NEW ISSUE BOOK-ENTRY-ONLY

Ratings: S&P: "AA+"
(See "OTHER PERTINENT INFORMATION - Ratings", herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: August 30, 2022

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, including the alternative minimum tax on certain corporations.

$71,125,000*
CITY OF MIDLOTHIAN, TEXAS
(Ellis County)
GENERAL OBLIGATION BONDS, SERIES 2022

Dated Date: September 1, 2022 **Due: February 1, as shown on page ii**

The $71,125,000* City of Midlothian, Texas, General Obligation Bonds, Series 2022 (the "Bonds") are being issued by the City of Midlothian, Texas (the "City") pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1331 Texas Government Code, as amended, elections held in the City on November 7, 2017 and May 1, 2021 (together the "Elections"), an ordinance (the "Ordinance") to be adopted by the City Council of the City on the sale date of the Bonds, and the City's Home Rule Charter. See "THE BONDS – Authority for Issuance".

The Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City. See "THE BONDS – Security Payment" herein. Interest on the Bonds will accrue from the Dated Date and will be payable February 1 and August 1 of each year until stated maturity or prior redemption, commencing February 1, 2023, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued only as fully registered obligations in denominations of $5,000 or any integral multiple thereof within a stated maturity.

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, New York, New York ("DTC"). 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 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 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) constructing and equipping a new public safety and police headquarters within the City, and related furnishings, landscaping, parking and infrastructure, (iii) constructing and equipping a municipal civic building containing both City Hall and a Public Library within the City, and related furnishings, landscaping, materials, parking and infrastructure, and (iv) paying costs associated with the issuance of the Bonds.

The City reserves the right to redeem the Bonds maturing on and after February 1, 2032, on February 1, 2031, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. The Bonds may also be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more consecutive serial maturities as one or more "Term Bonds". (See "THE BONDS - Redemption Provisions" herein.)

STATED MATURITY SCHEDULE
(On Page ii)

The Bonds are offered for delivery, when, as and if issued and received by the underwriters named below (the "Underwriters") *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. Certain legal matters will be passed upon for the underwriters named below (the "Underwriters") by Cantu Harden LLP, San Antonio, Texas, as counsel to the Underwriters. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Matters" herein). It is expected that the Bonds will be available for delivery through the facilities of DTC on or about October 6, 2022.*

RAYMOND JAMES

FROST BANK **PIPER SANDLER & CO.**

* *Preliminary, subject to change.*

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

Stated Maturity February 1	Principal Amount*	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(a)]
2023	$ 4,520,000			
2024	5,010,000			
2025	3,005,000			
2026	1,595,000			
2027	2,540,000			
2028	2,650,000			
2029	2,765,000			
2030	2,885,000			
2031	3,010,000			
2032	3,145,000			
2033	3,280,000			
2034	3,420,000			
2035	3,570,000			
2036	3,725,000			
2037	3,885,000			
2038	4,055,000			
2039	4,230,000			
2040	4,415,000			
2041	4,610,000			
2042	4,810,000			

(Interest to accrue from the Dated Date)

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

(a) CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the City, the Underwriters or the Financial Advisor is responsible for the selection or the 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	2023	Business Owner
Wayne Sibley	Council Member-Place 1	2023	Retired
Walter Darrach	Council Member-Place 2	2023	Business Owner
Anna Hammonds	Council Member-Place 3	2025	Self Employed
Clark Wickliffe	Council Member-Place 4	2025	Real Estate
Justin Coffman	Council Member-Place 5, Mayor Pro Tem	2024	Harvest Hill Church
Hud Hartson	Council Member-Place 6	2024	Public Safety

ADMINISTRATION

Name	Position	Length of Service With the City
Christopher Dick	City Manager	15 years
Clyde Melick, AICP	Assistant City Manager	4 years
Ann Honza	Finance Director	7 years
Laura Cox	Assistant Finance Director	1 year
Tammy Varner	City Secretary	19 years
Joe Gorfida	City Attorney	9 years
Mike Adams	City Engineer	22 years
Adam Mergener	Director of Public Works	27 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

For Additional Information Please Contact:

Ms. Ann Honza
Finance Director
City of Midlothian
104 W. Avenue E
Midlothian, Texas 76065
(972) 775-7141 (Phone)
Ann.Honza@midlothian.tx.us

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760 (Phone)
MMcliney@samcocapital.com

Mr. Andrew Friedman
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760 (Phone)
AFriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and 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, 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.

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

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

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 UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS 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 City's current population estimate is 37,580. (See "Appendix B - General Information Regarding City of Midlothian and Ellis County, Texas" 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 Provisions	The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature on and after February 1, 2032, on February 1, 2031 or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. (See "THE BONDS - Redemption Provisions" herein.)
Tax Matters	In the opinion of 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) constructing and equipping a new public safety and police headquarters within the City, and related furnishings, landscaping, parking and infrastructure, (iii) constructing and equipping a municipal civic building containing both City Hall and a Public Library within the City, and related furnishings, landscaping, materials, parking and infrastructure, and (iv) paying costs associated with the issuance of the Bonds.
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	S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Certificates. 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 issuing additional debt within the next twelve (12) months.
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 October 6, 2022.
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.

* *Preliminary, subject to change.*

(this page intentionally left blank)

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 $71,125,000* General Obligation Bonds, Series 2022 (the “Bonds”) identified on the cover page hereof.

The City is a political subdivision of the State of Texas (the "State”) and operates as a home-rule municipality under the statutes and the constitution of the State. The Bonds are being issued pursuant to the Constitution and general laws of the State including Chapter 1331, Texas Government Code, as amended, elections held in the City on November 7, 2017 and May 1, 2021 (together the “Elections”), an ordinance (the “Ordinance”) to be adopted by the City Council of the City (the “City Council”) authorizing the issuance of the Bonds, and the City’s Home Rule Charter. (See “THE BONDS - Authority for Issuance” herein.)

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

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities. Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment.

The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and City revenues and expenses. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus on the City’s operations or financial condition.

Cares Act Grant

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) established the Coronavirus Relief Fund (the “Fund”) which is to be used to cover costs that are necessary expenditures incurred by states and certain local governments due to the public health emergency with respect to COVID-19. Such funds are required to be used to pay for expenditures made to respond to the public health emergency, including direct medical or public health needs, providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures and payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to COVID-19. Funds may not be used to cover shortfalls in government revenue when that revenue would have been used to cover expenditures that would not otherwise qualify under the CARES Act. All of such funds have been spent.

____

** Preliminary, subject to change.*

American Rescue Plan Act (ARPA)

The American Rescue Plan Act (ARPA) which establishes the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund (together the "Fiscal Recovery Funds") provides State, local, and Tribal governments with significant resources to respond to the COVID–19 public health emergency and its economic impacts through four categories of eligible uses: (a) to respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (b) to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers; (c) for the provision of government services to the extent of the reduction in revenue due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and (d) to make necessary investments in water, sewer, or broadband infrastructure.

THE BONDS

General

The Bonds will be dated September 1, 2022 (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, 2023, 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 any payment 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, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. 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, the Elections, the Ordinance, and the City's Home Rule Charter. (See Appendix A - Financial Information of the Issuer - Table 19 - "AUTHORIZED BUT UNISSUED DIRECT GENERAL OBLIGATION BONDS OF THE CITY" for voted authority of the Elections.)

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 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) constructing and equipping a new public safety and police headquarters within the City, and related furnishings, landscaping, parking and infrastructure, (iii) constructing and equipping a municipal civic building containing both City Hall and a Public Library within the City, and related furnishings, landscaping, materials, parking and infrastructure, and (iv) 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, 2032 on February 1, 2031, 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 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.

DTC Notices

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 for delivery 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, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the 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.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

Amendments

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

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

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 any payment on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for 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 Bond 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 or, with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

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 stated 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 365 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 Aaa- 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.

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.

Under Texas law, 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, Section 2256.0208 required 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:

- Bankers' acceptances

Current Investments

As of May 31, 2022 (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**	**Bond $$ Invested (F120, F125)**	
General Fund			
Wells Fargo Accounts	$ 249,389.44	$ 7,011,061.35	
Investment Pool Accounts (TexPool / TexStar)	16,991,580.93	23,382,096.49	
Federal Securities (FNDN / FMCDN / CDs)	16,900,000.00	2,000,000.00	
Money Market Accounts – Various Banks	4,593.85	9,948.30	
Certificates of Deposit	6,609,733.14	2,010,327.23	
General Fund Subtotal	$40,755,297.36	$34,413,433.37	
Utility Fund		UF DBT SVC	Impact Fees
Wells Fargo Accounts	$ 4,428,586.55	$ 861,460.69	$ 2,828,514.82
Investment Pool Accounts (TexPool / TexStar)	11,024,234.90	1,182,394.42	8,544,256.79
Federal Securities (FNDN / FMCDN / CDs)	13,000,000.00	0.00	4,000,000.00
Money Market Accounts – Various Banks	6,809.48	0.00	5,326.20
Certificates of Deposit	5,828,878.20	0.00	766,635.73
Utility Fund Subtotal	$34,288,509.13	$2,048,855.11	$16,144,733.54
Total	**$ 75,043,806.49**	**$ 52,602,022.02**	
	Total All - $127,645,828.51		

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 895 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.

For more information regarding the City's Defined Benefit Pension Plan and Other Post Employment Benefits see the City's Annual Comprehensive Financial Report ("ACFR") 2021 (Appendix D, Note 8 and Note 9 beginning on page 53 of the ACFR.

AD VALOREM TAX PROCEDURES

Property Tax Code and Countywide Appraisal District

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-in-Transit Exemptions

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

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

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

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

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

For a discussion of how the various exemptions described above are applied by the City, see “CITY APPLICATION OF THE PROPERTY TAX CODE” and “APPENDIX A: Table 12 - CLASSIFICATION OF ASSESSED VALUATION.”

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $52,978,200 for the 2022 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

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

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

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

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

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

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

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

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

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

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

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

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

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

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

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

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

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation. Administratively, solely for purposes of approving ad valorem tax debt, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for ad valorem tax debt service, calculated at the time of issuance and based on a 90% collection rate.

City’s Rights in the Event of Tax Delinquencies

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

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

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

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

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 adopted a tax freeze for all citizens who are 65 years of age or older, beginning with tax year 2018.

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 2021-2022 was $589,680,360.

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	Spirit Realty, LP/SunOpta Grains and Foods
Ashgrove	Sharka	Chaparral Steel Midlothian LP
Buckley Oil	Earth Root Holdings LLC	

For the 2020-21 Fiscal Year, the total aggregate amount of property valuation loss as the result of the City's abatement agreements equals $30,326,176 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 2,568 acres, of which approximately 150-200 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, 2035, 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. SunOpta Grains and Foods, manufacturer of plant-based food and beverages, is constructing a 275,000 square foot facility on 30 acres. If SunOpta meets the minimum criteria, they will qualify for an 8-year tax abatement. Logistics Property Company purchased 105 acres and is building a 500,000 square foot speculative building.

The projects in Reinvestment Zone Two currently include Luminant Energy, formerly 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; an 800,000 square-foot warehouse/distribution facility on a 60.2-acre site for Malouf, a linens and bedding company; 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) establishing a new data center. Each additional phase receiving a Certificate of Occupancy by May 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 $19,845,000 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 THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the code.

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 City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in Tables numbered 1, 2, 11, 12, 13, 14, 15 and 20 in Appendix A to this Official Statement and in Appendix D, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2022. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2022. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

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

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

Notice of Certain Events

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

Future Debt Issuance

The City does not anticipate issuing additional debt within the next twelve (12) months.

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 investment securities, negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other 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 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 Matters

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "THE BONDS" (excluding the information under the subcaptions "DTC Notices", "Payment Record" and "Default and Remedies"), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaptions "Availability of Information from MSRB" and "Compliance with Prior Undertakings"), "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale", "OTHER PERTINENT INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER PERTINENT INFORMATION - Legal Matters" (excluding the last sentence of the first paragraph thereof) in the Official Statement, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Ordinance. The City expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bond from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Cantu Harden LLP, San Antonio, Texas, whose legal fee is contingent on the sale and delivery of the Bonds.

The 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 that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Ratings

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA+" to the Certificates. An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflect only the views of S&P 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 the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revisions or withdrawals 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.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a price of $___________(representing the par amount of the Bonds of $__________, plus a net reoffering premium of $_____________, and less an Underwriters' discount of $______________), and accrued interest on the Bonds in the amount of $_____________.

The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Piper Sandler & Co., one of the underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Links to Websites

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

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 to be adopted by the City Council of the Issuer will approve 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

(this page intentionally left blank)

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.)

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2021-2022 Actual Market Value of Taxable Property		$ 6,881,709,408
Less Exemptions / Losses:		
Local Optional Homestead	$ 151,581,094	
Disabled and Deceased Veterans'	5,779,780	
Disabled Veterans Homestead	85,876,565	
Agricultural Productivity Loss	175,949,899	
Abatements	640,809,938	
Freeport	139,762,031	
10% Value Cap Loss	55,659,201	
Pollution Control	202,263,302	
Other	691,087	
Totally Exempt Property	438,279,252	$ 1,896,652,149
2021-2022 Net Taxable Assessed Valuation (Including TIRZ Valuation)		$ 4,985,057,259
Certified Value Captured by the Tax Increment Reinvestment Zone ("TIRZ")		$ 589,841,485
2021-2022 Net Taxable Assessed Valuation (Excluding TIRZ Captured Value)		$ 4,395,215,774
2022-2023 Certified Adjusted Net Taxable Assessed Valuation		$ 5,499,926,945

Source: Ellis County Appraisal District and the City of Midlothian.

General Obligation Debt Principal Outstanding (As of July 31, 2022):		
Comb. Unlimited Tax & Rev. Refunding Bonds, Series 2000 (assumed Water Dist Debt)[a]	$	3,007,061
General Obligation Refunding Bonds, Series 2012		1,905,000
General Obligation Bonds, Series 2013		4,720,000
General Obligation Refunding Bonds, Series 2014		7,005,000
Combination Tax and Revenue Refunding Bonds, Series 2014		2,195,000
Combination Tax and Revenue Certificates of Obligation, Series 2014		1,035,000
General Obligation Bonds, Series 2015		7,230,000
General Obligation Refunding Bonds, Series 2016		3,245,000
General Obligation Refunding Bonds, Series 2017		2,795,000
General Obligation Bonds, Series 2018		8,975,000
General Obligation Refunding Bonds, Series 2018		9,965,000
General Obligation Bonds, Series 2019		15,930,000
Combination Tax and Revenue Certificates of Obligation, Series 2021		4,480,000
General Obligation Bonds, Series 2021		12,005,000
Total **Gross** General Obligation Debt Principal Outstanding:	$	84,492,061
Current Issue General Obligation Debt Principal		
General Obligation Bonds, Series 2022 (the "Bonds")	$	71,125,000 *
Total **Gross** General Obligation Debt Principal Outstanding (Following the Issuance of the Bonds):	$	155,617,061 *
Less: Self-Supporting General Obligation Debt Principal		
General Obligation Refunding Bonds, Series 2012 (31.23% UF)	$	575,000
General Obligation Refunding Bonds, Series 2014 (39.19% UF)		2,745,000
Combination Tax and Revenue Refunding Bonds, Series 2014 (100% Lease Revenues) [b]		2,195,000
General Obligation Refunding Bonds, Series 2017 (100% UF)		2,795,000
General Obligation Refunding Bonds, Series 2018 (100% UF)		9,965,000
Total Self-Supporting General Obligation Debt Principal	$	18,275,000
Total **Net** General Obligation Debt Outstanding (Following the issuance of the Obligations):	$	137,342,061 *
General Obligation Interest and Sinking Fund Balance as of May 31, 2022 (Unaudited)		7,263,660
Ratio of **Gross** General Obligation Debt Principal to 2021-22 Net Taxable Assessed Valuation		3.12% *
Ratio of **Net** General Obligation Debt Principal to 2021-22 Net Taxable Assessed Valuation		2.76% *
2021-22 Net Taxable Assessed Valuation (Including Value Captured by the TIRZ)	$	4,985,057,259

Population: 1990 - 5,141; 2000 - 7,480; 2010; 2020 - 35,125; Current	37,580
Per Capita 2020-21 Net Taxable Assessed Valuation -	$132,652
Per Capita **Gross** General Obligation Debt Principal -	$4,141 *
Per Capita **Net** General Obligation Debt Principal -	$3,655 *

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.

** Preliminary; subject to change.*

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 3**

Fiscal Year 30-Sep	Current Total Debt Service[(a)]	The Bonds* Principal	The Bonds* Interest	The Bonds* Total	Combined Debt Service[(a)]*	Less: Debt Service Paid from Other Sources[(b)]	Net General Obligation Debt Service[(c)]*
2022	$ 16,519,755	-	-	-	$ 16,519,755	$ 2,923,963	$ 13,595,792
2023	12,295,073	$ 4,520,000	$ 2,809,209	$ 7,329,209	19,624,282	2,915,488	16,708,794
2024	11,918,305	5,010,000	2,724,250	7,734,250	19,652,555	2,624,688	17,027,867
2025	11,281,761	3,005,000	2,553,931	5,558,931	16,840,692	2,643,988	14,196,705
2026	9,389,650	1,595,000	2,456,181	4,051,181	13,440,831	2,629,088	10,811,744
2027	7,366,156	2,540,000	2,368,313	4,908,313	12,274,469	2,637,100	9,637,369
2028	6,810,394	2,650,000	2,258,025	4,908,025	11,718,419	2,633,588	9,084,831
2029	5,201,281	2,765,000	2,142,956	4,907,956	10,109,238	1,022,100	9,087,137
2030	4,468,031	2,885,000	2,022,894	4,907,894	9,375,925	285,794	9,090,131
2031	4,470,987	3,010,000	1,897,625	4,907,625	9,378,612	282,669	9,095,944
2032	4,460,044	3,145,000	1,766,831	4,911,831	9,371,875	284,063	9,087,812
2033	4,459,300	3,280,000	1,630,300	4,910,300	9,369,600	279,788	9,089,812
2034	3,679,194	3,420,000	1,487,925	4,907,925	8,587,119		8,587,119
2035	3,017,916	3,570,000	1,339,388	4,909,388	7,927,303	-	7,927,303
2036	3,019,163	3,725,000	1,184,369	4,909,369	7,928,531	-	7,928,531
2037	3,016,819	3,885,000	1,022,656	4,907,656	7,924,475	-	7,924,475
2038	3,010,650	4,055,000	853,931	4,908,931	7,919,581	-	7,919,581
2039	2,279,981	4,230,000	677,875	4,907,875	7,187,856	-	7,187,856
2040	1,099,372	4,415,000	494,169	4,909,169	6,008,541	-	6,008,541
2041	1,096,528	4,610,000	302,388	4,912,388	6,008,916	-	6,008,916
2042	-	4,810,000	102,213	4,912,213	4,912,213	-	4,912,213
	$ 118,860,359	$ 71,125,000	$ 32,095,427	$ 103,220,427	$ 222,080,786	$ 21,162,313	$ 200,918,474

[(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**

2021-22 Net Taxable Assessd Valuation before TIRZ Adjustment	$	4,985,057,259
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-24*)	$	19,652,555 *
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$	0.40227 *

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**

2021-22 Net Taxable Assessd Valuation before TIRZ Adjustment	$	4,985,057,259
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-24*)	$	17,027,867 *
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$	0.34855 *

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

	Principal Repayment Schedule			Bonds	Percent of
Fiscal Year Ending 9/30	Outstanding Principal[(a)*]	The Bonds*	Total	Unpaid at End of Year	Principal Retired (%)
2022	$ 5,687,297		$ 5,687,297	$ 149,929,764	3.65%
2023	7,999,736	$ 4,520,000	12,519,736	137,410,028	11.70%
2024	7,867,006	5,010,000	12,877,006	124,533,022	19.97%
2025	7,461,432	3,005,000	10,466,432	114,066,590	26.70%
2026	6,176,590	1,595,000	7,771,590	106,295,000	31.69%
2027	5,940,000	2,540,000	8,480,000	97,815,000	37.14%
2028	5,565,000	2,650,000	8,215,000	89,600,000	42.42%
2029	4,145,000	2,765,000	6,910,000	82,690,000	46.86%
2030	3,570,000	2,885,000	6,455,000	76,235,000	51.01%
2031	3,695,000	3,010,000	6,705,000	69,530,000	55.32%
2032	3,790,000	3,145,000	6,935,000	62,595,000	59.78%
2033	3,900,000	3,280,000	7,180,000	55,415,000	64.39%
2034	3,230,000	3,420,000	6,650,000	48,765,000	68.66%
2035	2,665,000	3,570,000	6,235,000	42,530,000	72.67%
2036	2,745,000	3,725,000	6,470,000	36,060,000	76.83%
2037	2,815,000	3,885,000	6,700,000	29,360,000	81.13%
2038	2,880,000	4,055,000	6,935,000	22,425,000	85.59%
2039	2,210,000	4,230,000	6,440,000	15,985,000	89.73%
2040	1,065,000	4,415,000	5,480,000	10,505,000	93.25%
2041	1,085,000	4,610,000	5,695,000	4,810,000	96.91%
2042	-	4,810,000	4,810,000	-	100.00%
	$ 84,492,061	$ 71,125,000	$ 155,617,061		

[(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 $299,412 for governmental activities. Depreciation expense of $66,091 was recognized during the current year.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

	Year Ending September 30,	Governmental Activities
	2022	$ 164,172
	2023	164,173
	2024	30,207
Total minimum lease payments		358,552
Less amount representing interest		(24,298)
Present value of net minimum lease payments		$ 334,254

INTEREST AND SINKING FUND MANAGEMENT INDEX — TABLE 8

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2021	$ 728,077	
FY 2022 Interest and Sinking Fund Tax Levy of $0.294998 at 99% Collections Produces (Calculation is based on Net Taxable Assessed Valuation before exclusion of TIRZ Value.)	14,558,761	
Total Available for Debt Service	$ 15,286,838	[(a)]
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-22	13,595,792	[(b)*]
Estimated Interest & Sinking Fund Balance at Fiscal Year Ending 9-30-22	$ 1,691,046	[(c)]

[(a)] Calculated using Net Taxable Assessed Valuation, before exclusion of TIRZ Value.
[(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
2012-13	$ 2,013,954,034	---	---
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	8.92%
2017-18	3,024,514,485	291,030,074	10.65%
2018-19	3,694,812,190	670,297,705	22.16%
2019-20	4,133,383,622	438,571,432	11.87%
2020-21	4,719,338,365	585,954,743	14.18%
2021-22	4,985,057,259	265,718,894	5.63%

[(a)] Includes value captured by the TIRZ. See Table 12 for assessed valuation after deducting value losses to theTIRZ.
Sources: Issuer's 2021 Annual Comprehensive Financial Report and Ellis Central Appraisal District.

FUND BALANCES **TABLE 10**

	As of May 31, 2022 (Unaudited)
General Fund	$ 33,940,488
General Obligation Debt Service Fund	7,263,660
Special Revenue Fund	2,150,347
Capital Projects Fund (General Fund)	29,189,179
Capital Projects Fund (Utilities)	1,797,047
Revenue Bond Debt Service Fund	2,043,855
Revenue Bond Reserve Fund	-
Water and Sewer Operating Fund (Cash and Investment Only)	32,520,862
Utility Capital Recovery Fund (Impact Fees)	16,146,637
Total	$ 125,052,075

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
2012	$ 4,360,961	$ 2,180,480	$ 12,716,021	17.15%	0.11
2013	5,008,081	2,504,040	13,092,434	19.13%	0.12
2014	6,263,719	3,131,859	13,833,963	22.64%	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	21,448,519	20.09%	0.14
2019	9,878,092	4,939,046	26,245,503	18.82%	0.13
2020	12,834,591	6,417,295	28,231,847	22.73%	0.16
2021	13,382,426	6,691,213	29,667,706	22.55%	0.15
2022	11,400,813	5,700,407	(Collections as of July 2022)		

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	2021-2022	% of Total	2020-2021	% of Total	2019-2020	% of Total	2018-2019	% of Total	2017-2018	% of Total
Real, Residential, Single-Family	$ 3,133,465,224	45.53%	$ 2,791,551,455	47.69%	$ 2,482,490,222	49.25%	$ 2,169,974,487	47.63%	$ 1,496,074,768	39.89%
Real, Residential, Multi-Family	179,997,547	2.62%	138,208,250	2.36%	107,788,462	2.14%	87,137,565	1.91%	62,807,223	1.67%
Real, Vacant Lots/Tracts	66,978,666	0.97%	52,406,991	0.90%	51,703,580	1.03%	45,583,530	1.00%	55,825,470	1.49%
Real Acreage (Land Only)	179,726,645	2.61%	177,807,872	3.04%	158,654,473	3.15%	147,028,654	3.23%	146,009,189	3.89%
Farm & Ranch Improvements	100,024,256	1.45%	95,548,825	1.63%	90,681,110	1.80%	80,937,768	1.78%	64,236,862	1.71%
Real, Commercial	1,112,459,020	16.17%	677,893,603	11.58%	376,601,581	7.47%	289,330,806	6.35%	250,203,498	6.67%
Real, Industrial	844,626,381	12.27%	872,433,288	14.91%	830,361,426	16.47%	830,005,100	18.22%	783,522,056	20.89%
Oil and Gas	610,846	0.01%	662,542	0.01%	1,488,777	0.03%	1,336,176	0.03%	1,213,541	0.03%
Real & Tangible, Personal Utilities	69,052,894	1.00%	59,387,012	1.01%	44,651,128	0.89%	39,907,300	0.88%	38,269,387	1.02%
Tangible Personal, Commercial	403,916,067	5.87%	228,654,469	3.91%	199,966,989	3.97%	226,283,349	4.97%	205,595,581	5.48%
Tangible Personal, Industrial	285,930,147	4.15%	298,952,686	5.11%	328,101,056	6.51%	277,290,135	6.09%	328,889,390	8.77%
Tangible Personal, Mobil Homes	4,886,054	0.07%	3,592,409	0.06%	3,412,815	0.07%	2,499,970	0.05%	2,504,740	0.07%
Real Property, Inventory / Other	61,756,409	0.90%	83,693,580	1.43%	74,724,817	1.48%	102,019,569	2.24%	77,247,290	2.06%
Totally Exempt Property	438,279,252	6.37%	372,456,501	6.36%	290,367,688	5.76%	257,010,398	5.64%	238,562,765	6.36%
Total Market Value	$ 6,881,709,408	100.00%	$ 5,853,249,483	100.00%	$ 5,040,994,124	100.00%	$ 4,556,344,807	100.00%	$ 3,750,961,760	100.00%
Less Exemptions:										
Local, Optional Homestead	$ 151,581,094		$ 140,817,320		$ 129,546,941		$ 119,351,296		$ 89,640,143	
Disabled and Deceased Veterans'	5,779,780		3,596,150		3,103,200		2,572,000		1,895,500	
Disabled Veterans Homestead	85,876,565		65,826,072		51,344,041		35,804,006		24,298,701	
Agricultural Productivity Loss	175,949,899		173,897,794		154,948,187		143,382,607		142,485,445	
Abatements	640,809,938		30,326,176		25,269,197		40,157,591		35,484,428	
Freeport	139,762,031		77,909,010		58,162,393		62,343,551		51,498,423	
10% Value Cap Loss	55,659,201		56,343,927		28,760,958		32,089,912		13,312,684	
Pollution Control	202,263,302		212,473,608		165,906,278		168,753,936		129,234,476	
Other	691,087		264,560		201,619		67,320		34,710	
Totally Exempt Property	438,279,252		372,456,501		290,367,688		257,010,398		238,562,765	
Total Exemptions	$ 1,896,652,149		$ 1,133,911,118		$ 907,610,502		$ 861,532,617		$ 726,447,275	
Net Taxable Assessed Valuation	$ 4,985,057,259		$ 4,719,338,365		$ 4,133,383,622		$ 3,694,812,190		$ 3,024,514,485	
Value Captured by Tax Increment Reinvestment Zone (TIRZ)	$ 589,841,485		$ 754,961,815		$ 524,437,701		$ 502,137,783		$ 491,064,677	
Net Taxable Assessed Valuation after TIRZ Adjustment	**$ 4,395,215,774**		**$ 3,964,376,550**		**$ 3,608,945,921**		**$ 3,192,674,407**		**$ 2,533,449,808**	

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 2021-2022 LESS TIRZ TAXABLE REAL PROPERTY **TABLE 13**

Name	Type of Property		2021 Net Taxable Assessed Valuation	% of Total 2021 Assessed Valuation
Chaparral Steel Manufacturing (Gerdau)	Steel Manufacturer		$ 134,643,480 [(a)]	3.06%
HolCim (US) Inc.	Cement Plant		111,695,900 [(b)]	2.54%
Target Corporation	Retail Distribution		90,455,511 [(c)]	2.06%
Volkswagon Group North America	Distribution		40,341,694	0.92%
TXI Operations	Cement Plant		40,276,728 [(d)]	0.92%
Oncor Electric Delivery Company	Utility		38,069,240 [(e)]	0.87%
The Mark At Walter Stephenson	Real Estate		35,000,000	0.80%
Midlothian Towne Crossing LP	Real Estate		33,789,273	0.77%
Midlothian Apt Owner LLC	Real Estate		25,319,000	0.58%
Ash Grove/North Texas Cement	Cement Plant		24,765,100	0.56%
		Total	$ 574,355,926	13.07%

Based on a **2021-2022** Net Taxable Assessed of (After TIRZ Adjustment) $ 4,395,215,774

[(a)] *Excludes the portion of the Chaparral Steel Manufacturing property located in the TIRZ in the amount of $257,790.*
[(b)] *Excludes the portion of HolCim (US) Inc. property located in the TIRZ in the amount of $15,505,743.*
[(c)] *Excludes the portion of Target Corporations property located in the TIRZ in the amount of $41,000,000.*
[(d)] *Excludes the portion of the TXI property located in the TIRZ in the amount of $111,455,012.*
[(e)] *Excludes the portion of Oncor Electric Delivery Company property located in the TIRZ in the amount of $178,710.*

Source: The 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
2012	$ 1,584,889,520	0.650000	13,092,434	99.27%	99.75%	9/30/2013
2013	1,665,101,780	0.658244	13,833,963	99.38%	99.76%	9/30/2014
2014	1,791,250,099	0.708244	15,745,386	99.53%	99.88%	9/30/2015
2015	2,042,887,918	0.708244	17,778,047	99.74%	99.99%	9/30/2016
2016	2,269,048,335	0.708244	19,376,285	99.71%	99.96%	9/30/2017
2017	2,533,449,808	0.708244	21,448,519	99.48%	99.40%	9/30/2018
2018	3,192,674,407	0.708244	26,245,503	99.73%	99.81%	9/30/2019
2019	3,608,945,921	0.685000	28,231,847	99.44%	99.44%	9/30/2020
2020	3,964,376,550	0.675000	31,674,754	99.06%	99.50%	9/30/2021
2021	4,395,215,774	0.675000	33,306,279	98.77% [(c)]	98.84% [(c)]	9/30/2022

[(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 May 31, 2022.*
Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Ellis Appraisal District and the Issuer.

TAX RATE DISTRIBUTION **TABLE 15**

	2021-22	2020-21	2019-20	2018-19	2017-18
General Fund	$0.380002	$0.373975	$0.383540	$0.381223	$0.367873
I & S Fund	0.294998	0.301025	0.301460	0.327021	0.340371
TOTAL	$0.675000	$0.675000	$0.685000	$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, 2022)

Taxing Body	Gross Debt Principal	% Overlapping	Amount Overlapping
Ellis County	$ 28,755,000	26.54%	$ 7,631,577
Midlothian Independent School District	412,745,000	76.45%	315,543,553
Midlothian Municipal Management District #3	3,735,000	100.00%	3,735,000
Waxahachie Independent School District	231,313,709	0.47%	1,087,174
Total Net Overlapping Debt			$327,997,304
City of Midlothian	155,617,061 (a)*	100.00%	155,617,061 (a)*
Total **Gross** Direct and Overlapping Debt Principal			**$483,614,365** (a)*

Ratio of Gross Direct and Overlapping Debt to 2021-22 Net Taxable Assessed Valuation (Including TIRZ Captured Value)	9.70% (a)*
Ratio of Gross Direct and Overlapping Debt to 2021-22 Actual Value	7.03% (a)*
Per Capita Gross Direct and Overlapping Debt	$12,868.93 (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 $137,342,061 (b)*
Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total **Net** Direct and Overlapping Debt Principal	$465,339,365 (b)*
Ratio of Net Direct and Overlapping Debt to 2021-22 Net Taxable Assessed Valuation (Including TIRZ Captured Value)	9.33% (b)*
Ratio of Net Direct and Overlapping Debt Principal to 2021-22 Actual Value	6.76% (b)*
Per Capita Net Direct and Overlapping Debt	$12,383 (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	2021 Net Taxable Assessed Valuation	% of Actual	2021 Tax Rate
Ellis County	$ 21,500,257,151 (a)	100%	$ 0.034000
Midlothian Independent School District	6,250,644,453	100%	1.352000
Midlothian Municipal Management District #3	33,426,198	100%	0.400000
Waxahachie Independent School District	5,213,876,165	100%	1.401000

(a) *Includes taxable assessed valuation captured by the Tax Increment Reinvestment Zone*
Source: Ellis County Appraisal District

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

(As of June 30, 2022)

Taxing Body	Date Authorized	Purpose	Amount Authorized	Issued To-Date	Unissued
Ellis County	None				
Midlothian ISD	None				
Midlothian MMD #3	11/7/2017	Drainage	$ 102,000,000	-	$ 102,000,000
	11/7/2017	Road	8,000,000	$ 2,485,000	5,515,000
			110,000,000	2,485,000	107,515,000
Waxahachie ISD	None		-	-	-

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	$ 14,975,000	$ 7,225,000	$ -
	5/1/2021	Public Safety/Police	46,000,000	4,600,000	41,400,000	-
	5/1/2021	City Building/Library	25,000,000	2,500,000	22,500,000	-
	5/1/2021	Recreation	19,000,000	-	-	19,000,000
	5/1/2021	Street Improvements	35,575,000	2,400,000	-	33,175,000
				$ 24,475,000	$ 71,125,000	$ 52,175,000

* Constitutes the Bonds.

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

	Fiscal Year Ended September 30				
	2021	2020	2019	2018	2017
Revenues:					
Taxes	$ 27,503,621	$ 24,870,448	$ 22,167,358	$ 18,377,051	$ 16,393,741
Licenses and Permits	2,550,411	2,055,559	3,956,922	1,671,771	1,119,635
Intergovernmental	6,806,481	4,065,329	12,030,853	4,513,105	4,015,415
Charges for Services	2,541,185	1,624,932	1,720,295	1,707,421	1,904,997
Fines	772,678	700,802	644,708	438,938	377,053
Investment Income	6,240	415,331	559,898	297,196	125,649
Contributions and Donations	81,385	126,612	22,250	15,497	41,687
Miscellaneous	304,885	205,631	91,297	254,783	2,657,262
Total Revenues	$ 40,566,886	$ 34,064,644	$ 41,193,581	$ 27,275,762	$ 26,635,439
Expenditures:					
Current:					
General Government	$ 10,056,259	$ 6,249,000	$ 14,535,943	$ 6,081,992	$ 5,961,760
Public Safety	20,745,887	19,356,526	17,130,165	14,720,807	13,125,829
Public Works	5,892,675	5,745,341	4,155,998	3,523,576	2,579,875
Culture and Recreation	1,876,927	1,881,964	1,648,188	1,703,920	1,549,853
Intergovernmental (Payment to TIRZ)	2,816,619	1,939,995	1,834,964	1,785,567	1,659,765
Capital Outlay	-	-	-	-	92,539
Debt Service					
Principal retirement	142,461	136,164	-	29,559	28,652
Interest charges	21,712	28,011	-	997	1,904
Total Expenditures	$ 41,552,540	$ 35,337,001	$ 39,305,258	$ 27,846,418	$ 25,000,177
Excess (Deficit) of Revenues Over Expenditures	$ (985,654)	$ (1,272,357)	$ 1,888,323	$ (570,656)	$ 1,635,262
Other Financing Sources (Uses):					
Note/Capital Lease Proceeds	$ -	$ -	$ 612,881	$ -	$ -
Transfers In (Includes Component Units)	3,050,388	2,804,957	2,855,236	2,801,674	2,805,224
Transfers Out	(1,316,172)	(1,291,629)	(931,494)	(1,713,655)	(1,723,344)
Total Other Financing Sources (Uses)	$ 1,734,216	$ 1,513,328	$ 2,536,623	$ 1,088,019	$ 1,081,880
Excess (Deficit) of Revenues/Other Sources Sources Over Expenditures/Other Uses	748,562	240,971	4,424,946	517,363	2,717,142
Fund Balance - Beginning of Year	22,298,263	22,057,292	17,632,346	17,114,983 [(a)]	14,438,575
Fund Balance - September 30	$ 23,046,825	$ 22,298,263	$ 22,057,292	$ 17,632,346	$ 17,155,717

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

Note: The City anticipates the unaudited General Fund balance for period ending September 30, 2022 will be approximately $27,656,610.

Source: The Issuer's Audited Financial Statements

APPENDIX B

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

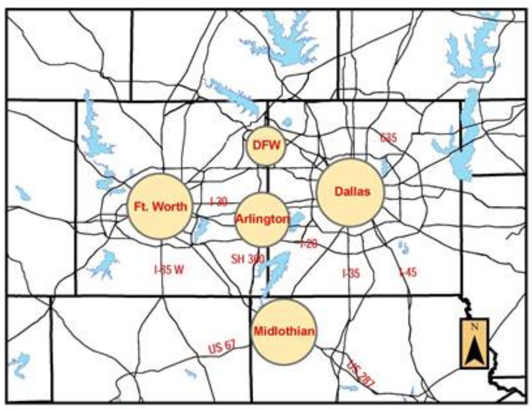
(this page intentionally left blank)

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

The City, incorporated in 1888, is located in the northwest part of Ellis County, approximately twenty-five miles southwest of Dallas, on U.S. Highway 67, and ten miles northwest of Waxahachie, on U.S. Highway 287. The City is part of the Dallas/Fort Worth Metroplex and encompasses an approximate area of 64.46 square miles, with an estimated population of 37,580.

Midlothian is home to a diversified group of manufacturing and distribution firms. Products manufactured range from cement to steel, a gas-fired power plant, along with retail development of food establishments, grocery stores, retail lumber and building supply store, and a new hospital. In 2019, Google began constructing a data center located in RailPort with total construction taking approximately five years. A new national chain grocery store, a fast-food establishment and construction of a commercial building that will contain a restaurant and other retail stores opened in 2021. The industrial development activity in Midlothian has never been stronger with Sunrider Manufacturing nearing completion of its 600,000 square foot manufacturing building and 500,000 square foot warehouse at Midlothian Business Park (MBP). Logistics Property Company is constructing a 550,000 square foot speculative industrial warehouse at RailPort Business Park. SunOpta Grains and Foods are constructing a 275,000 square foot manufacturing facility. Provident Reality Advisors has commenced construction of two buildings at MBP, the first building is 184,406 square feet and the second building is 159,543 square feet. McIver Properties plans to commence construction on a 100,147 square foot warehouse by March 2022. Hillwood Properties has closed on 350 acres of land off Ward Road, near Highways 67 and 287 for an industrial park for buildings ranging in size from 180,000 square feet to over 1.3 million square feet. A public improvement district (PID) was established in July 2021 and construction has begun, which will have 800 homes. There are two additional PID's being established in 2022, which will have approximately 2000 homes.

Source: The City of Midlothian Annual Comprehensive Financial Report.



Population Trends:

Census Report	City of Midlothian	Ellis County
Current Estimate	37,580	207,620
2020	35,125	198,970
2010	18,037	149,610
2000	7,480	111,360
1990	5,141	85,167

Sources: North Central Texas Council of Governments and City of Midlothian.

Major Employers:

Employer	Type of Business	Number of Employees
Gerdau Ameristeel	Steel Manufacturing	1,000
Midlothian Independent School District	Public Education	1,000
Target Distribution	Distribution Center	1,000
Methodist Hospital	Medical Facility	300
Sunrider Manufacturing	Manufacturing/Distribution	300
City of Midlothian	Municipal Government	300
Martin Marietta Materials	Cement Production	200
Ash Grove, Texas Cement	Cement Plant	200
Lafarge Holcim Texas	Cement Plant	200
Malouf	Bedding manufacturer	150

Source: Midlothian Economic Development Corporation and the City of Midlothian Annual Comprehensive Financial Report.

ELLIS COUNTY, TEXAS

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.

Ellis County is located in the Blackland Prairie region of Texas with a total land area of 939.91 square miles. Major north-south highways within Ellis County include I-35E, I-45, US 67, and Texas 360 Toll Road. Connecting Ellis County's largest cities – Midlothian, Waxahachie, and Ennis – is US 287, which runs northwest to southeast through the county. The Texas Department of Transportation continues to improve and plan major roadways through Ellis County, including new loops, overpasses, and spurs to increase accessibility between major highways and FM roads with an estimated value of $1.2 billion over the next decade. Local industry also benefits from railways connecting Ellis County with other metroplexes to the North, South, and Southeast. Ellis County's economy has traditionally been agricultural, but it is now transitioning to manufacturing. The biggest manufacturing industries in Ellis County include aerospace engineering, power generation, and production of steel, fiberglass, cement, and vinyl. Automobile shipping and storage also represents a growing component of the economy, and enterprise architecture firms from the DFW metroplex continue to co-locate office space in Ellis County. The county is also home to several institutions of higher education, including the Texas State Technical College and Navarro College, and has also been recognized for its exemplary public grade schools. During fiscal year 2022, Ellis County's tax base increased by $4,431,598 – a 6.71% increase from FY21 – and will continue a strong upward trajectory as residents of the Dallas Fort-Worth metroplex build new homes in Ellis County. The county is becoming increasingly suburban as more housing developments spring up around the county – particularly west of I-35E. A large portion of these developments are being built in the extraterritorial jurisdiction (ETJ) outside of Ellis County's major cities, maintaining the amenities that new residents are accustomed to while still providing a more rural setting for their homes.

Source: Ellis County Annual Comprehensive Financial Report.

Labor Force Statistics - Ellis County

	Ellis County		State of Texas	
	May 2022	May 2021	May 2022	May 2021
Civilian Labor Force	103,363	97,946	14,500,613	14,123,599
Total Employed	100,102	93,584	13,946,477	13,325,028
Total Unemployed	3,261	4,362	554,136	798,571
% Unemployed	3.2%	4.5%	3.8%	5.7%
% Unemployed (United States)	3.4%	5.5%	3.4%	5.5%

Source: Texas Workforce Commission, Labor Market Information Department.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)

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 2022

IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____

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

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

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

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

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

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

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

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

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

(this page intentionally left blank)

APPENDIX D

EXCERPTS FROM THE CITY OF MIDLOTHIAN AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

(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.)

(this page intentionally left blank)

CITY OF MIDLOTHIAN, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

As Prepared By:

Finance Department

City of Midlothian, Texas

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MIDLOTHIAN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
SEPTEMBER 30, 2021

TABLE OF CONTENTS

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

February 22, 2022

Citizens of Midlothian, Honorable Mayor and Members of City Council
City of Midlothian
Midlothian, Texas

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report of the City of Midlothian, Texas (City) for the fiscal year ended September 30, 2021.

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

The City's financial statements have been audited by Pattillo, Brown & Hill, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2021, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the City

The City, incorporated in 1888, is located in the northwest part of Ellis County, approximately twenty-five miles southwest of Dallas, on U.S. Highway 67, and ten miles northwest of Waxahachie, on U.S. Highway 287. The City is part of the Dallas/Fort Worth Metroplex and encompasses an approximate area of 64.46 square miles, with an estimated population of 36,087. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City is a home rule city, operating under the Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council is elected on a non-partisan, at-large basis. Council members serve three (3) year staggered terms so that at least two members are elected every year.

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City can provide at the lowest practicable cost. These services include police and fire protection, emergency ambulance service, water and sewer services, park and recreational facilities, street maintenance and improvements, and general administrative services. The City includes all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria other governmental organizations are included in the City's financial statements (see Note 1B of the Notes to the Financial Statements). The discretely presented component units included are Midlothian Economic Development (MED), the Midlothian Community Development Corporation (MCDC) and the Midlothian Development Authority (MDA). The MED and MCDC are governed by separate boards, appointed by the City's elected council. Each of these entities is funded by a one half of one percent sales tax.

The Midlothian Development Authority/Tax Increment Reinvestment Zone (TIRZ) consists of a nine-member board, with five of those being appointed by the City Council. The TIRZ was created for the purpose of facilitating development of a mixed-use industrial park. From properties located within the zone, the City, Ellis County, and the Midlothian Independent School District have agreed to deposit to the TIRZ fund a certain percentage of tax collections generated from their respective taxation. The Authority issues Tax Increment Revenue Bonds to build infrastructure within or associated with the zone. The 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 taxing powers of the City.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review prior to August 1. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than 10 days prior to the beginning of the fiscal year by passage of a budget ordinance. Department heads may make transfers of appropriations within a department. Transfer of appropriations between departments requires the approval of the City Manager. The City Council must approve any revisions that alter the total appropriations of any fund. A budget-to-actual comparison must be provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the Midtowne PID fund, this comparison is presented on pages 67 and 79, respectively.

Economic Outlook and Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered within the context with which the City operates.

Local economy. Midlothian's location is served by two major highways. US Hwy 67 travels north and south, and US Highway 287 travels east to west. The City is within fifteen miles of IH 35 E and IH 20. These major highways provide easy access to Dallas/Fort Worth and the surrounding Metroplex area.

Midlothian is home to a diversified group of manufacturing and distribution firms. Products manufactured range from cement to steel, a gas-fired power plant, along with retail development of food establishments, grocery stores, retail lumber and building supply store, and a new hospital. In 2019, Google began constructing a data center located in RailPort with total construction taking approximately five years. A new national chain grocery store, a fast-food establishment and construction of a commercial building that will contain a restaurant and other retail stores opened in 2021. The industrial development activity in Midlothian has never been stronger with Sunrider Manufacturing nearing completion of its 600,000 square foot manufacturing building and 500,000 square foot warehouse at Midlothian Business Park (MBP). Logistics Property Company is constructing a 550,000 square foot speculative industrial warehouse at RailPort Business Park. SunOpta Grains and Foods are constructing a 275,000 square foot manufacturing facility. Provident Reality Advisors has commenced construction of two buildings at MBP, the first building is 184,406 square feet and the second building is 159,543 square feet. McIver Properties plans to commence construction on a 100,147 square foot warehouse by March 2022. Hillwood Properties has closed on 350 acres of land off Ward Road, near Highways 67 and 287 for an industrial park for buildings ranging in size from 180,000 square feet to over 1.3 million square feet. A public improvement district (PID) was established in July 2021 and construction has begun, which will have 800 homes. There are two additional PID's being established in 2022, which will have approximately 2000 homes.

The City is 57% developed with a projected growth rate of 5.25% and benefits from a well-educated and affluent workforce. Midlothian's average household effective buying income is $95,306.

Advanced education is available with Navarro Community College. Navarro has also partnered with Texas A&M Commerce and Tarleton State to offer a four-year degree program at the Midlothian Campus. Additional college opportunities within a 60-mile radius include Southern Methodist University, Texas Christian University, University of North Texas, University of Texas at Arlington and many others. In addition, there are several trades, industrial and technical schools located throughout the area. The Midlothian Independent School District is one of the fastest growing districts in the State of Texas, making the City a sought-after environment with small town appeal.

Air transportation is available at nearby Dallas/Fort Worth International Airport and Love Field for national and international travel. Mid-Way Regional Airport is located within three miles of downtown Midlothian, for private/commercial services. The cities of Midlothian and Waxahachie jointly own the Mid-Way airport.

Medical services are available locally at the new five story Midlothian Methodist Medical Center that opened in 2020, with professional medical offices that opened in April 2021. There are numerous medical offices located in a commercial building that completed construction in the fall of 2021. In addition, Baylor Medical Center in Waxahachie is located within minutes of Midlothian. Services are also available through several primary care medical providers located in the City limits. The Metroplex area is served by more than seventy hospitals offering specialized services, including major trauma care.

The City has 204 acres of undeveloped park land, and 253 acres of developed park land that provide soccer fields, baseball fields, tennis courts, and playground areas. The City also operates a sports park jointly with the Midlothian Independent School District. The voters approved a bond package in May 2006 for a new multi-use community park facility to encompass baseball, football, soccer fields and tennis courts, as well as a walking trail and picnic area. This park is approximately 104 acres when completed. The first phase of the park opened on February 3, 2017. The voters approved a bond election to fund the final phase ($16.1 million) to complete the park. The first debt issuance in August 2018 is being used for engineering and design plans. The second debt issuance in September 2019 was the construction phase of completing the park. Phase 2 of the park includes baseball fields, regional splash pad, amphitheater and expanded playgrounds. The Midlothian Community Development Corporation issued debt to contribute $5,000,000 for enhancements to the Community Park construction, which opened in January 2022.

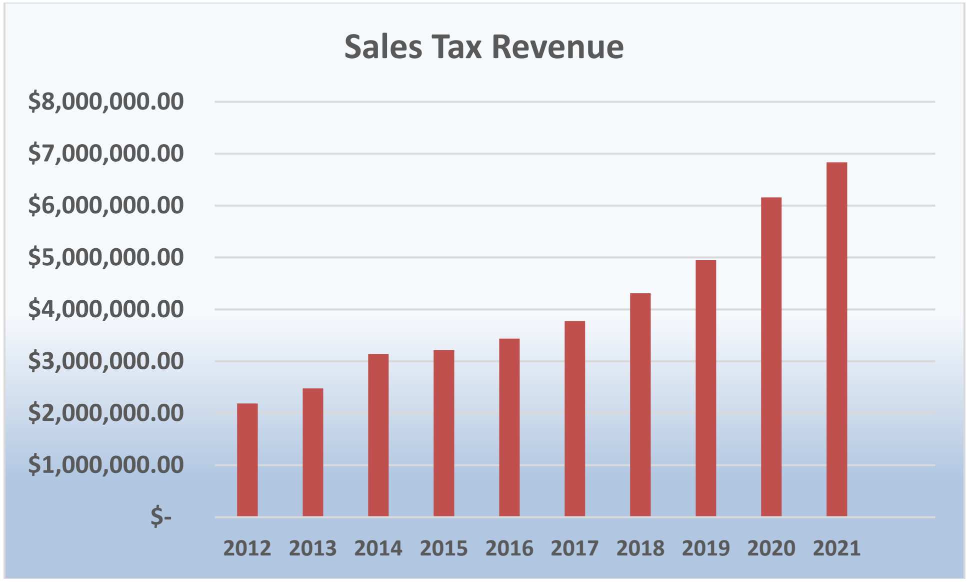
The Dallas Fort Worth Metroplex hosts several professional sports teams including the Dallas Cowboys, Dallas Mavericks, Texas Rangers and Dallas Stars. Access to these professional sports teams is within a thirty-minute drive from Midlothian. The Dallas/Fort Worth area offers a variety of cultural opportunities such as museums, botanical gardens, Six Flags over Texas, and Texas Motor Speedway. There are several 18-hole championship golf courses located within a short driving distance of the City.

Long-Term Financial Planning

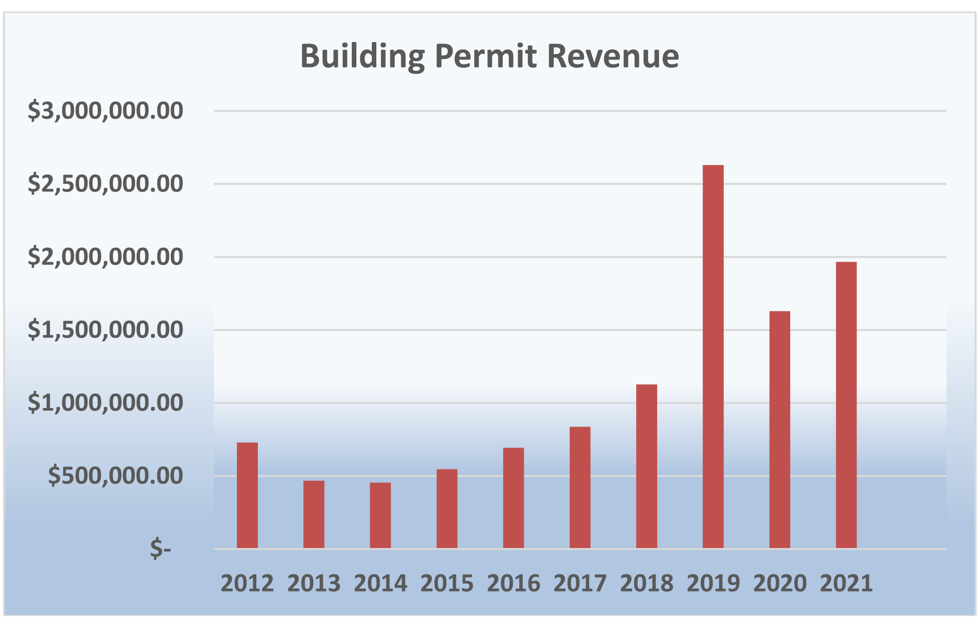
The City has a Comprehensive Plan with goals and objectives that will help to shape and direct growth and development for the next twenty years and beyond. The plan is based upon a shared vision of the citizenry and stakeholders. A new updated Comprehensive Plan was presented to the Planning and Zoning Committee and adopted by City Council on May 22, 2018. In fiscal year 2021, building permits were approved for 611 single-family homes with an estimated annual average value of $383,563. There are currently 1,176 platted residential lots approved and ready to build.

The City’s five-year Strategic Plan identifies personnel, equipment and capital project needs and is revised annually. The five-year plan for revenue is projected based on population estimates, along with housing and business growth. Annual population growth has averaged approximately 5-7% for the past five years. In 2021, the growth was approximately 5.25%; with a five-year growth of 42.50%

The local economy remained strong during the national pandemic crisis. Sales tax increased by 4% during the current year. Due to the strong sales tax in 20-21, the City Council projected an increase to the sales tax, budgeting $6,500,000 for the 21-22 fiscal year, which is $1,000,000 above the amount budgeted for 20-21. The economic downturn did not trigger a reduction in sales tax collections as many citizens continued to shop online and work remotely. The economy in Midlothian remains very strong.



Building permit revenue increased by $337,414 in 20-21 due primarily to new residential construction that is at a historical high. Building permits are budgeted to increase by 78% in 2021-2022. This increase is anticipated due to several large new developments, and the City Council budgeted conservatively in 20-21 with the uncertainty of the economy during the budget process. The City is thriving with new development and indicators do not show a slow down in the years to come.



Department directors are responsible for reviewing historical performance measures and planning for the five-year financial needs to continue to provide the existing level of services to the citizens.

The Finance Director and Budget Analyst are responsible for preparing long-term revenue and expenditure forecasts. The department performance measures are evaluated to assist with calculating long-term financial needs. The unissued debt is calculated based on construction plans and is also included in the five-year plan. This enables the City Manager and Finance Director to evaluate and forecast the tax rate for not only maintenance and operations, but for the debt as well. Capital improvements that may require a future bond election are also taken into consideration when setting long term financial plans.

The City continues to maintain a healthy fund balance. The General Fund's unassigned fund balance is $20,992,429; of that amount, a 90 day "reserve" of $10,223,844 for 2021-2022 budget year is maintained. Within the FY 2020-2021 amended budget, the City Council approved the use of unassigned funds for $6,215,751 for prior year encumbrances and one-time capital expenditures. A large portion of this amount ($3,325,217) was an amendment to the budget for the purchase of two buildings in downtown Midlothian for future development.

In 2020, the Council formed a Citizen's Planning Group to discuss future project needs of the City. The City Council began discussions of a future bond election at a workshop in January 2021 to bring a bond package to the citizens for a vote. A bond election was held in May 2021 when the voters approved a $125,500,000 total bond package, which included $47,400,000 for building a new City Hall/Public Library ($25,000,000), and a new Public Safety Building ($45,000,000), Recreation Center ($19,000,000), and street infrastructure ($35,575,000) estimated to be drawn over an eight-year period. The first issuance was in September 2021 for $13,480,000 for the architectural and engineering design of the City Hall/Library and the Public Safety Building, and funds to begin engineering for street construction. The second issuance is planned to present to the City Council in 2022 to draw funds for construction of the new buildings. The City has unissued street funds from a 2017 bond election of $11,890,000 that was unissued at the beginning of Fiscal Year 20-21; the City Council approved an issuance of $4,665,000 in 2021, which leaves an unissued balance of $7,225,000 from the 2017 bond election.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended September 30, 2020. This was the sixteenth consecutive year that the City has achieved this prestigious award. To be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized annual comprehensive financial report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2020. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Chris Dick, City Manager

Ann Honza, CPA, Finance Director

Chris Dick, CPA
City Manager

Ann Honza, CPA
Finance Director/CFO/HR Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Midlothian
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2020

Christopher P. Morrill

Executive Director/CEO


CITIZENS OF MIDLOTHIAN
The Honorable Mayor and City Council
City Attorney
City Manager
Boards & Commissions
City Secretary
General Government
Assistant City Manager
Public Safety
Municipal Court
Administration
Development Services
Fire
Finance
Building Inspection
Police
Human Resources
Planning
Community Services & Animal Control
Conference Center
Engineering
NEED Center
Information Technology
Parks & Sports Park
Public Works
Utility Services
Created by City Charter

CITY OF MIDLOTHIAN, TEXAS

PRINCIPAL OFFICERS

SEPTEMBER 30, 2021

MAYOR

Richard Reno

MAYOR PRO-TEM

Ted Miller

CITY COUNCIL

Wayne Sibley
Justin Coffman
Walter Darrach
Clark Wickliffe
Hud Hartson

CITY MANAGER

Chris Dick, CPA

FINANCE DIRECTOR /CFO/ HR DIRECTOR

Ann Honza, CPA

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

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

Independent Auditor's Report

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 22, 2022, 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 22, 2022

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, 2021.

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 $345,802,064 (net position). Of this amount, $48,557,693 (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 $34,547,794 for the current fiscal year, which resulted primarily from ad valorem, sales and franchise taxes of $43,735,157 and capital grants and contributions of $27,813,443.

- As of the close of the current fiscal year, the City 's governmental funds reported combined ending fund balances of $66,164,648. Thirty-two percent (32%) of this total amount or $20,992,429 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 $20,992,429 or 51% of total General Fund expenditures.

- The City's long-term debt increased $7,422,515, due to the issuance of General Obligation bonds ($13,480,000) and Certificate of Obligation bonds ($4,655,000), 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 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 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 14–16 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 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 ten 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 18-21.

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 a major fund of the City. The basic proprietary fund financial statements can be found on pages 22-25 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 31-66.

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 67-74 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 75-79 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 $345,802,064 as of September 30, 2021.

The largest portion of the City's net position $278,917,980 (81%) 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 $7,229,510 due primarily to the following:

- Utility revenues increased by $3,168,650 as compared to prior year.
- An increase ($494,086) in public safety charges for services as compared to fiscal year 19-20
- An increase in property and sales tax revenues.

Long-term liabilities increased by $10,053,875 for the fiscal year ended September 30, 2021, due to an issuance of debt from a new 2021 voter approved bond package and a certificate of obligation issued in fiscal year 2021, which was offset by the annual principal payments for the current year.

An additional portion of the City's net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position ($48,557,693), which may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2021, the City can 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, 2021.

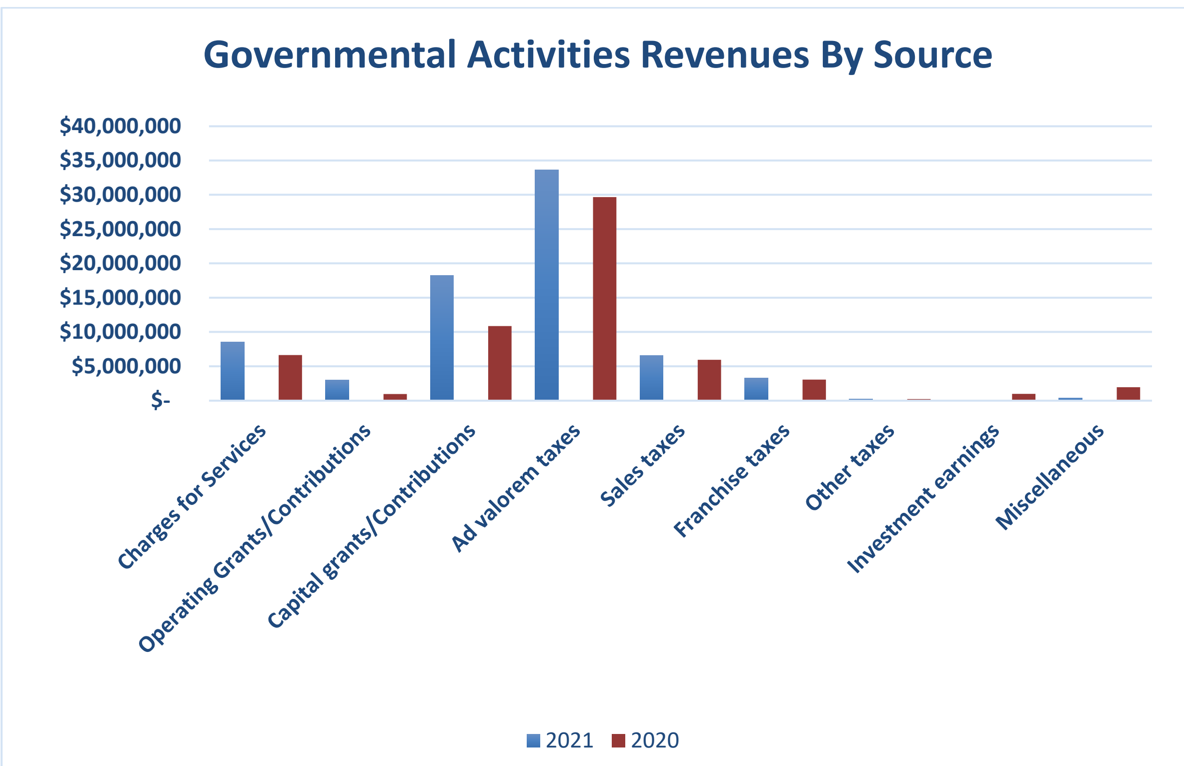
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 85,891,082	$ 81,096,917	$ 46,199,071	$ 43,763,726	$ 132,090,153	$ 124,860,643
Capital assets	205,675,824	176,234,264	137,169,939	131,389,258	342,845,763	307,623,522
Total assets	291,566,906	257,331,181	183,369,010	175,152,984	474,935,916	432,484,165
Total deferred outflows of resources	3,812,356	4,006,073	814,866	816,811	4,627,222	4,822,884
Long-term liabilities	101,607,257	91,553,382	18,742,978	21,146,636	120,350,235	112,700,018
Other liabilities	9,102,625	9,131,531	2,842,588	2,680,097	11,945,213	11,811,628
Total liabilities	110,709,882	100,684,913	21,585,566	23,826,733	132,295,448	124,511,646
Total deferred inflows of resources	1,267,894	1,360,739	197,732	180,394	1,465,626	1,541,133
Net investment in capital assets	162,149,676	118,580,655	120,520,097	111,800,122	278,917,980	188,168,159
Restricted for:						
Debt service	2,938,571	3,232,296	728,076	1,693,017	3,666,647	4,925,313
Capital improvements	-	-	13,150,679	13,421,324	13,150,679	13,421,324
Other purposes	1,509,065	2,797,390	-	-	1,509,065	2,797,390
Unrestricted (deficit)	16,804,174	34,681,261	28,001,726	25,048,205	48,557,693	55,657,998
Net position	$ 183,401,486	$ 159,291,602	$ 162,400,578	$ 151,962,668	$ 345,802,064	$ 311,254,270

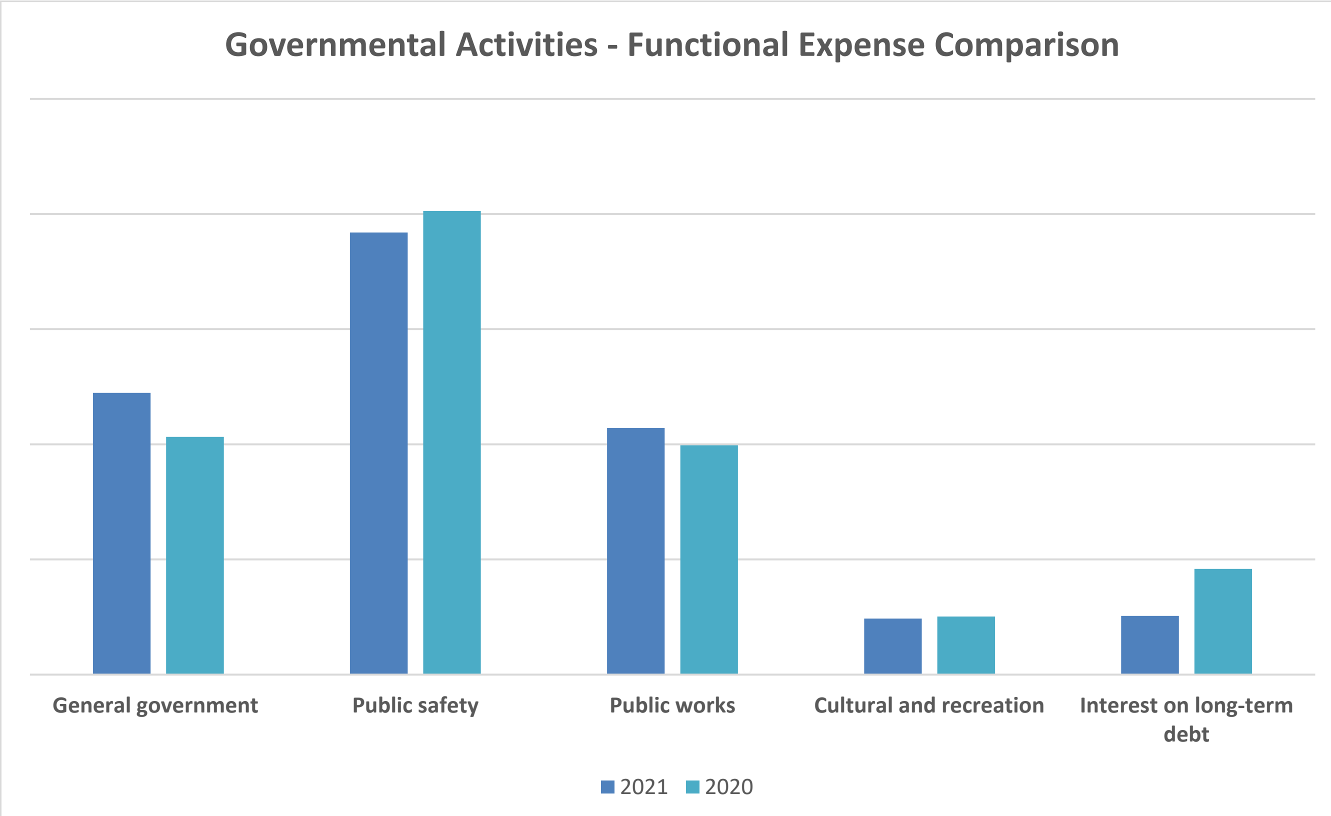
The following table provides a summary of the City's Statement of Activities for the year ended September 30, 2021.

	Governmental Activities		Business-type Activities		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Program revenues:						
Fees, fines and charges for services	$ 8,520,524	$ 6,640,615	$ 24,354,942	$ 21,186,292	$ 32,875,466	$ 27,826,907
Operating grants and contributions	3,027,733	2,518,184	-	-	3,027,733	2,518,184
Capital grants and contributions	18,235,284	10,860,410	9,578,159	6,783,088	27,813,443	17,643,498
General revenues:						
Ad valorem taxes	33,650,878	29,652,464	-	-	33,650,878	29,652,464
Sales taxes	6,585,356	5,953,281	-	-	6,585,356	5,953,281
Franchise taxes	3,270,143	3,070,260	-	-	3,270,143	3,070,260
Other taxes	228,780	211,231	-	-	228,780	211,231
Investment earnings	26,186	979,441	82,604	505,852	108,790	1,485,293
Miscellaneous	398,125	411,125	-	-	398,125	411,125
Total revenues	73,943,009	60,297,011	34,015,705	28,475,232	107,958,714	88,772,243
Expenses:						
General government	11,977,296	10,323,257	-	-	11,977,296	10,323,257
Public safety	23,349,765	20,127,297	-	-	23,349,765	20,127,297
Public works	10,704,504	9,955,877	-	-	10,704,504	9,955,877
Cultural and recreation	2,428,000	2,519,129	-	-	2,428,000	2,519,129
Interest on long-term debt	4,221,977	4,584,684	-	-	4,221,977	4,584,684
Water and Sewer	-	-	20,729,378	15,450,370	20,729,378	15,450,370
Total expenses	52,681,542	47,510,244	20,729,378	15,450,370	73,410,920	62,960,614
Increases in net position before transfers	21,261,467	12,786,767	13,286,327	13,024,862	34,547,794	25,811,629
Transfers	2,848,417	2,411,433	(2,848,417)	(2,411,433)	-	-
Change in net position	24,109,884	15,198,200	10,437,910	10,613,429	34,547,794	25,811,629
Net position - beginning	159,291,602	144,093,402	151,962,668	141,349,239	311,254,270	285,442,641
Net position - ending	$ 183,401,486	$ 159,291,602	$ 162,400,578	$ 151,962,668	$ 345,802,064	$ 311,254,270

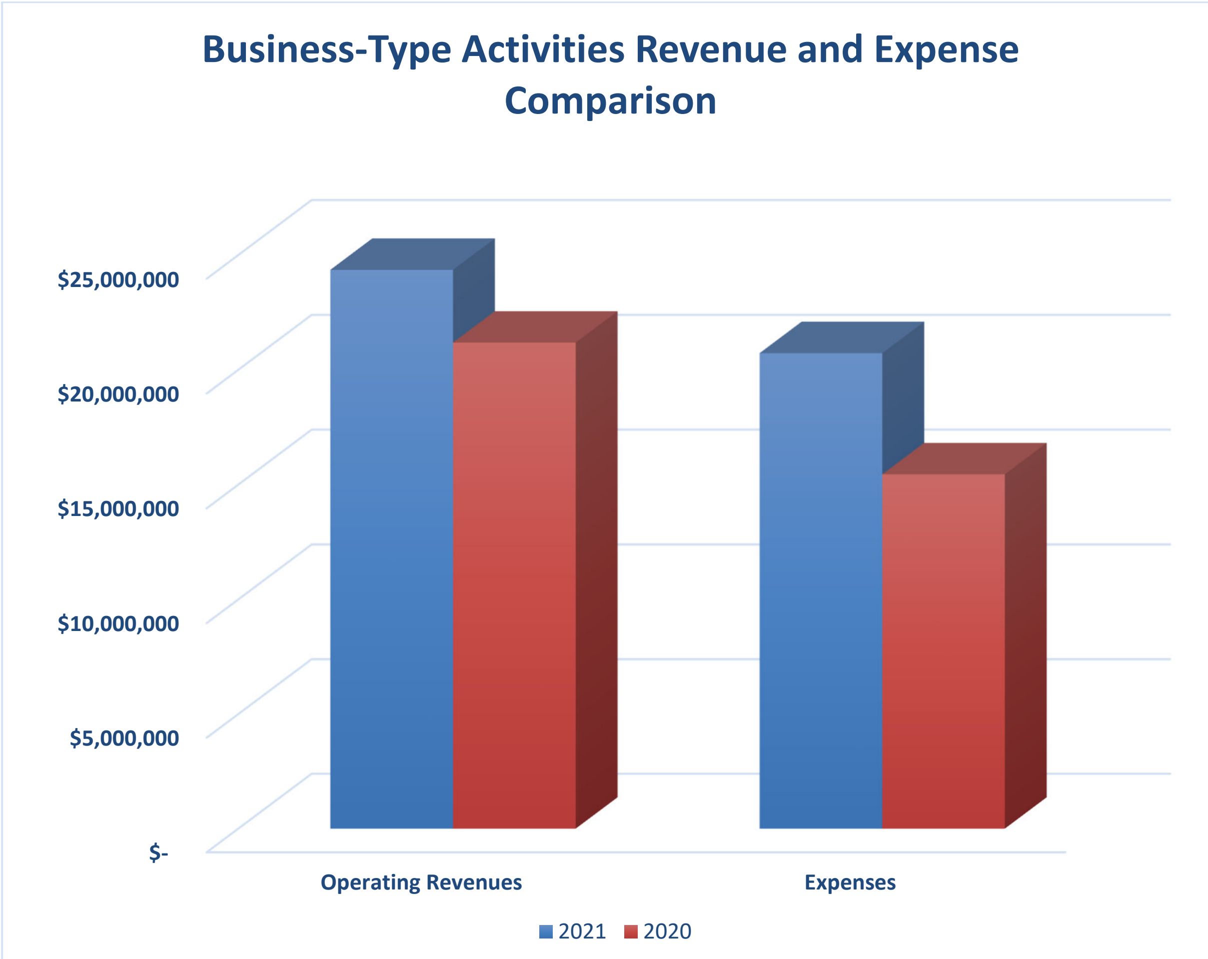
Governmental activities - Governmental activities increased the City's net position by $24,109,884. Overall total revenues for fiscal year 2021 were 23% higher than the previous fiscal year and the City experienced increases and decreases in several categories of revenue. The largest increase came from ad valorem taxes as the City has experienced growth in both residential and commercial in 20-21 construction resulting in an increase of $3,998,414 (13%), along with retail growth, which has contributed to an increase in sales tax of 10%. The City was not heavily impacted by the economic downturn due to the COVID-19 pandemic as compared to larger cities. Citizens continued to work remotely and utilized online stores and restaurants along with many returning to normal activities. The City has recognized a sizable decrease in interest revenue ($953,255) due to the lowering of interest rates, and the economic uncertainty compared to fiscal year-end 2020. A slight increase in franchise tax revenue of $199,883 was expected due to inflation and rising costs of utilities in 2021.

The City filed for the American Rescue Plan Act grant funds, which was awarded. The first half of these funds was received in 2021 in the amount of $4,154,379. These grant funds were not expended in this fiscal year and the City has not committed to any projects based on ARPA restrictions. The City's operating expenses for 2021 increased by $5,171,298 due primarily to a one-time building purchase of $3,373,317 and a 4% increase in payroll to maintain competitive market pay and new positions in public safety, and a new Senior Accountant. The school district approved a new School Resource Officer position, which is offset by a joint agreement with the Midlothian Independent School District. An additional $2,578,759 was approved in the supplemental budget for street rehab. Overall, net position increased by $24,109,884.





Business-type activities - Business-type activities increased the City's net position by $10,437,910. 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 an increase of $2,795,071 in capital grants and contributions. A water treatment plant #2 had an $5,848,500 expansion and a new ground storage for $3,339,446 completed in 2021. Interest revenue decreased substantially ($423,248) due to lower interest rates and the national economy resulting from the COVID-19 pandemic. 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 $5,279,008 with a payroll increase of 4% and an increase in contractual costs to pay for sewer operations. The overall change in net position recognized an increase of $10,437,910 that included an 11% increase in water and sewer sales, with a large increase of $5,279,008 in expenditures. The year 2021 saw an increase in expenditures for chemical costs due to the winter storm in 2021, higher electric costs, and equipment maintenance.



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 $66,164,648. Approximately 32% of this total amount ($20,992,429) constitutes unassigned fund balance. Restricted fund balance is primarily comprised of restrictions for capital improvements in the capital projects fund ($35,990,444) and restricted for debt service ($1,007,716). Additional restricted amounts are for police imprest/special response team, tourism, court technology and building security, and grants totaling $1,497,629. The General Fund has a nonspendable amount of $13,192 for prepaid items, and $324,965 committed for construction projects. In the General Fund, $162,689 is assigned for community improvements and a conference center. Additionally, $1,493,104 is assigned for the fiscal year 2022 budget deficit.

The increase in fund balance for the General Fund is due primarily to expenditures coming in below expectations by $1,361,717 and offset by final revenues exceeding budgeted amounts by $5,669,803. Tax collections contributed to the fund balance increase, exceeding budget by 5% in the 20-21 fiscal year, which resulted from an increased tax levy, combined with growth, and increased appraisal values. Sales tax also had a large increase over the budget by 24%. Investment revenue decreased drastically as short-term options were very limited and most investments were not bringing better rates than Texpool Prime, which was utilized in 20-21. The expenditures were slightly below budget due to cost fluctuations in hiring/terminations of payroll. The COVID-19 pandemic caused a spike in emergency services for EMS supplies and resulted in overtime hours that exceeded budget by 1% overall.

The fund balance for the Capital Projects Fund increased by $6,712,461 (20%). This was caused primarily by the issuance of debt from a new voter approved bond election (2021) and a 2017 bond package, along with a certificate of obligation issuance, all in 2021. These issuances were offset by expenditures for the final phase of the community park that opened in January 2022.

The Debt Service Fund fund balance decreased by $59,034 (6%) due to investment income and delinquent payments for tax collections falling short of expenditures and transfers out.

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 $28,001,726. 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 two water treatment plants.

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 $5,475,615 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 $5,669,803 above the budgeted amount of $34,897,083 and expenditures falling below the budgeted amount of $42,914,257 by $1,361,717. Tax collections contributed to the fund balance increase, exceeding budget by 5%. The main reason was continued strong growth and increased appraisal values. Additionally, investment income was below budget expectations by $122,275 due to interest rates dropping historically low in the last decade. The expenditures were below the amended budget by $1,361,717 due to cost savings from fluctuations in hiring/terminations of payroll.

CAPITAL ASSETS

The City of Midlothian's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to $342,845,763 (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 $35,222,241, (a 38% increase). The increase in the governmental activities is primarily from infrastructure, developer contributions, the addition of major street extensions, the construction of a new trail system, landscaping, the purchase of public safety vehicles and equipment, and a purchase of two buildings downtown. A significant increase for street and drainage improvements in 20-21 was from contributions by developers for $12,106,277 and new streets and drainage rehab constructed by the City using bond funds. The increase in the business-type activities, excluding the change in accumulated depreciation, is primarily due to utility water treatment plant storage expansion and construction $9,187,946, and developer contributions of $4,278,210.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	$ 30,876,878	$ 28,899,395	$ 812,778	$ 812,778	$ 31,689,656	$ 29,712,173
Buildings	33,096,818	29,659,367	41,077,544	41,077,544	74,174,362	70,736,911
Equipment	20,356,828	19,835,815	7,602,536	6,145,630	27,959,364	25,981,445
Improvements	34,315,720	33,595,096	-	-	34,315,720	33,595,096
Infrastructure	181,467,062	162,871,055	92,361,301	77,825,636	273,828,363	240,696,691
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
Construction in progress	19,070,322	4,809,284	616,631	6,104,668	19,686,953	10,913,952
Accumulated depreciation	(113,507,804)	(103,435,748)	(53,302,566)	(48,578,713)	(166,810,370)	(152,014,461)
Total	$ 205,675,824	$ 176,234,264	$ 137,169,939	$ 131,389,258	$ 342,845,763	$ 307,623,522

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

- Contribution by Capital Recovery Fund for FM663 lane extension - $974,244
- New international dump truck - $111,546
- Street and drainage additions (developer contributions) - $10,128,795
- Wildfire truck F450 - $113,857
- Street and drainage rehab and new streets - $7,432,214
- Contribution by Midlothian Community Development Corporation - fitness court - $215,584
- Water and sewer lines rehab - $3,696,962.

Additional information regarding the City's capital assets can be found in Note 6 on pages 46-48 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 $109,366,058.

A bond election was held in May 2021 when the voters approved a $125,575,000 bond package for building a new city hall/library, a public safety building, a recreation center and street improvements. In 2021, the City issued $13,480,000 of this package for the engineering of the city hall and public safety building. The City also issued CO bonds in the amount of $4,655,000 to construct a court building. 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 City issued $4,665,000 for street improvements, leaving $7,225,000 to draw on the 2017 bond package for street improvements.

At September 30, 2021, the City's long-term liabilities consisted of the following:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	$ 68,507,062	$ 63,465,531	$ 16,080,000	$ 18,586,265	$ 84,587,062	$ 82,051,796
Accreted interest	10,947,193	10,295,815	-	-	10,947,193	10,295,815
Certificates of obligation	5,690,000	1,355,000	-	-	5,690,000	1,355,000
Tax notes	485,000	1,500,000	-	-	485,000	-
Capital leases	334,254	476,717	-	-	334,254	476,717
Bond premiums	4,249,499	3,205,393	807,290	924,450	5,056,789	4,129,843
Compensated absences	2,125,190	1,998,182	140,570	136,200	2,265,760	2,134,382
Total	$ 92,338,198	$ 82,296,638	$ 17,027,860	$ 19,646,915	$ 109,366,058	$ 100,443,553

Additional information on the City's long-term debt can be found in Note 7 on pages 48-53 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2021-2022 fiscal year, General Fund revenues and transfers in from other funds are budgeted to increase by 8% from the 2020-2021 budgeted amounts, with property taxes making up about 46% of General Fund budgeted revenues. Total ad valorem tax revenues are projected to increase 6% over the preceding year. This is due to the amount of retail and residential growth in 2021. Sales tax revenue is forecasted to increase in fiscal year 2021-2022, by 18% ($6,500,000) as compared to the amount adopted in prior year. The decision to budget several revenues with no increase was based on the uncertainty of the local economy and the COVID-19 pandemic, for which the City has taken a conservative approach. The City received one half of the American Rescue Plan Act funds in the amount of $4,154,379 with the remaining to be deposited in the summer of 2022 according to the Texas Department of Emergency Management. ARPA has restrictions on how the funds are to be spent. The City Council has conducted a workshop to review the spending allowances and has not taken action at this time.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City has budgeted for a 2% decrease in garbage franchise tax for the 21-22 fiscal year based on current growth. Development continues and new residents are buying homes in the City, which has kept building permits steady. A 78% increase in building permit revenue is based on predictions for 21-22. The City has entered into a public improvement district agreement with Redden Farms, which has begun construction on a subdivision to contain approximately 800 homes. There are numerous subdivisions around the City that are actively building. The park rental fees and sports parks are budgeted to increase 118% due to the citizens returning to normal outdoor gatherings for park events and recreational sports team activities. The City budgeted very conservatively in 20-21 as the parks were not being utilized during the height of the pandemic. In 21-22, it is anticipated that with the new park splash pad opening this spring, the park rental fees should increase drastically. Interest revenue has been budgeted to decrease 72% with rates remaining very low and little short-term investment opportunities in the 2021 budget year, and it is anticipated the market will be slow to improve for an undetermined period. Council will be given the opportunity to increase the portfolio investment of commercial paper from a 180-day maturity restriction to a 270-day maturity restriction in the 2021-22 Investment Policy to assist with short term investing. At the time of this publication, this has not been approved. There has been speculation that rates may increase in the 21-22 budget year. Licenses are budgeted to increase, and the Midlothian School Resource Officer agreement increased 26% due to the creation of a new position, the school will assist with paying for vehicle fuel and maintenance cost as well, and a portion of two new leased vehicles. The city anticipates a 5.25% growth rate in 2022. The Tax Increment Investment Zone (TIRZ) revenue rebate is budgeted to decrease 20% based on values and abatements located within the zone.

The development services department expects growth for the 21-22 budget year; however, the City budgeted no increase in plan review revenues due to the uncertainty of new commercial construction and to have a conservative approach. There are 1,176 residential lots platted, approved and available at this time. The voters approved a $125,575,000 bond package in May 2021 to include the construction of a new City Hall/library, a new public safety center, street improvements and a new recreation center. The first issuance ($13,480,000) was in October 2020 for the design of the new City Hall/library, public safety building and streets. The remaining amount to issue will be discussed during the budget planning for the 22-23 strategic plan in March 2022. There was an issuance from a 2017 bond package in the amount of 4,665,000 for street improvements.

The City Council authorized the use of unassigned fund balance in the amount of $1,493,104 in 2021-2022 for large capital equipment purchases, and street improvements. In addition, the City continues to maintain over 180 days in fund balance which is more than the 90-day reserve as required in the finance policy. Certified tax values for 2021-2022 are $4,985,057,259 and the Senior Freeze Adjusted Certification of $4,596,946,416 less $589,841,485 captured by the tax increment. The City offers a 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. In 2019, the State of Texas legislature set a limit on the property tax effective rollback tax to a 3% cap.

The net increase in taxable value (based on Senior Freeze) is approximately 5.35%. The tax rate for 2021-2022 is $0.675000 per $100 valuation, which was a council goal for the 21-22 budget year.

The Water and Sewer Fund is funded by water/wastewater fees and other utility services. The Water and Sewer Fund saw an 13% increase in utility revenues for the 2021 fiscal year as compared to fiscal year 2020. This is attributed to the growth during 2021. 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 are budgeted to account for 13% of the Water and Sewer Fund expenditures, wastewater 5%, and support services 73%. The water operations department maintains and repairs over 100 miles of water main lines, however, it only accounts for 6.2% of the utility expenses. Revenues are budgeted to have a nine percent increase due to growth; however, unpredicted weather patterns can contribute significantly to revenue fluctuations. The City adopted $9,250,000 in the 21-22 budget to transfer to the Utility Capital Improvement Fund. This project is for the expansion of the water plant to MGD (design). The Utility Billing department implemented WaterSmart, an online customer portal and app to assist customers with water usage, leak detection and conservation efforts in 2019. With the onset of the COVID pandemic, offices were closed to walk-in customers and with the technology of online collections and WaterSmart, the department has continued to see an increase in online payments and less walk-in traffic. There are currently 28% of the water customers signed up for the program. The WaterSmart software also is a leak detection email module, which notifies any utility customer that has high usage. The City has implemented a paperless system for customer accounts and all application data is stored in Laserfiche as an integrated attachment to the utility billing system.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a 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.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENT–WIDE FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
ASSETS				
Cash and cash equivalents	$ 51,112,915	$ 11,839,186	$ 62,952,101	$ 40,095,805
Investments	20,000,245	15,688,515	35,688,760	21,498,817
Receivables:				
Taxes, net of allowance	221,955	-	221,955	-
Accounts, net of allowance	731,037	3,416,748	4,147,785	105,199
Other	-	141,294	141,294	-
Due from other governments	2,124,505	-	2,124,505	1,360,590
Direct financing lease	2,535,716	-	2,535,716	-
Note receivable	-	-	-	4,243,276
Due from component units	268,373	-	268,373	-
Prepaid items	13,192	-	13,192	-
Restricted assets:				
Cash and cash equivalents	-	8,149,403	8,149,403	1,395,321
Investments	-	6,963,925	6,963,925	2,500,000
Investment in joint venture	8,883,144	-	8,883,144	-
Land/development held for sale	-	-	-	2,268,249
Capital assets:				
Nondepreciable	49,947,200	31,379,202	81,326,402	928,678
Depreciable, net	155,728,624	105,790,737	261,519,361	3,798,626
Total assets	291,566,906	183,369,010	474,935,916	78,194,561
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	2,598,160	388,809	2,986,969	62,514
Deferred outflows related to OPEB	686,161	188,609	874,770	3,856
Deferred losses on bond refundings	528,035	237,448	765,483	1,844,011
Total deferred outflows of resources	3,812,356	814,866	4,627,222	1,910,381

CITY OF MIDLOTHIAN, TEXAS

Exhibit 1

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
LIABILITIES				
Accounts payable	$ 2,585,710	$ 1,640,699	$ 4,226,409	$ 277,087
Accrued liabilities	899,445	-	899,445	-
Accrued interest payable	342,769	31,736	374,505	313,863
Retainage payable	778,812	-	778,812	-
Due to other governments	794	2,030	2,824	-
Due to primary government	-	-	-	268,373
Deposits payable	-	1,168,123	1,168,123	-
Unearned revenue	4,495,095	-	4,495,095	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	10,591,055	2,075,128	12,666,183	3,912,925
Due in more than one year:				
Long-term debt	81,747,143	14,952,732	96,699,875	27,785,530
Net pension liability	6,664,220	997,286	7,661,506	160,348
Total OPEB liability	2,604,839	717,832	3,322,671	14,366
Total liabilities	110,709,882	21,585,566	132,295,448	32,732,492
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	1,177,536	176,216	1,353,752	28,333
Deferred inflows related to OPEB	90,358	21,516	111,874	997
Total deferred inflows of resources	1,267,894	197,732	1,465,626	29,330
NET POSITION				
Net investment in capital assets	162,149,676	120,520,097	278,917,980	4,727,304
Restricted for:				
Debt service	2,938,571	728,076	3,666,647	3,649,772
Capital improvements	-	13,150,679	13,150,679	-
Other purposes	1,509,065	-	1,509,065	15,925,032
Unrestricted	16,804,174	28,001,726	48,557,693	23,041,012
Total net position	$ 183,401,486	$ 162,400,578	$ 345,802,064	$ 47,343,120

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 activity 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.

CITY OF MIDLOTHIAN, TEXAS

STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2021

		Program Revenues		
Program Activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government	$ 11,977,296	$ 2,264,277	$ 114,029	$ -
Public safety	23,349,765	3,131,320	2,407,044	26,819
Public works	10,704,504	3,006,175	-	17,522,950
Culture and recreation	2,428,000	118,752	506,660	685,515
Interest on long-term debt	4,221,977	-	-	-
Total governmental activities	52,681,542	8,520,524	3,027,733	18,235,284
Business-type activities:				
Water and sewer	20,729,378	24,354,942	-	9,578,159
Total business-type activities	20,729,378	24,354,942	-	9,578,159
Total primary government	$ 73,410,920	$ 32,875,466	$ 3,027,733	$ 27,813,443
Component units:				
Midlothian Economic Development	$ 1,278,207	$ -	$ 370,765	$ -
Midlothian Community Development Corporation	2,311,338	-	-	-
Midlothian Development Authority	2,369,665	-	180,510	-
Total component units	$ 5,959,210	$ -	$ 551,275	$ -

General Revenues:
Taxes:
Ad valorem
Sales
Franchise
Other
Unrestricted investment income
Miscellaneous
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

Net (Expenses) Revenues and Changes in Net Position			
Governmental Activities	**Business- type Activities**	**Total**	**Component Units**
$(9,598,990)	$ -	$(9,598,990)	$ -
(17,784,582)	-	(17,784,582)	-
9,824,621	-	9,824,621	-
(1,117,073)	-	(1,117,073)	-
(4,221,977)	-	(4,221,977)	-
(22,898,001)	-	(22,898,001)	-
-	13,203,723	13,203,723	-
-	13,203,723	13,203,723	-
(22,898,001)	13,203,723	(9,694,278)	-
			(907,442)
			(2,311,338)
			(2,189,155)
			(5,407,935)
33,650,878	-	33,650,878	13,579,190
6,585,356	-	6,585,356	6,832,850
3,270,143	-	3,270,143	-
228,780	-	228,780	-
26,186	82,604	108,790	243,287
398,125	-	398,125	114,746
2,848,417	(2,848,417)	-	-
47,007,885	(2,765,813)	44,242,072	20,770,073
24,109,884	10,437,910	34,547,794	15,362,138
159,291,602	151,962,668	311,254,270	31,980,982
$ 183,401,486	$ 162,400,578	$ 345,802,064	$ 47,343,120

THIS PAGE LEFT BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENTAL FUND FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MIDLOTHIAN, TEXAS

Exhibit 3

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 12,657,794	$ 1,058,134	$ 36,200,284	$ 1,196,703	$ 51,112,915
Investments	14,492,939	-	5,507,306	-	20,000,245
Receivables:					
Taxes, net	72,897	78,625	-	70,433	221,955
Accounts, net	663,973	-	-	67,064	731,037
Due from other governments	2,075,908	-	-	48,597	2,124,505
Due from other funds	87,865	-	-	-	87,865
Due from component units	19,123	-	-	249,250	268,373
Direct financing lease	-	2,535,716	-	-	2,535,716
Prepaid items	13,192	-	-	-	13,192
Total assets	30,083,691	3,672,475	41,707,590	1,632,047	77,095,803
LIABILITIES					
Accounts payable	1,444,045	-	1,034,666	106,999	2,585,710
Accrued liabilities	849,026	50,419	-	-	899,445
Due to other funds	-	-	-	87,865	87,865
Due to other governments	794	-	-	-	794
Unearned revenue	4,154,379	340,716	-	-	4,495,095
Total liabilities	6,448,244	391,135	1,034,666	194,864	8,068,909
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	588,622	2,273,624	-	-	2,862,246
Total deferred inflows	588,622	2,273,624	-	-	2,862,246
FUND BALANCES					
Nonspendable:					
Prepaid items	13,192	-	-	-	13,192
Restricted for:					
Law enforcement	60,446	-	-	574,237	634,683
Tourism	-	-	-	175,368	175,368
Court	-	-	-	231,281	231,281
City Beautification	-	-	-	68,422	68,422
Grants	-	-	-	284,631	284,631
Community improvements	-	-	-	103,244	103,244
Capital improvements	-	-	35,990,444	-	35,990,444
Debt service	-	1,007,716	-	-	1,007,716
Committed - construction	324,965	-	-	-	324,965
Assigned for:					
Capital improvements	-	-	4,682,480	-	4,682,480
Community improvements	19,428	-	-	-	19,428
Conference center	143,261	-	-	-	143,261
Budget deficit	1,493,104	-	-	-	1,493,104
Unassigned	20,992,429	-	-	-	20,992,429
Total fund balances	23,046,825	1,007,716	40,672,924	1,437,183	66,164,648
Total liabilities, deferred inflows and fund balances	$ 30,083,691	$ 3,672,475	$ 41,707,590	$ 1,632,047	$ 77,095,803

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

CITY OF MIDLOTHIAN, TEXAS

Exhibit 4

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

Total fund balances - governmental funds	$ 66,164,648
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.	8,883,144
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	205,675,824
Deferred losses on refundings of debt are not recognized on the balance sheet for governmental funds.	528,035
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.	(342,769)
Revenues earned but not available within sixty days of the fiscal year-end are not recognized as revenue in the fund financial statements.	2,862,246
Deferred inflows and outflows related to pensions and OPEB are not recognized on the governmental funds balance sheet.	2,016,427
Compensated absences, total other post-employment benefits liability, 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	(778,812)
Net pension liability	(6,664,220)
Total OPEB liability	(2,604,839)
Compensated absences	(2,125,190)
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.	(90,213,008)
Net position of governmental activities	$ 183,401,486

CITY OF MIDLOTHIAN, TEXAS

Exhibit 5

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 27,503,621	$ 14,163,668	$ -	$ 219,698	$ 41,886,987
Licenses and permits	2,550,411	-	-	-	2,550,411
Intergovernmental	6,806,481	-	-	325,825	7,132,306
Charges for services	2,541,185	-	-	104,730	2,645,915
Fines	772,678	-	-	-	772,678
Investment income	6,240	827	18,717	402	26,186
Contributions and donations	81,385	-	685,515	514,272	1,281,172
Direct financing lease	-	308,975	-	-	308,975
Miscellaneous	304,885	85,215	-	-	390,100
Total revenues	40,566,886	14,558,685	704,232	1,164,927	56,994,730
EXPENDITURES					
Current:					
General government	10,056,259	-	-	1,034,156	11,090,415
Public safety	20,745,887	-	-	-	20,745,887
Public works	5,892,675	-	7,675	-	5,900,350
Culture and recreation	1,876,927	-	-	-	1,876,927
Intergovernmental:					
Payment to TIRZ	2,816,619	950,849	-	-	3,767,468
Capital outlay	-	-	14,462,350	-	14,462,350
Debt service:					
Principal retirement	142,461	9,773,471	-	-	9,915,932
Interest charges	21,712	3,722,110	-	-	3,743,822
Fiscal agent's fees and debt issuance costs	-	5,329	305,759	-	311,088
Total expenditures	41,552,540	14,451,759	14,775,784	1,034,156	71,814,239
Excess (deficiency) of revenues over (under) expenditures	(985,654)	106,926	(14,071,552)	130,771	(14,819,509)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	18,135,000	-	18,135,000
Premium on bonds	-	-	1,338,341	-	1,338,341
Insurance recoveries	-	-	-	96,214	96,214
Transfers in	3,050,388	-	1,310,672	5,500	4,366,560
Transfers out	(1,316,172)	(165,960)	-	(36,011)	(1,518,143)
Total other financing sources (uses)	1,734,216	(165,960)	20,784,013	65,703	22,417,972
Net change in fund balances	748,562	(59,034)	6,712,461	196,474	7,598,463
Fund balances - beginning	22,298,263	1,066,750	33,960,463	1,240,709	58,566,185
Fund balances - ending	$ 23,046,825	$ 1,007,716	$ 40,672,924	$ 1,437,183	$ 66,164,648

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

CITY OF MIDLOTHIAN, TEXAS

Exhibit 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds	$ 7,598,463
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.	21,790,493
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.	(10,072,056)
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.	17,522,950
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(578,639)
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.	114,148
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	(19,473,341)
Repayment of principal of long-term debt	9,915,932
Amortization of:	
Premium on bond issuance	(357,153)
Loss on refunding	(130,064)
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	(127,008)
Net pension liability	286,397
Total OPEB liability	(269,510)
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.	9,062
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.	(2,119,790)
Change in net position of governmental activities	$ 24,109,884

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

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND

SEPTEMBER 30, 2021

	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	$ 11,839,186
Investments	15,688,515
Receivables:	
Accounts, net	3,416,748
Other	141,294
Restricted assets:	
Cash and cash equivalents	8,149,403
Investments	6,963,925
Total current assets	46,199,071
Noncurrent assets:	
Capital assets:	
Land and land improvements	812,778
Construction in progress	616,631
Buildings and improvements	41,077,544
Waterworks and sewer system	92,361,301
Machinery and equipment	7,602,536
Water and wastewater rights	48,001,715
Accumulated depreciation	(53,302,566)
Total capital assets, net of accumulated depreciation	137,169,939
Total noncurrent assets	137,169,939
Total assets	183,369,010
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	388,809
Deferred outflows related to OPEB	188,609
Deferred loss on refunding	237,448
Total deferred outflows of resources	814,866

CITY OF MIDLOTHIAN, TEXAS

Exhibit 7

STATEMENT OF FUND NET POSITION -
PROPRIETARY FUND

SEPTEMBER 30, 2021
(Continued)

	Water and Sewer
LIABILITIES	
Current liabilities:	
Accounts payable	$ 1,640,699
Accrued interest payable	31,736
Due to other governments	2,030
Customer deposits	1,168,123
Noncurrent liabilities due within one year:	
Long-term debt	2,075,128
Total current liabilities	4,917,716
Noncurrent liabilities due in more than one year:	
Long-term debt	14,952,732
Net pension liability	997,286
Total OPEB liability	717,832
Total noncurrent liabilities	16,667,850
Total liabilities	21,585,566
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	176,216
Deferred inflows related to OPEB	21,516
Total deferred outflows of resources	197,732
NET POSITION	
Net investment in capital assets	120,520,097
Restricted for:	
Debt service	728,076
Capital improvements	13,150,679
Unrestricted	28,001,726
Total net position	$ 162,400,578

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MIDLOTHIAN, TEXAS

Exhibit 8

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water and Sewer
OPERATING REVENUES	
Water sales	$ 14,760,647
Sewer sales	9,030,772
Tap fees, penalties and other	563,523
Total operating revenue	24,354,942
OPERATING EXPENSES	
Cost of sales and services	14,070,406
Administrative	1,425,229
Depreciation	4,664,169
Total operating expenses	20,159,804
Operating income	4,195,138
NONOPERATING REVENUES (EXPENSES)	
Investment income	82,604
Interest expense and agent fees	(569,574)
Total nonoperating revenues (expenses)	(486,970)
Income before contributions and transfers	3,708,168
Capital contributions	9,578,159
Transfers in	165,960
Transfers out	(3,014,377)
Change in net position	10,437,910
NET POSITION - BEGINNING	151,962,668
NET POSITION - ENDING	$ 162,400,578

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

CITY OF MIDLOTHIAN, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 24,084,030
Cash paid to employees	(2,980,535)
Cash paid to suppliers	(12,241,491)
Net cash provided by operating activities	8,862,004
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	165,960
Transfers to other funds	(3,014,377)
Net cash used in noncapital financing activities	(2,848,417)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on debt	(2,506,265)
Interest and fees paid on debt	(659,013)
Acquisition and construction of capital assets	(4,006,094)
Capital contributions	3,139,403
Net cash used for capital and related financing activities	(4,031,969)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from investments	10,112,788
Purchases of investments	(20,151,919)
Interest on investments	82,604
Net cash used by investing activities	(9,956,527)
Net change in cash	(7,974,909)
Cash and cash equivalents, beginning of year	27,963,498
Cash and cash equivalents, end of year	$ 19,988,589

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

CITY OF MIDLOTHIAN, TEXAS

Exhibit 9

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(continued)

	Water and Sewer		
	Current Assets	**Restricted Assets**	**Totals**
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION			
Cash and cash equivalents - beginning	$ 8,998,349	$ 18,965,149	$ 27,963,498
Net change	(1,737,831)	(6,237,078)	(7,974,909)
Cash and cash equivalents - ending	$ 7,260,518	$ 12,728,071	$ 19,988,589

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	**Water and Sewer**
Operating income	$ 4,195,138
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	4,664,169
Change in assets and liabilities:	
Decrease (increase) in customer receivables	(533,716)
Decrease (increase) in other receivables	162,593
Increase (decrease) in accounts payable	113,009
Increase (decrease) in other liabilities	(2)
Increase in customer deposits	100,211
Increase (decrease) in compensated absences	2,312
Increase (decrease) in net pension liability	89,624
Increase (decrease) in total OPEB liability	68,666
Net cash provided by operating activities	$ 8,862,004

THIS PAGE LEFT BLANK INTENTIONALLY

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF MIDLOTHIAN, TEXAS

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS

SEPTEMBER 30, 2021

	Midlothian Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
ASSETS				
Cash and cash equivalents	$ 6,513,441	$ 7,516,596	$ 26,065,768	$ 40,095,805
Investments	2,984,909	-	18,513,908	21,498,817
Receivables, net of allowance:				
Interest receivable	390	1,078	103,731	105,199
Due from other governments	680,303	680,287	-	1,360,590
Notes	-	4,243,276	-	4,243,276
Land/development held for sale	2,268,249	-	-	2,268,249
Restricted assets:				
Cash and cash equivalents, restricted	-	-	1,395,321	1,395,321
Investments, restricted	-	-	2,500,000	2,500,000
Capital assets:				
Land	141,006	26,095	-	167,101
Construction in progress	-	-	761,577	761,577
Buildings and improvements	7,540	-	-	7,540
Furniture and fixtures	5,516	-	-	5,516
Infrastructure	-	-	7,693,429	7,693,429
Accumulated depreciation	(13,056)	-	(3,894,803)	(3,907,859)
Total assets	12,588,298	12,467,332	53,138,931	78,194,561
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	62,514	-	-	62,514
Deferred outflows related to OPEB	3,856	-	-	3,856
Deferred outflows related to loss on refundir	-	23,959	1,820,052	1,844,011
Total deferred outflows of resources	66,370	23,959	1,820,052	1,910,381

CITY OF MIDLOTHIAN, TEXAS

Exhibit 10

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
(Continued)
SEPTEMBER 30, 2021

	Midlothian Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
LIABILITIES				
Accounts payable and accrued liabilities	$ 161,870	$ 72,160	$ 43,057	$ 277,087
Accrued interest payable	-	45,063	268,800	313,863
Due to primary government	15,405	251,829	1,139	268,373
Noncurrent liabilities:				
Due within one year:				
Long-term debt	2,925	360,000	3,550,000	3,912,925
Due in more than one year				
Long-term debt	8,773	7,931,757	19,845,000	27,785,530
Net pension liability	160,348	-	-	160,348
Total OPEB liability	14,366	-	-	14,366
Total liabilities	363,687	8,660,809	23,707,996	32,732,492
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	28,333	-	-	28,333
Deferred inflows related to OPEB	997	-	-	997
Total deferred inflows of resources	29,330	-	-	29,330
NET POSITION				
Net investment in capital assets	141,006	26,095	4,560,203	4,727,304
Restricted for:				
Debt service	-	-	3,649,772	3,649,772
Economic development	12,120,645	3,804,387	-	15,925,032
Unrestricted	-	-	23,041,012	23,041,012
Total net position	$ 12,261,651	$ 3,830,482	$ 31,250,987	$ 47,343,120

CITY OF MIDLOTHIAN, TEXAS

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges for Services**	**Capital Grants and Contributions**	**Midlothian Economic Development**
Midlothian Economic Development				
General government	$ 630,505	$ -	$ -	$(630,505)
Economic development	600,000	370,765	-	(229,235)
Interest on long-term debt	47,702	-	-	(47,702)
Total Midlothian Economic Development	1,278,207	370,765	-	(907,442)
Midlothian Community Development Corporation				
Economic development	2,029,781	93,287	-	-
Interest on long-term debt	281,557	-	-	-
Total Midlothian Community Development Corporation	2,311,338	93,287	-	-
Midlothian Development Authority				
General government	1,550,188	-	-	-
Public works	-	-	180,510	-
Interest on long-term debt	819,477	-	-	-
Total Midlothian Development Authority	2,369,665	-	180,510	-
Total component units	$ 5,959,210	$ 464,052	$ 180,510	$(907,442)
General revenues:				
Ad valorem taxes				$ -
Sales taxes				3,416,425
Unrestricted investment income				-
Miscellaneous				20,075
				3,436,500
Change in net position				2,529,058
Net position - beginning				9,732,593
Net position - ending				$ 12,261,651

Net (Expenses) Revenues and Change in Net Position		
Midlothian Community Development Corporation	Midlothian Development Authority	Total
$ -	$ -	$(630,505)
-	-	(229,235)
-	-	(47,702)
-	-	(907,442)
(1,936,494)	-	(1,936,494)
(281,557)	-	(281,557)
(2,218,051)	-	(2,218,051)
-	(1,550,188)	(1,550,188)
-	180,510	180,510
-	(819,477)	(819,477)
-	(2,189,155)	(2,189,155)
$(2,218,051)	$(2,189,155)	$(5,314,648)
$ -	$ 13,579,190	$ 13,579,190
3,416,425	-	6,832,850
-	150,000	150,000
60,545	34,126	114,746
3,476,970	13,763,316	20,676,786
1,258,919	11,574,161	15,362,138
2,571,563	19,676,826	31,980,982
$ 3,830,482	$ 31,250,987	$ 47,343,120

THIS PAGE LEFT BLANK INTENTIONALLY

NOTES TO FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

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 can 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 can 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 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 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 Fund

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 of the City are reported at fair value, except for the position in investment pools. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

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.

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

Generally, 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. 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.

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

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 capital 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, deferred outflows of resources and inflows of resources related to pensions, 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 2020 levy was based was approximately $4,436,640,379. 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, 2021, was $0.6750 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 2021 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2021 and those considered "available" at year-end are recognized as revenues in 2021. 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 revenues. 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 and OPEB – These effects on the net pension liability and total OPEB 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 and OPEB plans (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.

- 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.

- Differences between expected and actual economic experience for the City's pension and OPEB – These effects on the net pension liability and total OPEB 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 and OPEB plans (active employees and inactive employees).

- Changes of economic and demographic actuarial assumptions or of other inputs included in determining the pension liability and OPEB liability – These effects on the net pension liability and total OPEB 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 and OPEB plans (active employees and inactive employees).

- 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.

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, 2021, 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	180 days	15%	None

Cash and investments as of September 30, 2021, consist of the following:

Statement of net position:		
Primary Government:		
Cash and cash equivalents	$	58,373,433
Investments		35,688,760
Restricted cash and cash equivalents		12,728,071
Restricted investments		6,963,925
Total primary government	$	113,754,189
Component Units:		
Cash and cash equivalents	$	40,095,805
Investments		21,498,817
Restricted cash and cash equivalents		1,395,321
Restricted investments		2,500,000
Total component units	$	65,489,943
Primary Government:		
Deposits with financial institutions	$	14,418,938
Texpool		56,660,017
TexSTAR		22,548
Government agency notes		8,936,273
Municipal bonds		4,767,618
Certificates of deposit		15,202,469
Commercial Paper		13,746,326
Total cash and investments	$	113,754,189

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, 2021, the City had the following cash and investments:

	9/30/2021	Fair Value Measurement Using Level 2	Weighted Average Maturity (Days)
Cash and cash equivalents:			
Deposits with financial institutions	$ 14,418,938		
Total cash and cash equivalents	$ 14,418,938		
Investments measured at net asset value:			
Investment pools:			
Texpool	$ 56,660,017		37
TexSTAR	22,548		39
Total investments measured at net asset value	$ 56,682,565		
Investments by fair value level:			
Certificate of Deposit	$ 15,202,469	$ 15,202,469	318
US Agency Bonds	8,936,273	8,936,273	944
Municipal bonds	4,767,618	4,767,618	399
Commercial Paper	13,746,326	13,746,326	65
Total investments by fair value	$ 42,652,686	$ 42,652,686	
Total cash and investments	$ 113,754,189	$ 42,652,686	
Portfolio weighted average maturity			183

Of the investments categorized by fair value level, $27,450,217 were priced using the present value of expected future cash flows.

As of September 30, 2021, the City did not invest in any securities that 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	$ 56,660,017	N/A	AAAm
TexSTAR	22,548	N/A	AAAm
Government agency notes	13,703,891	N/A	AAA
Commercial Paper	13,746,326	N/A	A1/P1
Certificates of deposit	15,202,469	N/A	Not rated
Total	$ 99,335,251		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer except for investment pools, which are limited to 10% of the total funds held by the investment pool. As of September 30, 2021, 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 in external investment pools, government agency notes, and commercial paper 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 is 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	$ 728,077
Construction	13,217,129
Refundable water and sewer deposits	1,168,122
Total	$ 15,113,328

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 to construct and equip a building within the City limits to be leased to the College. These bonds were refunded in fiscal year 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, 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, 2021:

Year Ending September 30,	Principal	Interest	Total
2022	240,000	72,075	312,075
2023	245,000	64,875	309,875
2024	255,000	57,525	312,525
2025	270,000	49,875	319,875
2026	275,000	39,075	314,075
2027-2030	910,000	57,291	967,291
Total	$ 2,195,000	$ 340,716	$ 2,535,716

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	Nonmajor Governmental	Water and Sewer	Total
Taxes	$ 82,864	$ 86,648	$ 70,433	$ -	$ 239,945
Accounts	3,061,000	-	67,064	3,815,413	6,943,477
Other	-	-	-	141,294	141,294
	3,143,864	86,648	137,497	3,956,707	7,324,716
Less: allowance for uncollectibles	(2,406,994)	(8,023)	-	(398,665)	(2,813,682)
Totals	$ 736,870	$ 78,625	$ 137,497	$ 3,558,042	$ 4,511,034

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	Totals
Delinquent property taxes	$ 72,897	$ 78,624	$ 151,521
Ambulance fees	419,974	-	419,974
Court fines	84,310	-	84,310
Grants	11,441	-	11,441
Direct financing lease	-	2,195,000	2,195,000
Totals	$ 588,622	$ 2,273,624	$ 2,862,246

NOTE 6. CAPITAL ASSETS

Capital asset activity for the governmental and business-type activities for the year ended September 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 28,899,395	$ 1,977,483	$ -	$ 30,876,878
Construction in progress	4,809,284	15,385,342	(1,124,304)	19,070,322
	33,708,679	17,362,825	(1,124,304)	49,947,200
Capital assets being depreciated:				
Buildings	29,659,367	3,437,451	-	33,096,818
Improvements other than buildings	33,595,096	720,624	-	34,315,720
Infrastructure	162,871,055	18,596,007	-	181,467,062
Machinery and equipment	19,835,815	1,099,652	(578,639)	20,356,828
	245,961,333	23,853,734	(578,639)	269,236,428
Accumulated depreciation:				
Buildings	(7,113,463)	(909,890)	505	(8,022,848)
Improvements other than buildings	(14,656,598)	(1,436,223)	-	(16,092,821)
Infrastructure	(72,020,959)	(6,513,041)	-	(78,534,000)
Machinery and equipment	(9,644,728)	(1,737,833)	524,426	(10,858,135)
	(103,435,748)	(10,596,987)	524,931	(113,507,804)
Capital assets being depreciated, net	142,525,585	13,256,747	(53,708)	155,728,624
Governmental activities capital assets, net	$ 176,234,264	$ 30,619,572	$(1,178,012)	$ 205,675,824

	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	6,104,668	5,356,478	(10,844,515)	616,631
	36,867,239	5,356,478	(10,844,515)	31,379,202
Capital assets being depreciated:				
Buildings	41,077,544	-	-	41,077,544
Machinery and equipment	6,145,630	1,457,086	-	7,602,716
Wastewater rights	18,051,922	-	-	18,051,922
Water and sewer system	77,825,636	14,535,664	-	92,361,300
	143,100,732	15,992,750	-	159,093,482
Accumulated depreciation:				
Buildings	(14,533,736)	(1,011,035)	-	(15,544,771)
Machinery and equipment	(2,326,062)	(538,725)	-	(2,864,787)
Wastewater rights	(6,664,287)	(451,298)	-	(7,115,585)
Water and sewer system	(25,054,628)	(2,722,974)	-	(27,777,602)
	(48,578,713)	(4,724,032)	-	(53,302,745)
Capital assets being depreciated, net	94,522,019	11,268,718	-	105,790,737
Business-type activities capital assets, net	$ 131,389,258	$ 16,625,196	$(10,844,515)	$ 137,169,939

Capital asset activity for the component units for the year ended September 30, 2021, 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	850,960	331,492	(420,875)	761,577
	1,018,061	331,492	(420,875)	928,678
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	(3,702,467)	(192,336)	-	(3,894,803)
	(3,715,523)	(192,336)	-	(3,907,859)
Capital assets being depreciated, net	3,990,962	(192,336)	-	3,798,626
Component unit capital assets, net	$ 5,009,023	$ 139,156	$(420,875)	$ 4,727,304

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

Governmental activities:		
General government	$	671,435
Public safety		1,642,443
Public works		7,580,067
Culture and recreation		703,042
Total depreciation expense - governmental activities	$	10,596,987
Business-type activities:		
Water and sewer	$	4,724,032
Component units:		
Midlothian Development Authority	$	192,336

Construction Commitments

The City has active construction projects as of September 30, 2021. Total accumulated commitments for ongoing capital projects are composed of the following:

General Fund	$	324,965
Capital Projects Funds		9,872,850
Special Revenue Funds		243,360
Enterprise Fund		4,604,154
Total	$	15,045,329

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.

Detailed Bond Information

At September 30, 2021, 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.	$ 1,035,000
$4,655,000 Combination Tax & Rev CO Series 2021, 2.00%-5.00% final installment September 2041.	4,655,000
Total certificates of obligation	$ 5,690,000

	Governmental
Tax notes:	
$1,500,000 Tax Notes, Series 2020, 0.75%-1.00% final installment February 2022.	$ 485,000
Total tax notes	$ 485,000

	Governmental	Business-type
General Obligation Bonds:		
$29,449,922 Combination Tax and Revenue Refunding Bonds, Series 2000, 5.00%-6.00%, final installment due September 2026.	$ 3,007,062	$ -
$6,925,000 General Obligation Refunding Bonds, Series 2012, 1.00-3.00%, final installment due Aug. 2025	1,330,000	575,000
$7,800,000 General Obligation Bonds Series 2013, 1.50-3.00%, final installment due Feb. 2033	5,090,000	-
$3,530,000 General Obligation Refunding Bonds, Series 2014, 2.0%-3.125%, final installment due August 2029.	2,195,000	-
$15,015,000 General Obligation Refunding Bonds Series 2014, 2.00-4.00%, final installment due Aug. 2029	4,260,000	2,745,000
$9,895,000 General Obligation Bonds Series 2015, 2.00-3.00%, final installment due Aug. 2034	7,230,000	-
$8,465,000 General Obligation Refunding Bonds Series 2016, 2.00%, final installment due Sept. 2027	3,245,000	-
$6,040,000 General Obligation Refunding Bonds Series 2017, 2.00%-5.00%, final installment due Sept. 2033	-	2,795,000
$13,630,000 General Obligation Refunding Bonds Series 2018, 3%-4%, final installment due February 2028	-	9,965,000
$18,315,000 General Obligation Bonds Series 2018, 3%-5%, final installment due February 2038	10,890,000	-
$20,220,000 General Obligation Bonds Series 2019, 2%-5%, final installment due February 2039	17,780,000	-
$13,480,000 General Obligation Bonds Series 2021, 2%-5%, final installment due September 2041	13,480,000	-
Total General Obligation Bonds	$ 68,507,062	$ 16,080,000

The annual requirements to amortize all debts outstanding as of September 30, 2021, are as follows:

Certificates of Obligation:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Total
2022	$ 505,000	$ 185,126	$ 690,126
2023	510,000	169,419	679,419
2024	530,000	147,244	677,244
2025	180,000	124,094	304,094
2026	185,000	117,744	302,744
2027-2031	1,060,000	453,893	1,513,893
2032-2036	1,280,000	233,819	1,513,819
2037-2041	1,440,000	76,278	1,516,278
Total	$ 5,690,000	$ 1,507,617	$ 7,197,617

Tax Notes:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Total
2022	$ 485,000	$ 2,425	$ 487,425
Total	$ 485,000	$ 2,425	$ 487,425

General Obligation Bonds:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Total
2022	$ 8,927,297	$ 3,803,018	$ 2,040,000	$ 571,887	$ 15,342,202
2023	5,379,741	3,630,307	2,110,000	495,612	11,615,660
2024	5,437,006	3,491,896	1,900,000	412,162	11,241,064
2025	5,291,430	3,362,122	1,990,000	334,112	10,977,664
2026	3,946,590	2,825,303	2,045,000	270,013	9,086,906
2027-2031	16,394,998	4,513,993	5,460,000	433,957	26,802,948
2032-2036	14,515,000	2,042,959	535,000	28,850	17,121,809
2037-2041	8,615,000	372,072	-	-	8,987,072
Total	$ 68,507,062	$ 24,041,670	$ 16,080,000	$ 2,546,593	$ 111,175,325

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Governmental activities:					
General obligation bonds	$ 63,465,531	$ 13,480,000	$(8,438,469)	$ 68,507,062	$ 8,927,297
Certificates of obligation	1,355,000	4,655,000	(320,000)	5,690,000	505,000
Capital lease obligations	476,717	-	(142,463)	334,254	142,461
Tax notes	1,500,000	-	(1,015,000)	485,000	485,000
Accreted interest	10,295,815	743,065	(91,687)	10,947,193	-
Bond premium	3,205,383	1,338,341	(294,225)	4,249,499	-
Compensated absences	1,998,182	1,268,664	(1,141,656)	2,125,190	531,297
Total governmental activities	$ 82,296,628	$ 21,485,070	$(11,443,500)	$ 92,338,198	$ 10,591,055
Business-type activities:					
General obligation bonds	$ 18,586,265	$ -	$(2,506,265)	$ 16,080,000	$ 2,040,000
Bond premium	924,450	-	(117,160)	807,290	-
Compensated absences	136,200	77,689	(73,319)	140,570	35,128
Total business-type activities	$ 19,646,915	$ 77,689	$(2,696,744)	$ 17,027,860	$ 2,075,128
Component units:					
Sales tax bonds	$ 35,990,000	$ -	$(4,840,000)	$ 31,150,000	$ 3,910,000
Compensated absences	8,380	17,247	(13,929)	11,698	2,925
Bonds from direct placements	2,423,502	-	(2,423,502)	-	-
Bond premium	575,925	-	(39,168)	536,757	-
Total component units	$ 38,997,807	$ 17,247	$(7,316,599)	$ 31,698,455	$ 3,912,925

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

Revenue Bonds

On September 16, 2021, the city issued $4,655,000 in Combination Tax and Revenue Certificates of Obligation, Series 2021. This debt will be used to fund the construction of a courts building, with interest rates of 2-5%.

General Obligation Bonds

On September 16, 2021, the City issued $13,480,000 in General Obligation bonds, Series 2021. The bonds will be used for a public safety building, the City Hall library building engineering and design phase, and street improvements. The authority of issuance of this debt is from the November 2017 bond election for streets, and the 2021 bond election for public safety/City Hall building, with interest rates of 1-5%.

Capital Leases

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 $299,412 for governmental activities. Depreciation expense of $66,091 was recognized during the current year.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

Year Ending September 30,	Governmental Activities
2022	164,172
2023	164,173
2024	30,207
Total minimum lease payments	358,552
Less amount representing interest	(24,298)
Present value of net minimum lease payments	$ 334,254

Authorized and Unissued Debt

The City had $123,300,000 in authorized general obligation bonds that were unissued as of September 30, 2021. Of this unissued debt, $9,500,000 bonds were authorized through an election held on November 7, 2017, for construction and improvements to roads and streets. In addition, $116,075,000 in authorized and unissued bonds through a bond election in 2021 for the construction of a new City Hall/library and court, and the construction of a new public safety building, recreation center, and streets.

NOTE 8. DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at *www.tmrs.com*.

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

Benefits Provided

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

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's contributions 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 considers 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, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	102
Inactive employees entitled to but not yet receiving benefits	135
Active employees	265
Total	502

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of the employee's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 15.15% and 14.90% in calendar years 2021 and 2020, of which, 15.00% and 14.76%, respectively, represented the retirement portion of the contribution. The City's retirement contributions to TMRS for the year ended September 30, 2021, were $2,853,834 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.50% per year including inflation
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 are based on the gender distinct Mortality rates for active members are based on the PUB(10) mortality tables with the public safety table used for males and the general employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 municipal retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of arithmetic real rates return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30%	5.30%
Core Fixed Income	10%	1.25%
Non-Core Fixed Income	20%	4.14%
Real Return	10%	3.85%
Real Estate	10%	4.00%
Absolute Return	10%	3.48%
Private Equity	10%	7.75%
Total	100%	

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 periods 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 12/31/2019	$ 56,005,964	$ 47,879,625	$ 8,126,339
Changes for the year:			
Service cost	3,481,795	-	3,481,795
Interest	3,842,187	-	3,842,187
Difference between expected and actual experience	97,024	-	97,024
Changes in Assumptions	-	-	-
Contributions - employer	-	2,787,268	(2,787,268)
Contributions - employee	-	1,321,723	(1,321,723)
Net investment income	-	3,640,935	(3,640,935)
Benefit payments, including refunds of employee contributions	(1,651,139)	(1,651,139)	-
Administrative expense	-	(23,517)	23,517
Other changes	-	(918)	918
Net changes	5,769,867	6,074,352	(304,485)
Balance at 12/31/2020	$ 61,775,831	$ 53,953,977	$ 7,821,854

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	$ 17,933,633	$ 7,661,506	$(588,089)
Component Unit	375,334	160,348	(12,308)
Total	$ 18,308,967	$ 7,821,854	$(600,397)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. The report may be obtained at www.tmrs.com.

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

For the year ended September 30, 2021, the City recognized pension expense of $2,580,226. At September 30, 2021, 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	$ 744,929	$ 23,938
Changes in actuarial assumptions	197,351	-
Difference between projected and actual investment earnings	-	1,329,814
Contributions subsequent to the measurement date	2,044,689	-
Total	$ 2,986,969	$ 1,353,752

For the year ended September 30, 2021, the component unit recognized pension expense of $54,002. At September 30, 2021, 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	$ 15,591	$ 501
Changes in actuarial assumptions	4,130	-
Difference between projected and actual investment earnings	-	27,832
Contributions subsequent to the measurement date	42,793	-
Total	$ 62,514	$ 28,333

For the primary government and component unit, respectively, $2,044,689 and $42,793 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, 2022. 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
2022	$(191,969)	$(4,018)
2023	275,702	5,770
2024	(543,747)	(11,380)
2025	39,433	825
2026	9,109	191

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.

The City's contributions to the RHCP for the year ended September 30, 2021, totaled $93,470.

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 does not 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 0.15% for 2021 and 0.14% for 2020, of which 0.07% and 0.02%, 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 contributions to the TMRS SDBF for the year ended September 30, 2021, were $10,775, which equaled the required contributions.

Employees covered by benefit terms

At December 31, 2021, the following employees were covered by the benefit terms under the RHCP and SDBF plans:

	RHCP	SDBF
Inactive employees or beneficiaries currently receiving benefits	6	74
Inactive employees entitled to but not yet receiving benefits	-	27
Active employees	256	265
Total	262	366

Total OPEB Liability

The total OPEB liability of $3,337,037, comprised of $2,636,243 and $700,794 for RHCP and SDBF, respectively, was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020, 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 Normal	Individual Entry-Age Normal
Discount Rate	2%	2%
Inflation	2.5%	3%
Salary Increase	3.5% to 11.5%, including inflation	3.5% to 11.5%, including inflation
Health Care Trend Rates	Initial rate of 7% declining to an ultimate rate of 4.15% after 14 years.	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 Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020

Mortality rates for healthy retirees were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements. For disabled annuitants under the SDBF plan, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Under both the RHCP and SDBF plans, the actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period December 31, 2014, to December 31, 2018.

Changes in the Total OPEB Liability

	RHCP	SDBF	Total
Service Cost	$ 236,000	$ 43,428	$ 279,428
Interest on the total OPEB liability	63,797	16,096	79,893
Difference between expected and actual experience	(19,112)	(22,377)	(41,489)
Changes in assumptions or other inputs	190,593	101,953	292,546
Benefit Payments	(73,821)	(3,776)	(77,597)
Net Changes	397,457	135,324	532,781
Total OPEB liability - as of beginning of the year	2,238,786	565,470	2,804,256
Total OPEB liability - as of end of the year	$ 2,636,243	$ 700,794	$ 3,337,037

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 2.75% as of December 31, 2019, to 2% as of December 31, 2020.

Retiree Health Care Plan. The following presents the total OPEB liability of the City calculated using the discount rate of 2%, 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 (1%) or 1-percentage-point higher (3%) than the current rate.

	1% Decrease in Discount Rate (1%)	Current Discount Rate (2%)	1% Increase in Discount Rate (3%)
City	$ 857,692	$ 686,428	$ 557,638
Component unit	17,951	14,366	11,671
Total	$ 875,643	$ 700,794	$ 569,309

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 in Discount Rate (1%)	Current Discount Rate (2%)	1% Increase in Discount Rate (3%)
Total OPEB liability	$ 2,914,707	$ 2,636,243	$ 2,385,444

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 2%, 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 (1%) or 1-percentage-point higher (3%) than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$ 2,284,148	$ 2,636,243	$ 3,065,352

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, 2021, the City recognized OPEB expense of $368,133 for this plan. The total OPEB expense was $447,672 for both OPEB plans.

At September 30, 2021, 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	$ 300,310	$ 17,177
Changes in actuarial assumptions	320,756	47,070
Contributions subsequent to the measurement date	69,504	-
Total	$ 690,570	$ 64,247

For the City, $69,504 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30	
2022	$ 68,336
2023	68,336
2024	68,336
2025	68,336
2026	68,336
Thereafter	215,139

Supplemental Death Benefits Fund. For the year ended September 30, 2021, the City recognized OPEB expense of $79,539 for this plan. The total OPEB expense was $447,672 for both OPEB plans. At September 30, 2021, 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
Differences between expected and actual economic experience	$ -	$ 28,266
Changes in actuarial assumptions	174,662	19,361
Contributions subsequent to the measurement date	9,538	-
Total	$ 184,200	$ 47,627

For the year ended September 30, 2021, the component unit recognized OPEB expense of $1,665. At September 30, 2021, 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
Differences between expected and actual economic experience	$ -	$ 592
Changes in actuarial assumptions	3,656	405
Contributions subsequent to the measurement date	200	-
Total	$ 3,856	$ 997

For the primary government and component unit, respectively, $9,538 and $200 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30	City	Component Unit
2022	$ 21,235	$ 444
2023	21,235	444
2024	21,235	444
2025	18,633	390
2026	19,937	417

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 2021 transfer activity:

Transfer In	Transfer Out	Amount	Purpose
General	Water and Sewer	$ 3,014,377	Payment in lieu of taxes
Water and Sewer	Debt Service	165,960	Funds for debt service
Capital Projects	General	1,310,672	Funds for capital projects
Nonmajor Governmental	General	5,500	Funds for capital projects
General	Nonmajor Governmental	36,011	Personnel and equipment
Total		$ 4,532,520	

At the end of fiscal year 2021 the City had the following interfund balances:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 87,865
Total		$ 87,865

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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 2021 required each city to contribute $20,000 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, 2021, and for the year then ended:

Balance Sheet:		
Assets & deferred outflows	$	18,064,322
Liabilities & deferred inflows	(	298,034)
Net position	$	17,766,288
Statement of Activities:		
Revenues	$	1,194,537
Expenses	(	1,001,446)
Change in net position	$	193,091

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 $204,701 in fiscal year 2021.

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 2021, the City rebated $360,603 in taxes.

Financial Advisory Services
Provided By:

SAMCO Capital