entities were found to be component units of the City and are included in the basic financial statements:

Midlothian Economic Development (MED) serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can impose its will on the MED and affect the day-to-day operations of the MED by removing appointed board members at will. The scope of public service of the MED benefits the City and its citizens and is operated primarily within the geographic boundaries of the City.

The Midlothian Community Development Corporation (MCDC) serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can impose its will on the MCDC and affect the day-to-day operations of the MCDC by removing appointed board members at will. The scope of public service of the MCDC benefits the City and its citizens and is operated primarily within the geographic boundaries of the City.

The Midlothian Development Authority (MDA) serves all citizens of the City and is governed by a nine-member board, five of which are appointed by the City's elected council. The City can impose its will on the MDA and affect the day-to-day operations of the MDA by removing appointed board members at will. The scope of public service of the MDA benefits the City and its citizens and is operated primarily within the geographic boundaries of the City and Tax Increment Reinvestment Zone No. 2.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Fund

The Capital Projects Fund is used to account for funds received and expended for the construction and renovation of thoroughfares, arterial streets and drainage improvements in the City and construction, renovation, expansion and major improvement of various City facilities, acquisition of land and other large nonrecurring projects.

In addition, the City presents the following nonmajor governmental funds:

Police Imprest Fund

The Police Imprest Fund is used to account for funds accumulated through restricted police forfeitures.

Hotel / Motel Tax Fund

The Hotel / Motel Tax Fund was established to account for local hotel and motel occupancy tax receipts which are restricted by state statute.

City Beautification Fund

The City Beautification Fund was established to account for monies collected from the leasing of kiosks to be used for the beautification of the City of Midlothian.

MidTowne PID

This fund was established to account for the restricted revenues and expenditures associated with the MidTowne Public Improvement District (PID). The MidTowne PID was established as part of the MidTowne Planned Development District (PD-42) to fund improvements and/or services undertaken by the district for the benefit of property owners within the district.

Municipal Court Fund

The Municipal Court Fund was established to account for the accumulation of funds to be used for court building security, court technology, judicial efficiency and child safety programs which are restricted by state statute.

Police Regional Response Fund

The SRRG/SRT (Southern Regional Response Group) is a mutual aid agreement to enhance emergency planning and response capabilities. Participating cities recognize that this agreement will allow for better coordination of effort to provide adequate equipment and personnel to respond to incidents requiring a specialized police response. This interlocal cooperation agreement was adopted by City Council with limitations for use of incidents involving hostage, terrorists and live shooter scenarios.

Grant Fund

The Grant Fund was established to account for various grants with which the City of Midlothian participates. These funds are restricted by federal, state, or local awarding entity.

Proprietary Fund

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary fund:

Water and Sewer Fund

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water and sewer debt. The majority of costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Capital contributions for the proprietary funds include contributions of capital assets and impact fees.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources, and liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

E. Cash and Investments

The City's cash and cash equivalents includes cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Because the City, at its option, can withdraw funds within a twenty-four hour period from TexPool and TexSTAR, investments in TexPool and TexSTAR are considered to be cash equivalents. Investments for the City are reported at fair value, except for the position in investment pools.

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligation of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (B) secured by obligations that are described by (1) – (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with third party selected or approved by the City, and placed through a primary government securities dealer. The City's investments are governed by the same state statutes.

Investments are generally recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

F. Inventory and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Prepaid items represent costs such as postage deferred to subsequent periods.

G. Interfund Receivables and Payables

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services that are provided and used are not eliminated in the process of consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on general capital assets.

Assets capitalized have an original cost of $5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 Years
Improvements other than buildings	10-40 Years
Water and Sewer System	40 Years
Infrastructure	7-20 Years
Machinery and Equipment	3-20 Years
Wastewater rights	40 Years

I. Accumulated Vacation, Compensated Time and Sick Leave

All full-time employees are granted vacation and other leave time benefits, and compensatory time for overtime worked by non-exempt (hourly) employees in varying amounts. In the event of termination, an employee is entitled to receive accumulated vacation and compensatory pay. Accumulated vacation pay for all full-time employees and compensatory pay for all non-exempt employees are recorded in the government-wide statements for governmental funds and at the fund level for proprietary funds. Vested or accumulated vacation leave are recorded as an expense and liability of those funds as the benefits accrue to employees.

J. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

K. Joint Venture

The Midlothian/Waxahachie Airport Joint Venture was created by an agreement in 1989. Under the agreement, both cities equally share ownership, rights and obligations. The City recognizes its joint venture equity in the government-wide financial statements. Increases and decreases from operations of the joint venture are included in fees, fines and charges for services and expenses of the general government activity, respectively. Summary financial information of the joint venture is included in Note 12.

L. Fund Equity

Fund equity is presented consistent with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances transparent. The following classifications describe the relative strength of the spending constraints:

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

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

- **Committed fund balance** - amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority (i.e., resolution). To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action by a resolution to remove or change the constraint.

- **Assigned fund balance -** amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has given this authority to the Assistant City Manager.

- **Unassigned fund balance -** amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the order for which amounts will be expended is as follows: restricted, followed by committed, assigned and lastly unassigned.

In the General Fund, the City adopted a policy by resolution to maintain an unassigned fund balance to be used for unanticipated emergencies of at least 25% of the actual GAAP basis expenditures and other financing uses.

M. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City-specific information about its fiduciary net position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

N. Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability under the Retiree Health Care Plan (RHCP), related deferred outflows and inflows of resources, and total OPEB expense, information about the plan is provided through a report prepared for the City provided by the City's actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Similarly, information concerning the total OPEB liability, related deferred outflows and inflows of resources, and total OPEB expense, for the Texas Municipal Retirement System Supplemental Death Benefit Fund (SDBF), is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

O. Property Taxes and Other Receivables

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real property located in the City. The appraisal of property within the City is the responsibility of the Ellis Central Appraisal District as required by legislation passed by the Texas Legislature. The Appraisal Districts are required under such legislation to assess all property within their Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The assessed value upon which the completed tax year 2017 levy was based was approximately $3,024,514,485. The value of property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

General property taxes are limited by the Texas Constitution to $2.50 per $100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2018, was $0.708244 per $100 of assessed valuation.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are due by January 31 following the levy date. Tax liens are automatic on January 1, each year. Penalties and interest are included for any payment received after January 31.

Property taxes levied for 2018 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2018 and those considered "available" at year-end are recognized as revenues in 2018. The City considers property taxes available if they are collected within 60 days after year-end. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred inflows of resources in the fund financial statements.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last 10 years. All other allowances for uncollectible accounts are based on historical collection rates.

Property taxes are imposed nonexchange revenue. Assets from imposed nonexchange transactions are recorded when the entity has enforceable legal claim to the asset, or when the entity receives resources, whichever comes first. The enforceable legal claim date for property taxes is the assessment date. The assessment date has been designated in the enabling legislation as October 1.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred loss on debt refundings – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and OPEB (Other Post-Employment Benefits) contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Differences between expected and actual economic experience for the City's pension – These effects on the net pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

- Changes of economic and demographic actuarial assumptions or of other inputs included in determining the OPEB liability – These effects are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees).

In addition to liabilities, the statement of financial position and/or balance sheet 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- Difference between expected and actual economic experience for the City's pension – These effects on the net pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

- Changes of economic and demographic actuarial assumptions or of other inputs included in determining the pension liability – These effects on the net pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

- Unavailable revenue – arises only under the modified accrual basis of accounting and is reported in the governmental funds balance sheet. These are balances that do not meet the availability criteria for revenue recognition.

Q. Use of Estimates

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

R. Prior Period Adjustment – Change in Accounting Principle

During fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions,* restating net position at October 1, 2017. As a result of implementing GASB 75, the City is reporting the difference between the Net OPEB Obligation calculation and the total OPEB liability calculation as an addition to the prior year net position.

	Governmental Activities	Business-type Activities
Beginning net position, as previously reported	$ 116,410,502	$ 113,276,230
Adjustment for GASB 75	285,614	76,664
Beginning net position, restated	$ 116,696,116	$ 113,352,894

NOTE 2. CASH AND INVESTMENTS

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 Public Funds Investment Act (Government Code Chapter 2256) (the Act) 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 is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of September 30, 2018, are classified in the accompanying financial statements as follows:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	3 years	80%	None
U.S. Agencies and Instrumentalities	3 years	75%	None
Fully Insured or collateralized Certificates of Deposits	2 years	40%	None
Repurchase Agreements	180 days	10%	None
Money Market Funds	None	40%	None
Local Government Investment Pools	2 years	100%	10% of Pool
State and Local government GO debt	3 years	40%	None
Commercial Paper	90 days	10%	None

Cash and investments as of September 30, 2018, consist of the following:

Statement of net position:		
Primary Government:		
Cash and cash equivalents	$	35,368,350
Investments		29,740,248
Restricted cash and cash equivalents		8,860,529
Restricted investments		4,459,569
Total primary government	$	78,428,696
Component Units:		
Cash and cash equivalents	$	8,872,345
Investments		27,103,855
Total component units	$	35,976,200
Primary Government:		
Deposits with financial institutions	$	28,961,472
Texpool		11,282,850
TexSTAR		8,057
Government agency notes		15,588,831
Certificates of deposit		18,610,985
Commercial Paper		3,976,501
Total cash and investments	$	78,428,696

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

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

- Level 1 inputs are quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date.

- Level 2 inputs are inputs—other than quoted prices included in Level 1—that are observable for an asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for an asset or liability.

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

As of September 30, 2018, the City had the following cash and investments:

	9/30/2018	Using Level 1	Using Level 2	Weighted Average Maturity
Cash and cash equivalents:				
Deposits with financial institutions	$ 28,961,472			
Commercial Paper	3,976,501	$ -	$ 3,976,501	66 days
Total cash and cash equivalents	32,937,973	-	3,976,501	
Investments measured at net asset value:				
Investment pools:				
Texpool	11,282,850			28 days
TexSTAR	8,057			30 days
Total investments measured at net asset value	11,290,907			
Investments by fair value level:				
US Treasury	15,588,831	15,588,831	-	196 days
Certificate of deposit	18,610,985	18,610,985	-	152 days
Total investments by fair value	34,199,816	34,199,816	-	
Total cash and investments	$ 78,428,696	$ 34,199,816	$ 3,976,501	

Of the investments categorized by fair value level, $3,976,501 were priced using the present value of expected future cash flows and $34,199,816 were priced using documented trade history in the exact security.

As of September 30, 2018, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
Texpool	$ 11,282,850	N/A	AAAm
TexSTAR	8,057	N/A	AAAm
Government agency notes	15,588,831	N/A	AAA
Commercial Paper	3,976,501	N/A	A1/P1
Certificates of deposit	18,610,985	N/A	Not rated
Total	$ 49,467,224		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer with the exception of investment pools which is limited to 10% of the total funds held by the investment pool. As of September 30, 2018, the certificates of deposit exceed 5% of total investments and are held by more than one issuer. Each issuer holds amounts exceeding 5% of total investments. In addition, the funds at external investment pools and the government agency notes also represent over 5% of investments held by one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

Investment in State Investment Pools

The City is a voluntary participant in TexPool and TexSTAR. Both are public funds investment pools operating in full compliance with the Public Funds Investment Act, to include oversight by an established advisory board composed of both participants and other persons who do not have a business relationship with the pools. The City's investment in the pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. Accordingly, the fair value of the position in the pools is the same as the value of the shares.

TexPool and TexStar each have a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

NOTE 3. RESTRICTED ASSETS

Restricted assets in the Water and Sewer Fund are held for the following purposes in accordance with bond ordinances or other legal restrictions:

Debt Service - Interest and Sinking Fund	$	613,318
Bond Reserve		1,692,905
Construction		10,118,848
Refundable water and sewer deposits		895,027
Total	$	13,320,098

NOTE 4. RECEIVABLES

Notes Receivable

During 2004, the City entered into a 25-year lease purchase agreement with Navarro College (the College) whereby the City originally issued $4,750,000 of combination tax and revenue bonds Series 2005. In order to construct and equip a building within the City limits to be leased to the College. These bonds were refunded in FY 2015. Under the terms of the agreement, the College agrees to make semi-annual lease payments to the City in the amount of the scheduled debt service payments of Series 2005. The City, in turn, pays the bondholder(s). Upon final payment by the College to the City of the entire refunded indebtedness of $3,450,000, plus accrued interest, on a timely schedule, title to the building will be transferred to the College. During fiscal year 2006, the building was completed and occupied by the College.

Accordingly, the City has recorded a receivable in the Debt Service Fund for the remaining balance owed by the College under the agreement.

The annual amounts due from the College are as follows as of September 30, 2018:

Year Ending September 30,	Principal	Interest	Total
2019	$ 210,000	$ 89,775	$ 299,775
2020	220,000	85,575	305,575
2021	230,000	78,975	308,975
2022	240,000	72,075	312,075
2023	245,000	64,875	309,875
2024-2028	1,395,000	193,924	1,588,924
2029-2030	315,000	9,842	324,842
	$ 2,855,000	$ 595,041	$ 3,450,041

Accounts Receivable

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

	General	Debt Service	Capital Projects	Nonmajor Governmental	Water and Sewer	Total
Taxes	$ 66,251	$ 67,085	$ -	$ 42,191	$ -	$ 175,527
Accounts	3,632,640	2,389	36,014	61,249	2,559,633	6,291,925
Other	-	-	-	-	476,410	476,410
	3,698,891	69,474	36,014	103,440	3,036,043	6,943,862
Less: allowance for uncollectibles	(2,563,795)	(15,552)	-	-	(329,644)	(2,908,991)
Total	$ 1,135,096	$ 53,922	$ 36,014	$ 103,440	$ 2,706,399	$ 4,034,871

NOTE 5. DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. At the end of the current fiscal year, the various components of deferred inflows reported in the governmental funds were as follows:

	General	Debt Service	Nonmajor Governmental	Totals
Delinquent property taxes	$ 49,442	$ 51,533	$ 538	$ 101,513
Ambulance fees	607,849	-	-	607,849
Court fines	58,343	-	-	58,343
Direct financing lease	-	2,855,000	-	2,855,000
Grants	10,800,231	-	-	10,800,231
Totals	$ 11,515,865	$ 2,906,533	$ 538	$ 14,422,936

NOTE 6. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 18,634,563	$ 8,251,440	$ -	$ 26,886,003
Construction in progress	16,054,009	7,001,030	(13,512,298)	9,542,741
	34,688,572	15,252,470	(13,512,298)	36,428,744
Capital assets being depreciated:				
Buildings	17,367,880	-	-	17,367,880
Improvements other than buildings	21,400,051	11,894,468	-	33,294,519
Infrastructure	122,762,974	8,965,334	-	131,728,308
Machinery and equipment	14,737,211	3,085,595	(809,971)	17,012,835
	176,268,116	23,945,397	(809,971)	199,403,542
Accumulated depreciation:				
Buildings	(5,706,657)	(445,700)	-	(6,152,357)
Improvements other than buildings	(10,522,829)	(1,378,164)	-	(11,900,993)
Infrastructure	(54,422,340)	(5,458,917)	-	(59,881,257)
Machinery and equipment	(7,977,092)	(1,226,825)	778,484	(8,425,433)
	(78,628,918)	(8,509,606)	778,484	(86,360,040)
Capital assets being depreciated, net	97,639,198	15,435,791	(31,487)	113,043,502
Governmental activities capital assets, net	$ 132,327,770	$ 30,688,261	$(13,543,785)	$ 149,472,246

Capital asset activity for the business-type activities for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	$ 812,778	$ -	$ -	$ 812,778
Water capacity rights	29,949,793	-	-	29,949,793
Construction in progress	1,827,150	451,503	(1,510,088)	768,565
	32,589,721	451,503	(1,510,088)	31,531,136
Capital assets being depreciated:				
Buildings	41,077,544	-	-	41,077,544
Machinery and equipment	3,482,092	2,644,515	(739,033)	5,387,574
Wastewater rights	18,051,922	-	-	18,051,922
Water and sewer system	55,426,823	3,463,979	(29,043)	58,861,759
	118,038,381	6,108,494	(768,076)	123,378,799
Accumulated depreciation:				
Buildings	(11,015,330)	(1,497,371)	-	(12,512,701)
Machinery and equipment	(2,381,503)	(194,448)	331,620	(2,244,331)
Wastewater rights	(5,310,393)	(451,298)	-	(5,761,691)
Water and sewer system	(18,922,212)	(1,748,100)	3,570	(20,666,742)
	(37,629,438)	(3,891,217)	335,190	(41,185,465)
Capital assets being depreciated, net	80,408,943	2,217,277	(432,886)	82,193,334
Business-type activities capital assets, net	$ 112,998,664	$ 2,668,780	$(1,942,974)	$ 113,724,470

Capital asset activity for the component units for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Component Units:				
Capital assets not being depreciated:				
Land	$ 167,101	$ -	$ -	$ 167,101
Construction in progress	294,415	720,490	-	1,014,905
	461,516	720,490	-	1,182,006
Capital assets being depreciated:				
Buildings and improvements	7,540	-	-	7,540
Furniture and fixtures	5,516	-	-	5,516
Infrastructure	7,693,429	-	-	7,693,429
	7,706,485	-	-	7,706,485
Accumulated depreciation:				
Buildings and improvements	(7,540)	-	-	(7,540)
Furniture and fixtures	(5,516)	-	-	(5,516)
Infrastructure	(3,125,459)	(192,336)	-	(3,317,795)
	(3,138,515)	(192,336)	-	(3,330,851)
Capital assets being depreciated, net	4,567,970	(192,336)	-	4,375,634
Component unit capital assets, net	$ 5,029,486	$ 528,154	$ -	$ 5,557,640

Depreciation expense was charged as direct expense to programs as follows:

Governmental activities:	
General government	$ 333,228
Public safety	1,020,122
Public works	6,522,110
Culture and recreation	634,146
Total depreciation expense - governmental activities	$ 8,509,606
Business-type activities:	
Water and sewer	$ 3,891,217
Component units:	
Midlothian Development Authority	$ 192,336

Construction Commitments

The City has active construction projects as of September 30, 2018. Total accumulated commitments for ongoing capital projects are composed of the following:

General Fund	$	431,156
Capital Projects Funds		5,014,509
Special Revenue Funds		179,967
Enterprise Fund		1,166,306
	$	6,791,938

NOTE 7. LONG-TERM DEBT

The City issues general obligation bonds, certificates of obligation and tax notes to provide funds for the acquisition and construction of major capital facilities and infrastructure. General obligation bonds and certificates of obligation have been issued for both governmental and business-type activities while tax notes have been issued only for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds generally are issued as 20-year serial bonds, except for refunding issues, with level debt service requirements each year.

The City also issues certificates of obligation, which are direct obligations of and pledge the full faith and credit of the City and are further secured by a limited pledge of the surplus net revenues of the City's combined waterworks and sewer system. Certificates of obligation are generally issued as 20-year serial bonds with level debt service requirements each year.

Revenue bonds are issued by the City and these bonds are secured by a pledge of income derived from acquired or constructed assets to pay debt service.

At September 30, 2018, the City had the following tax notes outstanding:

	Governmental
$2,100,000 Tax Notes, Series 2012, 1.35%, final installment due March 2019.	$ 285,000

The schedule below details the changes in tax notes during the year ended September 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Tax notes	$ 2,070,000	$ -	$(1,785,000)	$ 285,000	$ 285,000

The annual requirements to amortize the tax notes as of September 30, 2018 are as follows:

Year Ending	Governmental-Type Activities		
September 30,	Principal	Interest	Total
2019	$ 285,000	$ 3,848	$ 288,848

Detailed Bond Information

At September 30, 2018, the City's bonds payable consisted of the following:

	Governmental
Certificate of Obligation	
$2,850,000 Certificate of Obligation, Series 2014, 2.00%-4.00% final installment September 2024.	$ 1,975,000

	Business-type
Revenue Bonds	
$25,010,000 Waterworks and Sewer System Revenue Bonds, Series 2008, 1.0% - 3.3.% final installment due September 2028	$ 14,045,000

General Obligation Bonds	Governmental	Business-type
$29,449,922 Combination Tax and Revenue Refunding Bonds, Series 2000, 5.00%-6.00%, final installment due September 2026.	$ 4,549,934	$ -
$17,390,000 General Obligation Refunding Bonds, Series 2006, 4.05%, final installment due Aug. 2019.	2,400,000	-
$5,750,000 General Obligation Refunding Bonds, Series 2010, 2.00-3.50%, final installment due Aug. 2021.	1,770,930	119,070
$6,925,000 General Obligation Refunding Bonds, Series 2012, 1.00-3.00%, final installment due Aug. 2025	2,245,000	1,330,000
$7,800,000 General Obligation Bonds Series 2013, 1.50-3.00%, final installment due Feb. 2033	6,165,000	-
$3,530,000 General Obligation Refunding Bonds, Series 2014, 2.0%-3.125%, final installment due August 2029.	2,855,000	-
$15,015,000 General Obligation Refunding Bonds Series 2014, 2.00-4.00%, final installment due Aug. 2029	7,270,000	3,585,000
$9,895,000 General Obligation Bonds Series 2015, 2.00-3.00%, final installment due Aug. 2034	8,640,000	-
$8,465,000 General Obligation Refunding Bonds Series 2016, 2.00%, final installment due Sept. 2027	5,935,000	230,000
$6,040,000 General Obligation Refunding Bonds Series 2017, 2.00%-5.00%, final installment due Sept. 2033	-	4,749,987
$18,315,000 General Obligation Bonds Series 2018, 3%-5%, final installment due February 2038	18,315,000	-
Total General Obligation Bonds	$ 60,145,864	$ 10,014,057

The annual requirements to amortize all debts outstanding as of September 30, 2018, are as follows:

General Obligation Bonds

Year Ending	Governmental Activities		Business-Type Activities		
September 30,	Principal	Interest	Principal	Interest	Total
2019	$ 9,251,885	$ 1,701,677	$ 1,333,115	$ 366,529	$ 12,653,206
2020	6,748,436	3,228,335	1,294,690	319,447	11,590,908
2021	6,898,470	3,063,758	1,271,265	269,406	11,502,899
2022	5,602,297	2,900,333	770,000	218,637	9,491,267
2023	4,129,736	2,807,701	790,000	193,162	7,920,599
2024-2028	14,990,040	8,494,566	2,874,987	592,672	26,952,265
2029-2033	7,860,000	1,320,451	1,680,000	149,571	11,010,022
2034-2038	4,665,000	383,179	-	-	5,048,179
	$ 60,145,864	$ 23,900,000	$ 10,014,057	$ 2,109,424	$ 96,169,345

Certificates of Obligation

Year Ending	Governmental Activities		
September 30,	Principal	Interest	Total
2019	$ 305,000	$ 69,600	$ 374,600
2020	315,000	60,450	375,450
2021	320,000	51,000	371,000
2022	330,000	41,400	371,400
2023	345,000	28,200	373,200
2024	360,000	14,400	374,400
	$ 1,975,000	$ 265,050	$ 2,240,050

Revenue Bonds

Year Ending	Business-Type Activities		
September 30,	Principal	Interest	Total
2019	$ 1,230,000	$ 427,635	$ 1,657,635
2020	1,265,000	395,655	1,660,655
2021	1,300,000	361,500	1,661,500
2022	1,335,000	324,450	1,659,450
2023	1,375,000	285,735	1,660,735
2024-2028	7,540,000	754,835	8,294,835
	$ 14,045,000	$ 2,549,810	$ 16,594,810

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Governmental activities					
General obligation bonds	$ 48,179,009	$ 18,315,000	$(6,348,145)	$ 60,145,864	$ 9,251,885
Certificates of obligation	2,275,000	-	(300,000)	1,975,000	305,000
Capital lease obligations	29,559	-	(29,559)	-	-
Accreted interest	7,926,223	748,138	-	8,674,361	-
Bond premium	1,475,746	962,665	(174,908)	2,263,503	-
Compensated absences	1,375,769	1,117,494	(942,091)	1,551,172	387,793
Total governmental activities	$ 61,261,306	$ 21,143,297	$(7,794,703)	$ 74,609,900	$ 9,944,678
Business-type activities					
General obligation bonds	$ 11,305,912	$ -	$(1,291,855)	$ 10,014,057	$ 1,333,115
Revenue bonds	15,250,000	-	(1,205,000)	14,045,000	1,230,000
Bond premium	595,317	-	(55,287)	540,030	-
Compensated absences	114,302	126,194	(103,487)	137,009	34,252
Total business-type activities	$ 27,265,531	$ 126,194	$(2,655,629)	$ 24,736,096	$ 2,597,367
Component units					
Sales tax bonds	$ 47,517,225	$ -	$(3,915,317)	$ 43,601,908	$ 4,035,740
Compensated absences	18,444	16,234	(14,881)	19,797	4,949
Promissory note	1,597,748	-	(150,431)	1,447,317	156,624
Bond premium	171,985	-	(15,466)	156,519	-
Total component units	$ 49,305,402	$ 16,234	$(4,096,095)	$ 45,225,541	$ 4,197,313

The General Fund has been used to liquidate capital lease liabilities with respect to acquisition of governmental capital assets. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

General Obligation Bonds

On August 14, 2018 the city issued $18,315,000 in General Obligation Bonds, Series 2018. The bonds will be used to build a new fire station, phase II of the community park and street improvements. The authority of issuance of this debt is from the November 2017 bond election, with interest rates of 3.00-5.00% and a final installment due February 2038.

Pledged Revenue

In 2008, the City issued Waterworks and Sewer System Revenue Bonds, Series 2008. These bonds were used to construct an 8.0 million gallon per day (MGD) water treatment plant expansion, a raw water pump station, a raw water pipeline, and treated water transmission pipelines. These bonds constitute special obligations of the City and are payable from a first lien and pledge of the net revenues derived from the City's combined Waterworks and Sewer System. The City has not obligated itself to pay the bonds from monies raised or to be raised from taxation. At September 30, 2018, the remaining principal and interest on the bonds was $14,045,000 and $2,549,812 respectively. Principal and interest payments for the fiscal year were $1,205,000 and $457,156. The bonds mature on September 1, 2028; however, the bonds were refunded in October 2018. See further details of the bond refunding in Note 15.

Capital Lease Obligations

The City has entered into capital lease agreements. The leased property under capital leases is classified as machinery and equipment with a net carrying value of approximately $74,648 for governmental activities. Amortization expense has been included in depreciation expense for the year ended September 30, 2018. All leases of the City were paid off during fiscal year 2018.

NOTE 8. DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

Plan Description

The City participates as one of 886 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 agency 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 Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.org*.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

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

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2010, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years to any age
	5 years at 60 and above
Updated service credits	100% repeating, transfers
Annuity increases to retirees	70% of CPI, repeating

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	118
Active employees	217
	423

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.66% and 14.74% in calendar years 2018 and 2017, of which, 14.53% and 14.59%, respectively, represented the retirement portion of the contribution. The City's retirement contributions to TMRS for the year ended September 30, 2018, were $2,079,310 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct

RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013, valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of arithmetic real rates return for each major asset class in fiscal year 2018 are summarized in the following table:

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

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 statue. 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 period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 41,482,671	$ 33,223,322	$ 8,259,349
Changes for the year:			
Service cost	2,398,347	-	2,398,347
Interest	2,836,106		2,836,106
Difference between expected and actual experience	(85,922)	-	(85,922)
Contributions - employer		1,939,729	(1,939,729)
Contributions - employee	-	930,622	(930,622)
Net investment income	-	4,608,375	(4,608,375)
Benefit payments, including refunds of employee contributions	(1,330,913)	(1,330,913)	-
Administrative expense	-	(23,863)	23,863
Other changes	-	(1,209)	1,209
Net changes	3,817,618	6,122,741	(2,305,123)
Balance at 12/31/2017	$ 45,300,289	$ 39,346,063	$ 5,954,226

In prior years, the net pension liability for governmental activities has been primarily liquidated by the general fund.

The following presents the net pension liability of the City and the discretely presented component unit, calculated using the discount rate of 6.75%, as well as what the City's and component unit's net pension liability would be if they were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption 6.75%	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 13,308,915	$ 5,835,140	$(161,040)

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption 6.75%	1% Increase in Discount Rate (7.75%)
Component Unit's net pension liability	$ 271,611	$ 119,086	$(3,287)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of $2,034,447. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 211,661	$ 147,676
Changes in actuarial assumptions	-	36,023
Difference between projected and actual investment earnings	-	1,014,093
Contributions subsequent to the measurement date	1,621,302	-
Total	$ 1,832,963	$ 1,197,792

For the year ended September 30, 2018, the component unit recognized pension expense of $41,519. At September 30, 2018, the component unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Discretely Presented Component Unit	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,320	$ 3,014
Changes in actuarial assumptions	-	735
Difference between projected and actual investment earnings	-	20,695
Contributions subsequent to the measurement date	33,087	-
Total	$ 37,407	$ 24,444

For the primary government and component unit, respectively, $1,621,302 and $33,087 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended Sept 30	City	Component Unit
2019	$(10,155)	$(207)
2020	(48,182)	(983)
2021	(442,109)	(9,023)
2022	(476,798)	(9,731)
2023	(8,887)	(180)
Thereafter	-	-

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

Retiree Health Care Plan. The City offers its retired employees health insurance benefits through a single-employer defined benefit OPEB plan, under City policy, known as the Retiree Health Care Plan (RHCP). City Council, by way of resolution, grants itself the authority, on an annual basis, to reestablish and amend the benefit terms and financing requirements of the Plan. This plan is administered by the City and no separate audited financial statements are available. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Eligible retirees may receive medical and dental benefits provided through Cigna Health and Life. The City pays a percentage of the current monthly contribution rate for individual coverage for retirees age 60-65 based on the years of service at normal retirement age. Retirees younger than age 60 pay 100% of the contribution for individual coverage. The retiree pays 100% of the contribution for elected dependent coverage and any balance of the required individual coverage contribution. All active employees who retire directly from the City and meet the eligibility criteria may participate.

Supplemental Death Benefits Fund. The City also participates in a single-employer defined benefit group-term life insurance plan administered by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. City Council elected, by ordinance, to provide group-term life insurance coverage to both active and retired employees. City Council may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under paragraph 4 of GASB Statement No. 75.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit (OPEB) and is a fixed amount of $7,500.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.13% for 2018 and 0.15 for 2017, of which 0.02% and 0.03%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employee' entire careers. The City's contribution to the TMRS SDBF for the years ended 2018, 2017, and 2016 were $18,586, $19,578, $17,340, respectively, which equaled the required contributions each year.

Employees covered by benefit terms

At December 31, 2017, the following employees were covered by the benefit terms under the RHCP and SDBF plans:

	RHCP	SDBF
Inactive employees or beneficiaries currently receiving benefits	5	63
Inactive employees entitled to but not yet receiving benefits	-	23
Active employees	214	217
Total	219	303

Total OPEB Liability

The total OPEB liability of $1,957,608, comprised of $1,525,822 and $431,786 for RHCP and SDBF, respectively, was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	RHCP	SDBF
Actuarial Cost Method	Individual Entry-Age	Individual Entry-Age
Discount Rate	3.31%	3.31%
Inflation	2.50%	2.50%
Salary Increase	3.5% to 10.50%, including inflatior	3.5% to 10.50%, including inflatic
Health Care Trend Rates	Initial rate of 7.50% declining to an ultimate rate of 4.50% after 14 years; Ultimate trend rate includes a 0.25% adjustment for the excise tax	None

Under the SDBF plan, all administrative expenses are paid through the Pension Trust Fund and are accounted for under reporting requirements of GASB Statement No. 68.

Under both the RHCP and SDBF plans, salary increases were based on a service-related table.

The discount rate was based on the Fidelity 20-Year GO Municipal Bond Index with an average rating of AA.

Mortality rates for healthy retirees were based on the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants under the SDBF plan, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Under both the RHCP and SDBF plans, the actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

	RHCP	SDBF
Service Cost	$ 114,015	$ 25,260
Interest on the total OPEB liability	51,694	14,029
Changes in assumptions or other inputs	77,204	35,988
Benefit Payments	(33,739)	(3,988)
Net Changes	209,174	71,289
Total OPEB liability - as of beginning of the year	1,316,648	360,497
Total OPEB liability - as of end of the year	$ 1,525,822	$ 431,786

Note: There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

In prior years, the liability for OPEB in governmental activities has been primarily liquidated by the general fund.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

Retiree Health Care Plan. The following presents the total OPEB liability of the City calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate.

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	$ 1,693,184	$ 1,525,822	$ 1,375,873

The following presents the total OPEB liability of the City calculated using the current healthcare cost trend rate, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% decreasing to 4.5%)	1% Increase (8.5% decreasing to 6.5%)
Total OPEB liability	$ 1,323,454	$ 1,525,822	$ 1,771,584

Supplemental Death Benefits Fund. The following presents the total OPEB liability of the City and the discretely presented component unit, calculated using the discount rate of 3.31%, as well as what the City's and component unit's total OPEB liability would be if they were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's total OPEB liability	$ 514,353	$ 423,151	$ 353,013

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Component Unit's total OPEB liability	$ 10,497	$ 8,635	$ 7,204

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

Retiree Health Care Plan. For the year ended September 30, 2018, the City recognized OPEB expense of $173,514. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ -
Changes in actuarial assumptions	69,399	-
Contributions subsequent to the measurement date	56,654	-
Total	$ 126,053	$ -

For the City, $56,654 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended Sept 30	
2019	$ 7,805
2020	7,805
2021	7,805
2022	7,805
2023	7,805
Thereafter	30,374

Supplemental Death Benefits Fund. For the year ended September 30, 2018, the City recognized OPEB expense of $43,238. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 30,534	$ -
Contributions subsequent to the measurement date	2,159	-
Total	$ 32,693	$ -

For the year ended September 30, 2018, the component unit recognized OPEB expense of $882. At September 30, 2018, the component unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Discretely Presented Component Unit	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 623	$ -
Contributions subsequent to the measurement date	44	-
Total	$ 667	$ -

For the primary government and component unit, respectively, $2,159 and $44 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended Sept 30	City	Component Unit
2019	$ 4,734	$ 97
2020	4,734	97
2021	4,734	97
2022	4,734	97
2023	4,734	97
Thereafter	6,864	138

NOTE 10. INTERFUND TRANSFERS AND BALANCES

All interfund transfers between the various funds are approved supplements to the operations of those funds. The following is a schedule of fiscal year 2018 transfer activity:

Transfer In	Transfer Out		Amount	Purpose
General Fund	Water and Sewer	$	2,765,674	Payment in lieu of taxes
Water and Sewer	Debt Service		174,057	Funds for debt service
Capital Projects	Water and Sewer		403,776	Equipment & construction
Capital Projects	General Fund		1,698,655	Funds for capital projects
Nonmajor Governmental	General Fund		15,000	Funds for caipital projects
General Fund	Nonmajor Governmental		36,000	Personnel and equipment
	Totals	$	5,093,162	

At the end of fiscal year 2018 the City had the following interfund balances: this balance is funds expended by the Grant Fund, to transfer to the General Fund resulting from the purchase of police equipment.

Receivable Fund	Payable Fund		Amount
General Fund	Nonmajor governmental	$	1,228

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased commercial insurance to protect against these various risks of loss. There was no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

NOTE 12. JOINT VENTURE – MIDLOTHIAN/WAXAHACHIE AIRPORT

Pursuant to an interlocal agreement authorized by state statutes, the City of Waxahachie, Texas, joined the City of Midlothian, Texas, to construct and operate an airport for the mutual benefit of the two cities. The agreement established an Airport Board of seven members. Each city appoints three members to terms of three years. The seventh member is appointed for a two-year term. The cities alternate appointing the seventh member.

The Board is responsible for the supervision and operation of the airport assets, grounds, and improvements. Each year the Board shall prepare a budget for consideration by the cities. The Airport Budget is funded by equal contributions from each city, user fees, and a tax on fuel. The cities of Midlothian and Waxahachie each have a 50 percent share of assets, liabilities and fund equity. Most of the construction of the airport was funded by grants from the Federal Aviation Administration.

The budget for fiscal year 2018 required each city to contribute $30,000 towards the operation of the airport. This amount is expected to decrease in the future as other revenues increase. The joint venture does not issue separate financial statements.

The following is summary financial information of the joint venture at September 30, 2018 and for the year then ended:

Balance Sheet:	
Assets	$ 18,698,423
Liabilities	(188,831)
Net position	$ 18,509,592
Income Statement:	
Revenues	$ 536,124
Expenses	(979,612)
Net loss	$(443,488)

NOTE 13. CONDUIT DEBT OBLIGATIONS

During the year ended September 30, 2010, the City of Midlothian Industrial Development Corporation issued Environmental Facilities Revenue Bonds to provide financial assistance to a private sector entity for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

There is one series of Environmental Facilities Revenue Refunding Bonds outstanding, with an aggregate principal amount outstanding of $26,700,000, maturing in 2034.

NOTE 14. TAX ABATEMENTS

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic improvement, stipulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees that are not tied to taxes. The City’s economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code.

Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, demolishing and redeveloping outdated properties, expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has two categories of economic development:

Tax Abatements – Tax Abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zone and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were $234,851 in fiscal year 2018.

General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes or sales tax received by the City, may result in fee reductions such as utility charges or building inspection fees, or make lump sum payments to offset moving expenses, infrastructure reimbursements, redevelopment costs or other expenses. For fiscal year 2018, the City rebated $208,817 in taxes.

NOTE 15. SUBSEQUENT EVENT

In October 2018, the City issued $13,630,000 of General Obligation Refunding Bonds, Series 2018 to refund $14,045,000 of Waterworks and Sewer System Revenue Refunding Bonds, Series 2008. The refunding allowed the City to reduce future debt service payments. The refunding resulted in a decrease in total debt service payments in the next 10 years by $415,000, which equates to a $310,468 present value savings or economic gain.

COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
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INDEPENDENT AUDITORS' 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*

To the Honorable Mayor and
Members of the City Council
City of Midlothian, 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, the aggregately discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Midlothian, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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's 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*.

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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 26, 2019

Financial Advisory Services
Provided By:

SAMCO Capital