

PRELIMINARY OFFICIAL STATEMENT**Dated: August 18, 2025**

In the opinion of Bond Counsel to the City, interest on the Obligations 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.

**CITY OF MIDLOTHIAN, TEXAS
(Ellis County)**

\$19,000,000*
**GENERAL OBLIGATION BONDS,
SERIES 2025**

\$15,500,000*
**COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION,
SERIES 2025**

\$7,600,000*
**TAX NOTES,
SERIES 2025**

Dated Date: August 1, 2025**Due: August 15, as shown on page ii, iii, and iv, respectively**

The City of Midlothian, Texas (the "City" or the "Issuer") is issuing its (i) \$19,000,000* General Obligation Bonds, Series 2025 (the "Bonds"), (ii) \$15,500,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") and (iii) \$7,600,000* Tax Notes, Series 2025 (the "Notes" and together with the Bonds and Certificates, the "Obligations"). The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on May 1, 2021, the City's Home Rule Charter and the ordinance authorizing the issuance of the Bonds to be adopted by the City Council of the City ("City Council") on August 26, 2025 (the "Bond Ordinance"). The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's Home Rule Charter and the ordinance authorizing the issuance of the Certificates to be adopted by the City Council on August 26, 2025 (the "Certificate Ordinance"). The Tax Notes are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1431, Texas Government Code, as amended, the City's Home Rule Charter and the ordinance authorizing the issuance of the Tax Notes to be adopted by the City Council on August 26, 2025 (the "Tax Note Ordinance" and, together with the Bond Ordinance and the Certificate Ordinance, the "Ordinances").

The Obligations are direct obligations of the City, payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinances. The Certificates are additionally secured by a lien on and limited pledge of \$1,000 of surplus revenues derived from the operation of the City's water and sewer system, as provided in the Certificate Ordinance. (see "The Obligations - Authority for Issuance" and "The Obligations - Security and Source of Payment").

Interest on the Obligations will accrue from the Dated Date shown above and will be payable February 15 and August 15 of each year commencing February 15, 2026, until stated maturity or, with respect to the Bonds and Certificates, prior redemption. The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing and equipping a new public Recreation Center within the City, and related furnishings, landscaping, parking and infrastructure, and (ii) paying the costs associated with the issuance of the Bonds (see "Plan of Financing - Purpose - Use of Bond Proceeds"). Proceeds from the sale of the Certificates will be used to pay contractual obligations incurred in connection with the (i) designing, constructing, installing, acquiring and equipping a new fire station and (ii) paying legal, fiscal and engineering fees in connection with such projects. (see "Plan of Financing - Purpose - Use of Certificate Proceeds"). Proceeds from the sale of the Notes will be used for (i) funding street and road improvements; (ii) funding public safety facilities improvements and equipment for the fire department and the City's public safety radio system; (iii) funding improvements to parks and recreation facilities that are generally accessible to the public and part of the City's park system; (iv) purchasing information technology and communication equipment; and (iv) paying the costs of professional services and the costs of issuance of the Notes.. (see "Plan of Financing - Purpose - Use of Tax Note Proceeds").

The issuance of the Bonds, the Certificates and the Tax Notes is not contingent on the issuance of each other series of such Obligations. Although the Obligations are collectively being offered pursuant to this Official Statement, potential investors should consider each series of Obligations to be separate and distinct from each other and should independently evaluate the terms and risks of an investment in each respective series of Obligations.

**STATED MATURITY SCHEDULES
(On Pages ii, iii and iv, respectively)**

The Obligations are offered for delivery, when, as and if issued and received by the underwriters named below collectively, (the "Underwriters") and subject to the approving opinions of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Cantu Harden Montoya LLP, San Antonio, Texas, as counsel to the Underwriters. (See Appendix C - Forms of Legal Opinions of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Matters" herein). It is expected that the Obligations will be available for delivery through the facilities of DTC on or about September 24, 2025.

BOK FINANCIAL SECURITIES, INC.**FROST BANK****BAIRD**

* Preliminary, subject to change.

STATED MATURITY SCHEDULE*
\$19,000,000*
GENERAL OBLIGATION BONDS, SERIES 2025
(Due August 15)
Base CUSIP – 597834 ^(a)

<u>Stated Maturity August 15</u>	<u>Principal Amount*</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix^(a)</u>
2026	\$445,000			
2027	640,000			
2028	665,000			
2029	695,000			
2030	730,000			
2031	760,000			
2032	795,000			
2033	830,000			
2034	870,000			
2035	910,000			
2036	950,000			
2037	990,000			
2038	1,035,000			
2039	1,085,000			
2040	1,130,000			
2041	1,185,000			
2042	1,235,000			
2043	1,290,000			
2044	1,350,000			
2045	1,410,000			

(Interest to accrue from the Dated Date)

Optional Redemption . . . The City reserves the right to redeem the Bonds maturing on and after August 15, 2035, on August 15, 2034, 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 Obligations – Optional Redemption of the Bonds and Certificates”). Additionally, in the event any of the Bonds are structured as "term" Bonds at the option of the Underwriters, such "term" Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Ordinance, which provisions will be included in the final Official Statement.

^(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) 2025 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.

STATED MATURITY SCHEDULE*
\$15,500,000*
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025
(Due August 15)
Base CUSIP – 597834 ^(a)

<u>Stated Maturity August 15</u>	<u>Principal Amount*</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix(a)</u>
2026	\$470,000			
2027	515,000			
2028	540,000			
2029	565,000			
2030	590,000			
2031	615,000			
2032	645,000			
2033	675,000			
2034	705,000			
2035	735,000			
2036	770,000			
2037	805,000			
2038	840,000			
2039	875,000			
2040	915,000			
2041	960,000			
2042	1,000,000			
2043	1,045,000			
2044	1,095,000			
2045	1,140,000			

(Interest to accrue from the Dated Date)

Optional Redemption . . . The Issuer reserves the right to redeem the Certificates maturing on and after August 15, 2035, on August 15, 2034, 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 Obligations – Optional Redemption of the Bonds and Certificates"). Additionally, in the event any of the Certificates are structured as "term" Certificates at the option of the Underwriters, such "term" Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Certificate Ordinance, which provisions will be included in the final Official Statement.

^(a) CUSIP numbers are included solely for the convenience of the owners of the Certificates. 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) 2025 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.

STATED MATURITY SCHEDULE***\$7,600,000*****Tax Notes, Series 2025****(Due August 15)****Base CUSIP – 597834 ^(a)**

<u>Stated Maturity August 15</u>	<u>Principal Amount*</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix(a)</u>
2026	\$4,730,000			
2027	915,000			
2028	955,000			
2029	1,000,000			

(Interest to accrue from the Dated Date)

No Optional Redemption of the Notes. The Notes are not subject to redemption prior to maturity.

^(a) CUSIP numbers are included solely for the convenience of the owners of the Notes. 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) 2025 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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u> <u>May</u>
Justin Coffman	Mayor	2026
Allen Moorman	Council Member-Place 1	2026
Mike Rodgers	Council Member-Place 2	2026
Anna Hammonds	Council Member-Place 3	2028
Clark Wickliffe	Council Member-Place 4, Mayor Pro Tem	2028
Ross Weaver	Council Member-Place 5	2027
Wayne Shuffield	Council Member-Place 6	2027

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Length of Service</u> <u>With the City</u>
Christopher Dick	City Manager	17 years
Clyde Melick, AICP	Assistant City Manager	6 years
Ann Honza	Finance Director/CFO	10 years
Maria Belloti	Assistant Finance Director	1 year
Shalonda Oliver	Assistant Director of Budget & Treasury	1 year
Tammy Varner, TRMC	City Secretary	22 years
Joe Grofida	City Attorney	10 years
Mike Adams	City Engineer	25 years
Adam Mergener	Director of Public Works	30 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/CFO
City of Midlothian
215 N. 8th Street
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 Obligations 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, maturity schedules 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 OBLIGATIONS, 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 OBLIGATIONS 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 OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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The cover page, subsequent pages hereof the maturity schedules, this page, the appendices attached hereto and any addenda, supplement or amendment 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 Obligations 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 City	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 45,228. (See "Appendix B - General Information Regarding City of Midlothian and Ellis County, Texas" herein.)
The Bonds	The \$19,000,000* General Obligation Bonds, Series 2025 are to mature on August 15 in each of the years 2026 through 2045 (see "The Obligations - Description of the Obligations").
The Certificates	The \$15,500,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 are to mature on August 15 in each of the years 2026 through 2045 (see "The Obligations - Description of the Obligations").
The Tax Notes	The \$7,600,000* Tax Notes, Series 2025 are to mature on August 15 in each of the years 2026 through 2029 (see "The Obligations - Description of the Obligations").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Obligations is BOKF, NA, Dallas, Texas.
Security for the Obligations	The Obligations are direct obligations of the City, payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinances. The Certificates are additionally secured by a lien on and limited pledge of \$1,000 of surplus revenues derived from the operation of the City's water and sewer system, as provided in the Certificate Ordinance (see "The Obligations – Security and Source of Payment").
Redemption of the Bonds and Certificates	The City reserves the right, at its option, to redeem the Bonds and Certificates having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Underwriters may select certain consecutive maturities of the Bonds and/or the Certificates to be grouped together as one or more "term" Bonds and/or "term" Certificates, in which case such "term" Bonds and/or "term" Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Ordinance and/or the Certificate Ordinance, as applicable, which provisions will be included in the final Official Statement. (see "The Obligations - Optional Redemption of the Bonds and Certificates").
No Optional Redemption of the Tax Notes	The Tax Notes are not subject to redemption prior to maturity.
Payment of Interest	Interest on the Obligations will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable on February 15, 2026, and on each August 15 and February 15 thereafter until maturity or, with respect to the Bonds and Certificates, prior redemption.
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing and equipping a new public Recreation Center within the City, and related furnishings, landscaping, parking and infrastructure, and (ii) paying the costs associated with the issuance of the Bonds (see "Plan of Financing – Purpose – Use of Bond Proceeds").
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used to pay contractual obligations incurred in connection with the (i) designing, constructing, installing, acquiring and equipping a new fire station and (ii) paying legal, fiscal and engineering fees in connection with such projects. (see "Plan of Financing – Purpose – Use of Certificate Proceeds").

**Preliminary, subject to change.*

Use of Tax Note Proceeds	Proceeds from the sale of the Tax Notes will be used for (i) funding street and road improvements; (ii) funding public safety facilities improvements and equipment for the fire department and the City's public safety radio system; (iii) funding improvements to parks and recreation facilities that are generally accessible to the public and part of the City's park system; (iv) purchasing information technology and communication equipment; and (iv) paying the costs of professional services and the costs of issuance of the Notes.(see "Plan of Financing – Purpose – Use of Tax Note Proceeds").
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 Obligations will be made to the beneficial owners of the Obligations. Such Book-Entry-Only System may affect the method and timing of payments on the Obligations and the manner in which the Obligations may be transferred. (See "Book-Entry-Only System" herein.)
Ratings	A municipal bond rating application has been made to S&P Global Ratings, a division of S&P Global Ratings Inc. ("S&P"). The outcome of the results will be made available as soon as possible. (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	Delivery Date for each series of Obligations is anticipated on or about September 24, 2025.
Legality	Delivery of the Obligations is subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

PRELIMINARY OFFICIAL STATEMENT

CITY OF MIDLOTHIAN, TEXAS (Ellis County)

\$19,000,000*
General Obligation Bonds,
Series 2025

\$15,500,000*
Combination Tax and Revenue
Certificates of Obligation, Series 2025

\$7,600,000*
Tax Notes,
Series, 2025

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the maturity schedules, and the Appendices hereto, provides certain information regarding the City of Midlothian, Texas (the "City" or the "Issuer") and the issuance of its (i) \$19,000,000* General Obligation Bonds, Series 2025 (the "Bonds"), (ii) \$15,500,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") and (iii) \$7,600,000* Tax Notes (the "Notes" and, together with the Bonds and Certificates, the "Obligations"). The Obligations are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Bond Ordinance", the "Certificate Ordinance", and the "Note Ordinance" respectively, each as defined below, and collectively the "Ordinances"), but are being offered and sold pursuant to a common Official Statement.

The Ordinances will be considered by the City Council of the City (the "City Council") on August 26, 2025.

The issuance of the Bonds, the Certificates and the Notes is not contingent on the issuance of each other series of such Obligations. Although the Obligations are collectively being offered pursuant to this Official Statement, potential investors should consider each series of Obligations to be separate and distinct from each other and should independently evaluate the terms and risks of an investment in each respective series of Obligations.

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 issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on May 1, 2021, the City's Home Rule Charter and the ordinance authorizing the issuance of the Bonds to be adopted by the City Council on August 26, 2025 (the "Bond Ordinance"). The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's Home Rule Charter and the ordinance authorizing the issuance of the Certificates to be adopted by the City Council on August 26, 2025 (the "Certificate Ordinance"). The Notes are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1431, Texas Government Code, as amended, the City's Home Rule Charter and the ordinance authorizing the issuance of the Tax Notes to be adopted by the City Council on August 26, 2025 (the "Note Ordinance").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinances. Included in this Official Statement are descriptions of the Obligations 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 v 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 of its date, and the information contained herein is subject to change. A copy of the Final Official Statement (defined below) pertaining to the Obligations will be filed by the Underwriters 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.

* Preliminary, subject to change.

THE OBLIGATIONS

General

The Obligations are dated August 1, 2025 (the "Dated Date") and will mature on August 15 in each of the years and in the amounts shown on pages ii (with respect to the Bonds), iii (with respect to the Certificates) and iv (with respect to the Notes) hereof. Interest on the Obligations will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 of each year, commencing August 15, 2026, until maturity or, with respect to the Callable Obligations (defined below), prior redemption.

The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Obligations will be made to the owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1371, Texas Government Code, as amended, an election held in the City on May 1, 2021, and the Bond Ordinance.

The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Certificate Ordinance.

The Tax Notes are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1431, Texas Government Code, as amended and the Tax Note Ordinance.

Security for Payment

The Obligations 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.) The Certificates are additionally secured by a lien on and limited pledge of \$1,000 of the net revenues of the City's combined Waterworks and Sewer System (the "System") remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations (now or hereafter outstanding), which are payable from all or part of said revenues, as provided in the Certificate Ordinance.

Use of Proceeds

Use of Bond Proceeds... Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing and equipping a new public Recreation Center within the City, and related furnishings, landscaping, parking and infrastructure, and (ii) paying the costs associated with the issuance of the Bonds.

Use of Certificate Proceeds... Proceeds from the sale of the Certificates will be used to pay contractual obligations incurred in connection with the (i) designing, constructing, installing, acquiring and equipping a new fire station and (ii) paying legal, fiscal and engineering fees in connection with such projects.

Use of Tax Note Proceeds... Proceeds from the sale of the Tax Notes will be used for (i) funding street and road improvements; (ii) funding public safety facilities improvements and equipment for the fire department and the City's public safety radio system; (iii) funding improvements to parks and recreation facilities that are generally accessible to the public and part of the City's park system; (iv) purchasing information technology and communication equipment; and (iv) paying the costs of professional services and the costs of issuance of the Notes.

Redemption Provisions

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Bonds and the Certificates (the "Callable Obligations") maturing on and after August 15, 2035 on August 15, 2034, 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. If less than all of the Callable Obligations within a stated maturity are to be redeemed, the particular Callable Obligations to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Additionally, the Underwriters may select certain consecutive maturities of the Bonds and/or the Certificates to be grouped together as one or more "term" Bonds and/or "term" Certificates, in which case such "term" Bonds and/or "term" Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Ordinance and/or the Certificate Ordinance, as applicable, which provisions will be included in the final Official Statement.

Not less than 30 days prior to a redemption date for a Callable Obligation, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Callable Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CALLABLE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR CERTIFICATE, AS APPLICABLE, OR ANY PORTION THEREOF, HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR CERTIFICATE, AS APPLICABLE, OR PORTION THEREOF, SHALL CEASE TO ACCRUE.

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

DTC Notices

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Callable Obligations, will send any notice of redemption relating to the Callable Obligations 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 Callable Obligations called for redemption or any other action premised on any such notice. Redemptions of portions of the Callable Obligations by the City will reduce the outstanding principal amount of such Callable Obligations held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Callable Obligations held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Callable Obligations from the Beneficial Owners. Any such selection of Callable Obligations within a maturity to be redeemed will not be governed by the Bond Ordinance and Certificate Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Obligations or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Callable Obligations for redemption (see "The Obligations – 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.

Defeasance

The Ordinances provide for the defeasance of the Obligations when the payment of the principal and premium, if any, on the Obligations, plus interest on the Obligations to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or another authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to 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 Obligations, 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 Obligations, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The City additionally has 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 Ordinances provide that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. 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 governing body of the City authorizes the defeasance, 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 governing body of the City adopts or approves the proceedings authorizing the financial arrangements, 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 Obligations. Because the Ordinances do 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.

After firm banking and financial arrangements for the discharge and final payment or redemption of the Callable Obligations have been made as described above, all rights of the City to initiate proceedings to call the Callable Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Callable Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Callable Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Callable Obligations 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 Ordinances, the City has reserved the right to amend the Ordinances without the consent of any holder for the purpose of amending or supplementing the Ordinances to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the registered owners of the Obligations, (ii) grant additional rights or security for the benefit of the registered owners of the Obligations, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinances that do not materially adversely affect the interests of the registered owners of the Obligations, (iv) qualify the Ordinances 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 Ordinances 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 Obligations.

The Ordinances further provide that the registered owners of the Obligations aggregating in principal amount of the outstanding Obligations shall have the right from time to time to approve any amendment not a majority described above to the Ordinances 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 Obligations, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Obligations; (ii) reducing the rate of interest borne by any of the outstanding Obligations; (iii) reducing the amount of the principal payable on any outstanding Obligations; (iv) modifying the terms of payment of principal of or interest on outstanding Obligations, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Obligations necessary for consent to such amendment. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

Default and Remedies

The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Obligations, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinances provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus is controlled by equitable principles, and is within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the respective Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. 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 the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the City's performance of a governmental function, and thus the claim was barred by immunity. After granting the petition for review of the appellate decision, the Court held that to determine if the City was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the obligations set forth in the Obligations or the Ordinances covenants. Chapter 1371, Texas Government Code, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its obligations. The City has relied upon Chapter 1371 in connection with the issuance of each series of the Obligations, but the City has not waived sovereign immunity.

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 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Obligations 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 creditors' rights 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 Co-Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

In the event the Book-Entry-Only System should be discontinued, principal of the Obligations will be payable to the registered owner at maturity or, with respect to the Callable Obligations, upon prior redemption, upon presentation at the Dallas, Texas corporate trust office of the Paying Agent/Registrar (the "Designated Trust Office"). Interest on the Obligations will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "The Obligations - Record Date for Interest Payment" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Obligations shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Record Date

The record date ("Record Date") for interest payable to the registered owner of an Obligation on any interest payment date means the last business day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on any series of Obligations on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the 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.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, printed Obligations will be delivered to the registered owners thereof, and thereafter, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. The Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the Designated Trust Office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or duly authorized agent, in a form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be of a like series, in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "The Obligations - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations.

Limitation on Transfer or Exchange of Obligations

Neither the City nor the Paying Agent/Registrar will be required to make any such transfer, conversion or exchange of any Obligations 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 Callable Obligation or any 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 Callable Obligation called for redemption in part.

Replacement Obligations

In the Ordinances, provisions are made for the replacement of mutilated, destroyed, lost, or stolen Obligations upon surrender of the mutilated Obligations 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 Obligations are to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Obligations 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 believes the source of such information to be reliable but takes 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 Obligations, 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 Obligations), 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 Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate for each stated maturity of each series of the Obligations will be issued, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations 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 register and request that copies of the notices be provided directly to them.

Redemption notices for the Callable Obligations shall be sent to DTC. If less than all of the Callable Obligations of 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 Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Obligations 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, Obligations are required to be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement, it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners or Obligation Holders should be read to include the person for which the Participant acquires an interest in the Obligations, 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 Ordinances will be given only to DTC.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "The Obligations – Transfer, Exchange and Registration" below.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement, it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners or Obligation Holders should be read to include the person for which the Participant acquires an interest in the Obligations, 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 Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the City or the Initial Purchasers (as defined herein).

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "The Obligations – Transfer, Exchange and Registration" below.

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 is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally 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 or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended)(the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits; or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City 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 City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) 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; (11) securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name 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; (12) 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; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934; (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with

the provisions of subsections (a-1), (f) and (g) of Section 2256.011 of the PFIA. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or with a third party selected and approved by the City.

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

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, 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 the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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 State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument 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 City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

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, 2025 (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.

<u>Investment Vehicle</u>	<u>Total Invested</u>	<u>Bond \$\$ Invested</u>	
<i>General Fund</i>			
Wells Fargo Accounts	\$ 17,180,031		
Investment Pool Accounts (TexPool / TexStar)	7,299,769	\$ 70,657,164	
Federal Securities (FNDN / FMCDN / CDs)		17,500,000	
Money Market Accounts – Various Banks	190,331		
Certificates of Deposit	<u>367,866</u>		<u>2,276,612</u>
General Fund Subtotal	<u>\$25,037,997</u>	<u>\$34,413,433.37</u>	
TOTAL	<u>115,471,773</u>		
<i>Utility Fund</i>			
		UF Capital/DB	
		<u>SRV</u>	<u>Impact Fees</u>
Wells Fargo Accounts	\$ 12,978,269		
Investment Pool Accounts (TexPool / TexStar)	135	\$ 55,242,356	
Federal Securities (FNDN / FMCDN / CDs)	7,500,000		
Money Market Accounts – Various Banks	995,811		\$ 202,662
Certificates of Deposit	<u>34,415</u>	<u>3,501,092</u>	<u>868,536</u>
Utility Fund Subtotal	<u>\$ 21,508,630</u>	<u>\$ 58,746,448</u>	<u>\$ 1,071,198</u>
Total	<u>\$ 81,326,275</u>		
	<u>Total All - \$196,798,048</u>		

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 "AAA_m" 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 934 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.tmr.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") 2024 (Appendix D, Note 8 and Note 9 beginning on page 56 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.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the

preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2025 tax year, the Maximum Property Value was increased to \$5,160,000.

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. Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

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. House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the "production of income" from the current \$2,500 to \$125,000. This legislation is effective September 1, 2025, but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election.

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. Beginning in the 2026 tax year, all intangible personal property is exempt from State taxation.

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.

For a discussion of how the TIRZ 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."

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 tax abatement 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."

Temporary Exemption for Qualified Property Damage by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas legislature amended Section 11.35 of the Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

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 \$61,349,201 for the 2025 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.

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"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 greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2025 foregone revenue amount divided by the current total value.

"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 Obligations.

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.

2025 Legislative Session

The regular session of the 89th Texas Legislature (the "2025 Legislative Session") convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, which commenced lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a special session which commenced on July 21, 2025. The initial agenda for the special session includes the following items: (i) legislation to reduce the property tax burden on Texans and legislation to impose spending limits on entities authorized to impose property taxes, (ii) flood warning systems, (iii) flood emergency communications, (iv) relief funding for hill country floods, (v) natural disaster preparation and recovery, (vi) replacement of STAAR testing, (vii) protecting children from hemp-derived products, (viii) regulation of products derived from hemp, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting victims of human trafficking, (xii) protecting police personnel records, (xiii) protecting women's privacy in sex-segregated spaces, (xiv) constitutional amendment allowing the Texas Attorney General to prosecute state election crimes, (xv) congressional redistricting, (xvi) title theft and deed fraud, (xvii) impact fees for builders who include water conservation and efficiency measures, (xviii) the operation and administration of the judicial branch of state government. The City can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time. The Governor may add additional items to the call at any time.

During the 2025 Legislative Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures for issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 2025 Legislative Session and cannot make any representations regarding the full impact of the legislation approved during the 2025 Legislative Session at this time. Further, the City can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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

Effective in the 2024 tax year, the City has granted a \$150,000 exemption of the appraised value of the residence homestead of Senior Citizen or disabled.

See Appendix A – Table 1, page A-1 for a listing of the amounts of these exemptions.

In February of 2024 the City authorized a 20% Homestead exemption for all residential homesteads effective Tax Year 2024, 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, and a tax freeze on residence homesteads of disabled persons effective in tax year 2023.

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 three 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 three TIRZ for Tax Year 2024-2025 was \$814,367,230.

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:

Chaparral Steel Midlothian LP
Design LLC
Earth Root Holdings LLC

SunOpta Grains and Foods
Sunrider Manufacturing
Spirit Realty, LP
Google/Sharka LLC

For the 2024-2025 Fiscal Year, the total aggregate amount of property valuation loss as the result of the City's abatement agreements equals \$10,000,877 and the latest expiration date for any of the agreements is January 2034.

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 businesses 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.

Current businesses that have properties with the TIRZ include Google Data Centers, Specialty Building Products, SunOpta Foods, Target Distribution Center, Western Power Sports, Quicktrip Distribution, Carmax, Midlothian Energy, Midlothian LNG, Buckley Oil and Quality Lube.

The Authority currently has outstanding in the aggregate principal amount of \$10,005,000 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 Obligations, 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 Obligations for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Obligations will not be treated as "specified private activity Obligations", 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 Obligations. See Appendix C -- Forms of Opinions of Bond Counsel.

In rendering its opinions, Bond Counsel will rely upon (a) the Issuer's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Obligations and certain other matters. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Obligations to become taxable retroactively to the date of issuance of the Obligations.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations 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 Obligations to be included in gross income retroactively to the date of issuance of the Obligations. The opinions of Bond Counsel are conditioned on compliance by the Issuer with the covenants and requirements described in the preceding paragraph,, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Obligations.

Bond Counsel's opinions represent its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinions are 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 Obligations.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Obligations or the property financed or refinanced with proceeds of the Obligations. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinions 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 Obligations may be less than the principal amount thereof or one or more periods for the payment of interest on the Obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Obligations"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Obligations 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 Obligation 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 Obligation 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 Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation 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 Obligation was held by such initial owner) is includable in gross income.

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

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

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 Obligations. 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 Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Obligations 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 Obligations, 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 Obligations, 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 Obligations" to the extent such gain does not exceed the accrued market discount of such Obligations; although for this purpose, a de minimis amount of market discount is ignored. A "market discount Obligation" 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 Obligation issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Obligations 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 Obligations 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 of foreign investors, certification as to foreign status, and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under Federal or state law and could affect the market price or marketability of the Obligations. 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 Obligations should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. 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 2025. 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 2025. 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 Obligations 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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, 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 Obligations 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 Obligations 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 Obligations 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 Obligations 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 Obligations. 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 Obligations in the primary offering of the Obligations 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 Obligations for Sale

The sale of the Obligations 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 Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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

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 Obligations 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. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Obligations 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 Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations 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 Obligations are legal investments for various institutions in those states.

No representation is made that the Obligations 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 Obligations for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Obligations for such purposes.

Legal Matters

The City will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Obligations, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Initial Obligations are valid and binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel to the effect that the Obligations issued in compliance with the provisions of the Ordinances are valid and legally binding obligations of the City and the interest on the Obligations is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations. Forms of such opinions are attached hereto as Appendix C. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by the City and only represents the City in connection with the issuance of the Obligations. Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations and the Ordinances in the Official Statement under the captions "The Obligations" (except for the subcaptions "DTC Notices", "Payment Record" and "Default and Remedies"), "Registration, Transfer and Exchange", "Tax Matters" and "Continuing Disclosure of Information" (except for the subcaptions "Availability of Information from MSRB" and "Compliance with Prior Agreements") and the subcaptions "Registration and Qualification of Obligations for Sale", "Legal Investments and Eligibility to Secure Public Funds in Texas", and "Legal Matters" (except for the last two sentences of the first paragraph thereof) under the caption "OTHER PERTINENT INFORMATION", and such firm is of the opinion that the information relating to the Obligations and the Ordinances contained therein fairly and accurately describe the provisions thereof. The City expects to pay the legal fees of Bond Counsel for services rendered in connection with the issuance of the Obligations from proceeds of the Obligations. The legal opinions will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their Counsel, Cantu Harden Montoya LLP. The legal fees to be paid to Underwriters' Counsel for services rendered in connection with the issuance of the Obligations are contingent on the sale and delivery of the Obligations.

The legal opinions will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. The legal opinions to be delivered concurrently with the delivery of the Obligations 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

A municipal bond rating application for the Obligations has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. An explanation of the significance of such rating may be obtained from S&P. The rating of the Obligations 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 Obligations.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Obligations. In this capacity, the Financial Advisor has compiled certain data relating to the Obligations 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 Obligations.

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

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

The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Obligations, if any of the Obligations are purchased. The Obligations may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Obligations 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. One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Obligations are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

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 statutes, 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 Ordinances 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:

City Secretary
City of Midlothian, Texas

Mayor
City of Midlothian, Texas

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

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

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION**TABLE 1**

2025-2026 Actual Market Value of Taxable Property			\$ 13,070,384,652
Less Exemptions / Losses:			
Local Optional Homestead	\$	1,335,092,281	
Disabled and Deceased Veterans'		4,683,907	
Disabled Veterans Homestead		326,548,646	
Agricultural Productivity Loss		348,579,410	
Abatements		1,384,040,583	
Freeport		435,425,557	
HS Cap and CB Cap Loss		206,732,658	
Pollution Control / Solar		312,350,379	
Other		-	
Totally Exempt Property		919,074,672	\$ <u>5,272,528,093</u>
2025-2026 Net Taxable Assessed Valuation (Including TIRZ Valuation)			\$ <u>7,797,856,559</u>
Tax Limit / Freeze Adjustment			\$ <u>453,015,875</u>
2025-2026 Certified Adjusted Net Taxable Assessed Valuation			\$ <u>7,344,840,684</u>

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

General Obligation Debt Principal Outstanding (As of August 1, 2025):

Comb. Unlimited Tax & Rev. Refunding Bonds, Series 2000 (assumed Water Dist Debt) ^(a)	\$	1,023,022
General Obligation Refunding Bonds, Series 2012		345,000
General Obligation Bonds, Series 2013		3,560,000
General Obligation Refunding Bonds, Series 2014		2,765,000
Combination Tax and Revenue Refunding Bonds, Series 2014		1,455,000
General Obligation Bonds, Series 2015		5,745,000
General Obligation Refunding Bonds, Series 2016		1,680,000
General Obligation Refunding Bonds, Series 2017		2,205,000
General Obligation Bonds, Series 2018		7,730,000
General Obligation Refunding Bonds, Series 2018		6,005,000
General Obligation Bonds, Series 2019		13,795,000
Combination Tax and Revenue Certificates of Obligation, Series 2021		3,965,000
General Obligation Bonds, Series 2021		10,405,000
General Obligation Bonds, Series 2022		55,465,000
General Obligation Bonds, Series 2023		11,190,000
Tax Notes, Series 2023		2,985,000
Tax Notes, Series 2024		6,100,000

Total Gross General Obligation Debt Principal Outstanding: \$ 136,418,022

Current Issue General Obligation Debt Principal

General Obligation Bonds, Series 2025 (the "Bonds")	\$	19,000,000	*
Combination Tax and Revenue Certificates of Obligation, Series 2025 the "Certificates")	\$	15,500,000	*
Tax Notes, Series 2025 (the "Notes")	\$	7,600,000	*
	\$	42,100,000	

Total Gross General Obligation Debt Principal Outstanding (Following the Issuance of the Bonds, Certificates and Notes): \$ 178,518,022 *

Less: Self-Supporting General Obligation Debt Principal

General Obligation Refunding Bonds, Series 2014 (65.82% UF)	\$	1,820,000
Combination Tax and Revenue Refunding Bonds, Series 2014 (100% Lease Revenues) ^(b)		1,455,000
General Obligation Refunding Bonds, Series 2017 (100% UF)		2,205,000
General Obligation Refunding Bonds, Series 2018 (100% UF)		6,005,000
Total Self-Supporting General Obligation Debt Principal	\$	11,485,000

Total Net General Obligation Debt Outstanding (Following the issuance of the Obligations): \$ 167,033,022 *

Ratio of Gross General Obligation Debt Principal to 2025-26 Net Taxable Assessed Valuation 2.29% *

Ratio of Net General Obligation Debt Principal to 2025-26 Net Taxable Assessed Valuation 2.14% *

2025-26 Net Taxable Assessed Valuation (Including Value Captured by the TIRZ) \$ 7,797,856,559

Population: 1990 - 5,141; 2000 - 7,480; 2010; 2020 - 35,125; Current	45,228
Per Capita 2025-26 Net Taxable Assessed Valuation -	\$172,412
Per Capita Gross General Obligation Debt Principal -	\$3,947 *
Per Capita Net General Obligation Debt Principal -	\$3,693 *

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	The Bonds*			The Certificates*			The Notes*			Less: Debt Service Paid from Other Sources ^(b)		Net General Obligation Debt Service ^(c)	
	Current Total Debt Service ^(a)	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Debt Service ^(a)		
2025	\$ 20,069,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,069,874	\$ 2,643,988	\$ 17,425,886
2026	20,218,598	445,000	1,030,750	1,475,750	470,000	724,625	1,194,625	4,730,000	355,300	5,085,300	27,974,273	2,629,088	25,345,186
2027	15,966,430	640,000	834,975	1,474,975	515,000	676,350	1,191,350	915,000	129,150	1,044,150	19,676,905	2,637,100	17,039,805
2028	14,022,944	665,000	806,175	1,471,175	540,000	653,175	1,193,175	955,000	87,975	1,042,975	17,730,269	2,633,588	15,096,681
2029	11,998,950	695,000	776,250	1,471,250	565,000	628,875	1,193,875	1,000,000	45,000	1,045,000	15,709,075	1,022,100	14,686,975
2030	11,442,063	730,000	744,975	1,474,975	590,000	603,450	1,193,450	-	-	-	14,110,488	285,794	13,824,694
2031	9,830,950	760,000	712,125	1,472,125	615,000	576,900	1,191,900	-	-	-	12,494,975	282,669	12,212,306
2032	9,099,450	795,000	677,925	1,472,925	645,000	549,225	1,194,225	-	-	-	11,766,600	284,063	11,482,538
2033	9,102,531	830,000	642,150	1,472,150	675,000	520,200	1,195,200	-	-	-	11,769,881	279,788	11,490,094
2034	9,089,838	870,000	604,800	1,474,800	705,000	489,825	1,194,825	-	-	-	11,759,463	-	11,759,463
2035	9,090,094	910,000	565,650	1,475,650	735,000	458,100	1,193,100	-	-	-	11,758,844	-	11,758,844
2036	8,308,363	950,000	524,700	1,474,700	770,000	425,025	1,195,025	-	-	-	10,978,088	-	10,978,088
2037	7,647,459	990,000	481,950	1,471,950	805,000	390,375	1,195,375	-	-	-	10,314,784	-	10,314,784
2038	7,650,581	1,035,000	437,400	1,472,400	840,000	354,150	1,194,150	-	-	-	10,317,131	-	10,317,131
2039	7,650,188	1,085,000	390,825	1,475,825	875,000	316,350	1,191,350	-	-	-	10,317,363	-	10,317,363
2040	7,642,419	1,130,000	342,000	1,472,000	915,000	276,975	1,191,975	-	-	-	10,306,394	-	10,306,394
2041	6,909,050	1,185,000	291,150	1,476,150	960,000	235,800	1,195,800	-	-	-	9,581,000	-	9,581,000
2042	5,729,341	1,235,000	237,825	1,472,825	1,000,000	192,600	1,192,600	-	-	-	8,394,766	-	8,394,766
2043	5,725,697	1,290,000	182,250	1,472,250	1,045,000	147,600	1,192,600	-	-	-	8,390,547	-	8,390,547
2044	4,628,534	1,350,000	124,200	1,474,200	1,095,000	100,575	1,195,575	-	-	-	7,298,309	-	7,298,309
2045	-	1,410,000	63,450	1,473,450	1,140,000	51,300	1,191,300	-	-	-	2,664,750	-	2,664,750
\$	\$ 201,823,352	\$ 19,000,000	\$ 10,471,525	\$ 29,471,525	\$ 15,500,000	\$ 8,371,475	\$ 23,871,475	\$ 7,600,000	\$ 617,425	\$ 8,217,425	\$ 260,719,027	\$ 12,698,175	\$ 250,685,602

^(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. Interest calculated at an assumed rate for illustrative purposes.

TAX ADEQUACY (Includes Self-Supporting Debt)

TABLE 4

2025-26 Net Taxable Assessed Valuation before TIRZ Adjustment	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-26)	\$ 7,797,856,559
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 27,974,273 *
	\$ 0.36606 *

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

2025-26 Net Taxable Assessed Valuation before TIRZ Adjustment	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-26)	\$ 7,797,856,559
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 25,345,186 *
	\$ 0.33166 *

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

* Preliminary; subject to change.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

TABLE 6

Fiscal Year Ending 9/30	Principal Repayment Schedule					Bonds Unpaid at End of Year	Percent of Principal Retired (%)
	Outstanding Principal ^(a)	The Bonds*	The Certificates*	The Notes*	Total		
2025	\$ 11,761,432	\$ -	\$ -	\$ -	\$ 11,761,432	\$ 166,756,590	6.59%
2026	10,301,590	445,000	470,000	4,730,000	15,946,590	150,810,000	15.52%
2027	10,260,000	640,000	515,000	915,000	12,330,000	138,480,000	22.43%
2028	8,495,000	665,000	540,000	955,000	10,655,000	127,825,000	28.40%
2029	7,225,000	695,000	565,000	1,000,000	9,485,000	118,340,000	33.71%
2030	6,810,000	730,000	590,000	-	8,130,000	110,210,000	38.26%
2031	7,100,000	760,000	615,000	-	8,475,000	101,735,000	43.01%
2032	7,365,000	795,000	645,000	-	8,805,000	92,930,000	47.94%
2033	7,660,000	830,000	675,000	-	9,165,000	83,765,000	53.08%
2034	7,180,000	870,000	705,000	-	8,755,000	75,010,000	57.98%
2035	6,815,000	910,000	735,000	-	8,460,000	66,550,000	62.72%
2036	7,110,000	950,000	770,000	-	8,830,000	57,720,000	67.67%
2037	7,380,000	990,000	805,000	-	9,175,000	48,545,000	72.81%
2038	7,625,000	1,035,000	840,000	-	9,500,000	39,045,000	78.13%
2039	7,150,000	1,085,000	875,000	-	9,110,000	29,935,000	83.23%
2040	6,205,000	1,130,000	915,000	-	8,250,000	21,685,000	87.85%
2041	5,440,000	1,185,000	960,000	-	7,585,000	14,100,000	92.10%
2042	4,535,000	1,235,000	1,000,000	-	6,770,000	7,330,000	95.89%
2043	-	1,290,000	1,045,000	-	2,335,000	4,995,000	97.20%
2044	-	1,350,000	1,095,000	-	2,445,000	2,550,000	98.57%
2045	-	1,410,000	1,140,000	-	2,550,000	-	100.00%
	<u>\$ 136,418,022</u>	<u>\$ 19,000,000</u>	<u>\$ 15,500,000</u>	<u>\$ 7,600,000</u>	<u>\$ 178,518,022</u>		

^(a) Includes self-supporting debt principal.

* Preliminary; subject to change.

OTHER OBLIGATIONS - CAPITAL LEASES

TABLE 7

Leases Payable

The City is obligated under several leases (direct borrowing) for copiers, computers, and police vehicles. The leases are secured by the financed assets and paid on a monthly basis.

Purpose	Date Issued	Maturity Date	Terms (Months)	Interest Rate	Original Principal	Amount Outstanding
Dell computers	1/1/2023	12/31/2025	36	2.656%	\$ 135,872	\$ 45,380
Copiers	6/23/2020	6/22/2025	44	0.475%	185,647	37,384
Police vehicles 21	12/17/2021	12/16/2026	60	3.750%	118,192	48,098
Police vehicles 22	4/20/2023	4/20/2023	60	6.250%	184,524	110,445
Police vehicles 23	7/18/2023	7/18/2027	60	7.990%	212,820	127,191

Annual debt service requirements to maturity for the leases are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 180,162	\$ 16,268	\$ 196,430
2026	107,601	12,704	120,305
2027	80,735	6,093	86,828
Total	\$ 368,498	\$ 35,065	\$ 403,563

INTEREST AND SINKING FUND MANAGEMENT INDEX

TABLE 8

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2024	\$ 1,278,604	
FY 2024-25 Interest and Sinking Fund Tax Levy of \$0.306118 at 98% Collections Produces	23,393,230	
Total Available for Debt Service	<u>\$ 24,671,834</u>	(a)
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-25	<u>17,425,886</u>	(b)*
Estimated Interest & Sinking Fund Balance at Fiscal Year Ending 9-30-25	<u>\$ 7,245,948</u>	(c)

(a) Calculated using Net Taxable Assessed Valuation, before TIRZ adjustment.

(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

<u>Year</u>	<u>Net Taxable Assessed Valuation^(a)</u>	<u>Change From Preceding Year</u>	
		<u>Amount (\$)</u>	<u>Percent</u>
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%
2022-23	5,909,382,138	924,324,879	18.54%
2023-24	6,913,103,042	1,003,720,904	16.99%
2024-25	6,928,263,866	15,160,824	0.22%
2025-26	7,797,856,559	869,592,693	12.55%

^(a) Includes value captured by the TIRZ. See Table 12 for assessed valuation after deducting value losses to the TIRZ.

Sources: Issuer's 2024 Annual Comprehensive Financial Report and information provided by Ellis Central Appraisal District.

FUND BALANCES
TABLE 10

	<u>As of September 30, 2024</u>	<u>As of June 30, 2025 (Unaudited)</u>
General Fund	\$ 38,866,909	\$ 48,406,223
General Obligation Debt Service Fund	1,278,604	7,744,416
Special Revenue Fund (Appropriated)	2,733,530	4,519,152
Capital Projects Fund (General Fund)	65,574,739	47,335,918
Capital Projects Fund (Utilities)	25,313,501	40,009,753
Revenue Bond Debt Service Fund	1,147,847	2,641,762
Revenue Bond Reserve Fund	-	8,891,151
Water and Sewer Operating Fund (Cash and Investment Only)	23,665,658	27,109,488
Utility Capital Recovery Fund (Impact Fees)	33,794,425	38,351,846
Total	\$ 192,375,213	\$ 225,009,709

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.

<u>Calendar Year</u>	<u>Total Collections</u>	<u>1% City Tax Collections</u>	<u>Tax Levy</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent Ad Valorem Tax Rate</u>
2016	6,833,928	3,416,964	19,376,285	17.63%	0.12
2017	7,592,786	3,796,393	21,448,519	17.70%	0.13
2018	8,724,276	4,362,138	26,245,503	16.62%	0.12
2019	10,309,990	5,154,995	28,231,847	18.26%	0.13
2020	12,574,112	6,287,056	31,674,755	19.85%	0.13
2021	13,635,306	6,817,653	29,667,706	22.98%	0.16
2022	18,402,380	9,201,190	34,033,271	27.04%	0.18
2023	20,598,244	10,299,122	43,753,409	23.54%	0.15
2024	24,746,509	12,373,254	44,553,043	27.77%	0.18
2025*	17,283,847	8,641,924	-	-	-

Source: Texas Comptroller of Public Accounts website and the Issuer.

*As of July, 2025.

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	2025-26	% of Total	2024-25	% of Total	2023-24	% of Total	2022-23	% of Total	2021-2022	% of Total
Real, Residential, Single-Family	\$ 5,823,845,822	44.56%	\$ 5,226,020,350	44.41%	\$ 5,317,369,054	47.75%	\$ 4,062,160,855	46.41%	\$ 3,133,465,224	45.53%
Real, Residential, Multi-Family	326,600,540	2.50%	310,599,188	2.64%	245,133,864	2.20%	220,668,208	2.52%	179,997,547	2.62%
Real, Vacant Lots/Tracts	230,475,024	1.76%	179,482,235	1.53%	224,176,344	2.01%	162,519,502	1.86%	66,978,666	0.97%
Real Acreage (Land Only)	350,841,975	2.68%	361,118,406	3.07%	328,357,155	2.95%	256,658,941	2.93%	179,726,645	2.61%
Farm & Ranch Improvements	180,204,017	1.38%	193,323,320	1.64%	223,724,580	2.01%	161,508,478	1.85%	100,024,256	1.45%
Real, Commercial	1,363,520,944	10.43%	1,343,220,408	11.41%	1,370,228,355	12.30%	1,283,353,160	14.66%	1,112,459,020	16.17%
Real, Industrial	1,413,811,784	10.82%	1,345,278,689	11.43%	1,042,162,488	9.36%	868,775,026	9.93%	844,626,381	12.27%
Oil and Gas	456,234	0.00%	211,820	0.00%	1,881,532	0.02%	840,323	0.01%	610,846	0.01%
Real & Tangible, Personal Utilities	120,181,876	0.92%	86,615,404	0.74%	80,871,178	0.73%	72,535,450	0.83%	69,052,894	1.00%
Tangible Personal, Commercial	1,372,145,039	10.50%	909,818,585	7.73%	781,633,480	7.02%	555,469,246	6.35%	403,916,067	5.87%
Tangible Personal, Industrial	796,160,865	6.09%	730,851,308	6.21%	653,893,461	5.87%	357,169,852	4.08%	285,930,147	4.15%
Tangible Personal, Mobile Homes	10,767,191	0.08%	10,090,945	0.09%	10,697,445	0.10%	8,900,007	0.10%	4,886,054	0.07%
Real Property, Inventory / Other	162,626,081	1.24%	239,680,899	2.04%	139,372,337	1.25%	87,332,027	1.00%	61,756,409	0.90%
Totally Exempt Property	918,747,260	7.03%	831,502,495	7.07%	716,832,113	6.44%	654,373,530	7.48%	438,279,252	6.37%
Total Market Value	\$ 13,070,384,652	100.00%	\$ 11,767,814,052	100.00%	\$ 11,136,333,386	100.00%	\$ 8,752,264,605	100.00%	\$ 6,881,709,408	100.00%
Less Exemptions:										
Local, Optional Homestead	\$ 1,335,092,281		\$ 1,228,787,943		\$ 587,201,501		\$ 158,261,519		\$ 151,581,094	
Disabled and Deceased Veterans'	4,683,907		4,460,934		4,234,879		11,683,519		5,779,780	
Disabled Veterans Homestead	326,548,646		240,155,023		178,772,881		116,353,381		85,876,565	
Agricultural Productivity Loss	348,579,410		358,869,227		322,868,727		258,019,893		175,949,899	
Abatements	1,384,040,583		1,409,157,115		1,224,505,883		897,539,378		640,809,938	
Freeport	435,425,557		170,679,209		165,657,122		187,585,577		139,762,031	
HS Cap and CB Cap Loss	206,732,658		301,401,614		803,930,209		342,036,520		55,659,201	
Pollution Control / Solar	312,350,379		305,086,867		216,333,212		215,264,946		202,263,302	
Other	-		-		844,826		420,586		691,087	
Totally Exempt Property	919,074,672		820,952,254		718,881,104		655,717,148		438,279,252	
Total Exemptions	\$ 5,272,528,093		\$ 4,839,550,186		\$ 4,223,230,344		\$ 2,842,882,467		\$ 1,896,652,149	
Net Taxable Assessed Valuation	\$ 7,797,856,559		\$ 6,928,263,866		\$ 6,913,103,042		\$ 5,909,382,138		\$ 4,985,057,259	
Tax Limit / Freeze Adjustment	\$ 453,015,875		\$ 363,340,296		\$ 448,802,965		\$ 673,494,232		\$ 589,841,485	
Net Taxable Assessed Valuation after TIRZ Adjustment	\$ 7,344,840,684		\$ 6,564,923,570		\$ 6,464,300,077		\$ 5,235,887,906		\$ 4,395,215,774	

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 2024-2025 LESS TIRZ TAXABLE REAL PROPERTY
TABLE 13

<u>Name</u>	<u>Type of Property</u>	2024		% of Total 2024
		Net Taxable	Assessed Valuation	Assessed Valuation
Midlothian Energy Limited	Utility	\$ 320,819,800		4.89%
Chaparral Steel Manufacturing (Gerdau)	Steel Manufacturer	212,576,766		3.24%
Sharka LLC	Data Center	133,911,239		2.04%
Holcim (US) Inc.	Cement Plant	87,986,900		1.34%
Target Corporation	Retail Distribution	82,248,815		1.25%
MPI Group	Retail Distribution	53,193,732		0.81%
Oncor Electric Delivery Company	Utility	50,171,520		0.76%
Martin Marietta North Texas	Cement Plant	45,944,090		0.70%
TXI Operations LP	Cement Plant	44,958,400		0.68%
The Mark At Walter Stephenson	Real Estate	43,729,938		0.67%
		Total	\$ 1,075,541,200	16.38%
Based on 2024-25 Net Taxable Assessed of (After TIRZ Adjustment)		\$ 6,564,923,570		

^(a) Excludes the portion of Target Corporations property located in the TIRZ in the amount of \$43,687,000.

^(b) Excludes the portion of the TXI property located in the TIRZ in the amount of \$41,530,700.

^(c) Excludes the portion of the Quik N Tasty Foods, Inc property located in the TIRZ in the amount of \$17,800,000.

Source: The Issuer

PROPERTY TAX RATES AND COLLECTIONS ^(a)
TABLE 14

<u>Tax Year</u>	Net Taxable	Total Tax Rate	Tax Levy	% Collections^(b)		Fiscal Year Ended
	Assessed Valuation After TIRZ Adjustment			Current	Total	
2016	2,269,048,335	0.708244	19,376,285	99.71%	99.99%	9/30/2017
2017	2,533,449,808	0.708244	21,448,519	99.48%	99.78%	9/30/2018
2018	3,192,674,407	0.708244	26,245,503	99.73%	99.89%	9/30/2019
2019	3,608,945,921	0.685000	28,231,847	99.44%	99.78%	9/30/2020
2020	3,964,376,550	0.675000	31,674,755	99.06%	99.40%	9/30/2021
2021	4,395,215,774	0.675000	29,667,706	99.59%	99.59%	9/30/2022
2022	5,235,887,906	0.650000	34,033,271	96.95%	97.58%	9/30/2023
2023	6,464,300,077	0.650000	43,753,409	99.60%	100.27%	9/30/2024
2024	6,564,923,570	0.650000	44,553,043	99.24% ^(c)	100.11%	9/30/2025
2025	7,344,840,684					9/30/2026

^(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 July 31, 2025.

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Ellis Appraisal District and the Issuer.

TAX RATE DISTRIBUTION
TABLE 15

	2024-25	2023-24	2022-23	2021-22	2020-21
General Fund	\$0.343882	\$0.329455	\$0.340590	\$0.380002	\$0.373975
I & S Fund	0.306118	0.320545	0.309410	0.294998	0.301025
TOTAL	\$0.650000	\$0.650000	\$0.650000	\$0.675000	\$0.675000

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 August 1, 2025)

<u>Taxing Body</u>	<u>Gross Debt</u> <u>Principal</u>	<u>%</u> <u>Overlapping</u>	<u>Amount</u> <u>Overlapping</u>
Ellis County	\$ 21,260,000	26.27%	\$ 5,585,002
Midlothian Independent School District	333,690,000	73.99%	246,897,231
Midlothian Municipal Management District #2	13,780,000	100.00%	13,780,000
Midlothian Municipal Management District #3	5,105,000	100.00%	5,105,000
Waxahachie Independent School District	584,306,701	0.82%	4,791,315
Total Net Overlapping Debt			\$276,158,548
City of Midlothian	178,518,022 ^(a)	100.00%	178,518,022 ^(a)
Total Gross Direct and Overlapping Debt Principal			<u>\$454,676,570</u> ^(a)
Ratio of Gross Direct and Overlapping Debt to 2025-26 Net Taxable Assessed Valuation (Including TIRZ Valuation)			5.83% ^(a)
Ratio of Gross Direct and Overlapping Debt to 2025-26 Actual Value			3.48% ^(a)
Per Capita Gross Direct and Overlapping Debt			\$10,052.99 ^(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			\$167,033,022 ^(b)
Calculations on the basis of Net General Obligation Debt would change the above figures as follows:			
Total Net Direct and Overlapping Debt Principal			<u>\$443,191,570</u> ^(b)
Ratio of Net Direct and Overlapping Debt to 2025-26 Net Taxable Assessed Valuation (Including TIRZ Valuation)			5.68% ^(b)
Ratio of Net Direct and Overlapping Debt Principal to 2025-26 Actual Value			3.39% ^(b)
Per Capita Net Direct and Overlapping Debt			\$9,799 ^(b)

^(a) Includes the Bonds, the Notes, 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).

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES**TABLE 17**

<u>Governmental Entity</u>	<u>2024 Net Taxable</u> <u>Assessed Valuation</u>	<u>% of Actual</u>	<u>2024</u> <u>Tax Rate</u>
Ellis County	\$ 35,456,117,026 ^(a)	100%	\$ 0.255
Midlothian Independent School District	10,365,329,761	100%	1.107
Midlothian Municipal Management District #2	85,550,860	100%	0.600
Midlothian Municipal Management District #3	118,270,149 ^(b)	100%	0.400
Waxahachie Independent School District	8,948,432,535	100%	1.168

^(a) Includes taxable assessed valuation captured by the Tax Increment Reinvestment Zone^(b) Net Taxable Assessed Valuation, Tax Year 2023.

Source: Ellis Appraisal District

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

(As of August 1, 2025)

<u>Taxing Body</u>	<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	<u>Issued</u> <u>To-Date</u>	<u>Unissued</u>
Ellis County	None				
Midlothian ISD	None				
Midlothian MMD #2	5/1/2021	Water, Sewer & Drainage	\$ 151,060,000	\$ 9,860,000	\$ 141,200,000
	5/1/2021	Road	229,560,000	3,920,000	225,640,000
	5/1/2021	Refunding W&S and Drainage	226,590,000	-	226,590,000
			<u>\$ 607,210,000</u>	<u>\$ 13,780,000</u>	<u>\$ 593,430,000.00</u>
Midlothian MMD #3	11/7/2017	Drainage	\$ 46,000,000	\$ -	\$ 46,000,000
	11/7/2017	Recreation	29,000,000	-	29,000,000
	11/7/2017	Roads	46,000,000	5,335,000	40,665,000
			<u>\$ 121,000,000</u>	<u>\$ 5,335,000</u>	<u>\$ 115,665,000</u>
Waxahachie ISD	5/6/2023	School Building	\$ 192,284,113	\$150,000,000	\$ 42,284,113
		School Building	322,072,031	190,000,000	132,072,031
		School Building Improvements	60,689,843	60,689,843	-
			<u>\$ 575,045,987</u>	<u>400,689,843</u>	<u>\$ 174,356,144</u>

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**

<u>Taxing Body</u>	<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	<u>Issued</u> <u>To-Date</u>	<u>Amount</u> <u>Being Issued*</u>	<u>Unissued</u>
City of Midlothian	5/1/2021	Public Safety	\$ 46,000,000	\$ 46,000,000	\$ -	\$ -
	5/1/2021	City Building	25,000,000	25,000,000	-	-
	5/1/2021	Recreation	19,000,000		19,000,000	-
	5/1/2021	Streets & Roads	35,575,000	14,400,000	-	21,175,000
			<u>\$ 125,575,000</u>	<u>\$ 85,400,000</u>	<u>\$ 19,000,000</u>	<u>\$ 21,175,000</u>

* Preliminary, subject to change. The Bonds.

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

TABLE 20

	Fiscal Year Ended September 30				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues:					
Taxes	\$ 38,434,233	\$ 33,950,616	\$ 30,965,511	\$ 27,503,621	\$ 24,870,448
Licenses and Permits	3,413,804	3,178,960	2,753,359	2,550,411	2,055,559
Intergovernmental	6,831,467	13,383,103	5,224,316	6,806,481	4,065,329
Charges for Services	2,812,363	2,124,570	2,783,123	2,541,185	1,624,932
Fines	1,140,062	721,964	776,090	772,678	700,802
Investment Income	1,639,535	1,519,801	282,923	6,240	415,331
Contributions and Donations	299,011	273,426	333,714	81,385	126,612
Miscellaneous	106,887	149,635	149,109	304,885	205,631
Total Revenues	<u>\$ 54,677,362</u>	<u>\$ 55,302,075</u>	<u>\$ 43,268,145</u>	<u>\$ 40,566,886</u>	<u>\$ 34,064,644</u>
Expenditures:					
Current:					
General Government	\$ 10,054,076	\$ 9,185,340	\$ 6,911,801	\$ 10,056,259	\$ 6,249,000
Public Safety	30,746,177	25,417,006	22,643,691	20,745,887	19,356,526
Public Works	6,078,938	4,564,838	5,423,837	5,892,675	5,745,341
Culture and Recreation	3,684,525	3,039,977	2,988,794	1,876,927	1,881,964
Intergovernmental (Payment to TIRZ)	2,293,113	2,273,424	2,227,560	2,816,619	1,939,995
Capital Outlay	91,231	404,639	122,712	-	-
Debt Service					
Principal retirement	708,603	590,900	315,942	142,461	136,164
Interest charges	34,005	12,009	13,141	21,712	28,011
Total Expenditures	<u>\$ 53,690,668</u>	<u>\$ 45,488,133</u>	<u>\$ 40,647,478</u>	<u>\$ 41,552,540</u>	<u>\$ 35,337,001</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 986,694	\$ 9,813,942	\$ 2,620,667	\$ (985,654)	\$ (1,272,357)
Other Financing Sources (Uses):					
Issuance of Lease	\$ -	\$ 533,216	\$ 122,712	\$ -	\$ -
Issuance of SBITA	1,918,762	101,924	-	-	-
Sale of Capital Assets	42,498	-	3,061,627	-	-
Transfers In (Includes Component Units)	3,443,577	3,050,377	3,050,377	3,050,388	2,804,957
Transfers Out	(1,572,765)	(10,101,728)	(1,251,815)	(1,316,172)	(1,291,629)
Total Other Financing Sources (Uses)	<u>\$ 3,832,072</u>	<u>\$ (6,416,211)</u>	<u>\$ 4,982,901</u>	<u>\$ 1,734,216</u>	<u>\$ 1,513,328</u>
Excess (Deficit) of Revenues/Other Sources Sources Over Expenditures/Other Uses	<u>4,818,766</u>	<u>3,397,731</u>	<u>7,603,568</u>	<u>748,562</u>	<u>240,971</u>
Fund Balance - Beginning of Year	<u>34,048,143</u>	<u>30,650,412</u> ^(a)	<u>23,046,825</u>	<u>22,298,263</u>	<u>22,057,292</u>
Fund Balance - September 30	<u>\$ 38,866,909</u>	<u>\$ 34,048,143</u>	<u>\$ 30,650,393</u>	<u>\$ 23,046,825</u>	<u>\$ 22,298,263</u>

Note: The City anticipates the General Fund balance for period ending September 30, 2025 will be approximately \$38,700,000.

^(a) Restated-See the Notes to Basic Financial Statements

Source: The Issuer's Audited Financial Statements and information from the Issuer.

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APPENDIX B

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

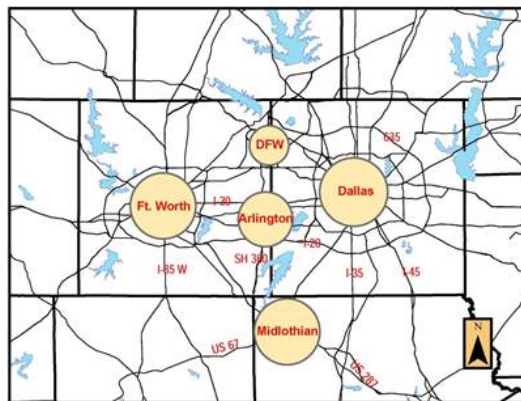
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GENERAL INFORMATION REGARDING THE CITY OF MIDLOTHIAN AND ELLIS COUNTY, TEXAS

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 2025 population of 45,228.

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 hospital. Google's facility in Midlothian is fully operational and expansion projects are underway within the RailPort Industrial District. Also located in RailPort is SunOpta Grains and Food who constructed a 275,000 square foot manufacturing facility. Logistics Property Company constructed a 550,000 square foot speculative industrial warehouse at RailPort Business Park. Provident Realty 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. The industrial development activity in Midlothian has never been stronger, Sunrider Manufacturing completed its 600,000 square foot manufacturing building and 500,000 square foot warehouse at Midlothian Business Park (MBP) in September 2022. McIver Properties broke ground in March 2022 for construction on a 100,147 square foot warehouse. 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. Desert Willow Energy is in the final phases of bringing their energy storage facility online. Gerdaui completed the Ellis Solar farm project and first GMSP (advanced heat treatment) facility with future phases to come. Home Zone Furniture completed its 700,000 square foot facility for the relocation of the company's headquarters, advertising, production, and warehouse operations. CarMax is under construction and is scheduled to open later this year. MidTowne PID is currently developing its final phases. Approximately 1,800 homes have been recently approved for PID assistance through two new developments within the last three years. Redden Farms public improvement district (PID) was established in 2021, and construction has begun which will have 800 homes. The Westside Preserve PID were established in 2022 which will have approximately 980 homes.

Source: *The City of Midlothian Annual Comprehensive Financial Report.*



Population Trends:

Census Report	City of Midlothian	Ellis County
Current Estimate	45,228	239,923
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 – FYE 2024:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Gerdau	Steel Manufacturing	1,250
Target Distribution	Distribution Center	1,250
Ash Grove, Texas Cement	Cement Plant	250
Methodist Hospital	Medical Facility	250
Lafarge Holcim Texas	Cement Plant	250
Martin Marietta Materials	Cement Production	250
Home Zone	Retail	250
Quick Trip Distribution	Distribution	250
SunOpta Grains and Foods	Beverage production facility	250

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, data collection centers, 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 2024, Ellis County's tax revenue increased by \$4,963,031 – a 13.57% % increase from FY23 – 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		
	<u>May 2025</u>	<u>May 2024</u>	<u>May 2023</u>	<u>May 2025</u>	<u>May 2024</u>	<u>May 2023</u>
Civilian Labor Force	123,529	121,240	105,838	15,825,723	15,501,676	15,009,265
Total Employed	119,066	117,122	101,867	15,193,879	14,913,510	14,392,961
Total Unemployed	4,463	4,118	3,971	631,844	588,166	616,304
% Unemployed	3.6%	3.4%	3.8%	4.0%	3.8%	4.1%
% Unemployed (United States)	4.0%	3.7%	3.7%	4.0%	3.7%	3.7%

Source: Texas Workforce Commission, Labor Market Information Department.

APPENDIX C

FORMS OF LEGAL OPINIONS OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

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

**CITY OF MIDLOTHIAN, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2025**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____

AS BOND COUNSEL for the City of Midlothian, Texas (the "City"), 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 City, 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 City 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 City, 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 City, 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 City 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.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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 City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering 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 City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

Respectfully,

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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 Certificates, assuming no material changes in facts or law.

**CITY OF MIDLOTHIAN, TEXAS,
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____

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

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 City, and other pertinent instruments authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized and issued and the Certificates delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Certificates issued in exchange therefore will have been duly delivered, in accordance with law, and that the Certificates, except as may be limited by laws applicable to the City 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 City, and that ad valorem taxes sufficient to provide for the payment of the interest, if any, on and principal of the Certificates have been levied and pledged for such purpose, within the limits prescribed by law, and that the Certificates are additionally secured by and payable from a limited pledge of the revenues of the City's combined Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations (now or hereafter outstanding), which are payable from all or part of said revenues, all as provided in the ordinance adopted by the City Council of the City, pursuant to which the Certificates have been issued.



IT IS FURTHER OUR OPINION that, except as discussed below, the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates 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 Certificates 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 City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates 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 Certificates, nor as to any such insurance policies issued in the future.



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

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

Respectfully,

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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 Notes, assuming no material changes in facts or law.

**CITY OF MIDLOTHIAN, TEXAS
TAX NOTES, SERIES 2025**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____

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

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 City, and other pertinent instruments authorizing and relating to the issuance of the Notes, including one of the executed Notes (Note Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Notes have been authorized and issued and the Notes delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Notes issued in exchange therefore will have been duly delivered, in accordance with law, and that the Notes, except as may be limited by laws applicable to the City 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 City, and that ad valorem taxes sufficient to provide for the payment of the interest, if any, on and principal of the Notes 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 City, pursuant to which the Notes have been issued.

IT IS FURTHER OUR OPINION that, except as discussed below, the interest on the Notes 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 Notes are not "specified private activity bonds" and that, accordingly, interest on the Notes 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 Notes 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 City fails to comply with such covenants, interest on the Notes may become includable in gross income retroactively to the date of issuance of the Notes.

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

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Notes, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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 Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Notes 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 Notes, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Notes is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering our opinions with respect to the legality and validity of the Notes under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Notes for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently



investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Notes, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Notes and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Notes has been limited as described therein.

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

Respectfully,

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APPENDIX D

**THE CITY OF MIDLOTHIAN AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2024**

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CITY OF MIDLOTHIAN, TEXAS

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2024**

As Prepared By:

Finance Department

City of Midlothian, Texas

CITY OF MIDLOTHIAN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

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INTRODUCTORY SECTION

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March 25, 2025

*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, 2024.

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, 2024, 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, 2024, are fairly presented in conformity with GAAP. The independent auditor's 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 auditor's 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.

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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 41,219 as of September 30, 2024. 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 72 and 86, respectively.

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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 15 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 hospital. Google's facility in Midlothian is fully operational and expansion projects are underway within the RailPort Industrial District. Also located in RailPort is SunOpta Grains and Food who constructed a 275,000 square foot manufacturing facility. Logistics Property Company constructed a 550,000 square foot speculative industrial warehouse at RailPort Business Park. Provident Realty 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. The industrial development activity in Midlothian has never been stronger, Sunrider Manufacturing completed its 600,000 square foot manufacturing building and 500,000 square foot warehouse at Midlothian Business Park (MBP) in September 2022. McIver Properties broke ground in March 2022 for construction on a 100,147 square foot warehouse. 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. Desert Willow Energy is in the final phases of bringing their energy storage facility online. Gerdau completed the Ellis Solar farm project and first GMSP (advanced heat treatment) facility with future phases to come. Home Zone Furniture completed its 700,000 square foot facility for the relocation of the company's headquarters, advertising, production, and warehouse operations. CarMax is under construction and is scheduled to open later this year. MidTowne PID is currently developing its final phases. Approximately 1,800 homes have been recently approved for PID assistance through two new developments within the last three years. Redden Farms public improvement district (PID) was established in 2021, and construction has begun which will have 800 homes. The Westside Preserve PID were established in 2022 which will have approximately 980 homes.

The City is 63.6% developed with a projected growth rate of 8.44% and also benefits from a well-educated and affluent workforce. Midlothian's average household effective buying income is \$119,323.

Advanced education is available at the Navarro Community College campus. Classes are available at this campus from Texas A&M University-Commerce and Tarleton State University. 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 trade, 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.

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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 Mid-Way airport is jointly owned by the cities of Midlothian and Waxahachie.

Medical services are available locally at the 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, which 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 119 acres of undeveloped park land, and 337 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. 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 was 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 October 8, 2024. In fiscal year 2024, building permits were approved for 855 single-family homes with an estimated annual average value of \$480,000. There are currently 1,078 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 3-8% for the past five years. In 2024, the growth was approximately 4.42%; with a five-year growth of 21.09%.

The local economy remained strong during the national pandemic and continues to do so. Sales tax increased by 19% during the current year. Due to the strong sales tax in 22-23, council projected an increase to the sales tax, budgeting \$10,100,000 for the 23-24 fiscal year which is \$1,975,000 above the amount budgeted for 22-23. 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.

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Building Permit Revenue increased by \$173,762 in 23-24 due primarily from new residential construction which is at a historical high. Building Permits are budgeted to increase by 11% in 2024-2025. This increase is anticipated due to several new developments, and council budgeted conservatively in 24-25. The city is thriving with new development and indicators do not show a slowdown 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.

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The Finance Director and Budget Officer 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 \$34,936,740. Within the FY 2023-2024 amended general budget, the Council approved the use of unassigned funds for prior year encumbrances and one-time capital expenditures. The funds were utilized for street rehabilitation, special projects, comprehensive plan, parks and recreation enhancements related to manicured mowing and weather warning systems.

In 2020, the Council formed a Citizen's Planning Group to discuss future project needs of the City. The 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 \$125,500,00 total bond package which included a new City Hall/Public Library (\$25,000,000), and a new Public Safety Building (\$46,000,000), 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 \$13,480,00 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 was for \$68,090,000 in October 2022 to draw funds for construction of the new buildings. The city had unissued street funds remaining from a 2017 Bond election of \$7,225,000, of which the full amount was issued in October 2022. The third issuance was in August 2023 for \$11,665,000 to be used to finance street and road construction and improvements. The construction of the City Hall/Library was substantially completed by September 30, 2024, and opened shortly after year end. The Public Safety Building was under construction at year end.

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 comprehensive annual financial report for the fiscal year ended September 30, 2023. This was the nineteenth consecutive year that the City has achieved this prestigious award. In order 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, 2023. 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. This was the twenty-three consecutive year that the City has achieved this prestigious award.

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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

*Chris Dick, CPA
City Manager*

Ann Honza, CPA, Finance Director

*Ann M. Honza, CPA
Finance Director/CFO*

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Midlothian
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

Executive Director/CEO



CITY OF MIDLOTHIAN, TEXAS

PRINCIPAL OFFICERS

SEPTEMBER 30, 2024

MAYOR

Justin Coffman

MAYOR PRO-TEM

Clark Wickliffe

CITY COUNCIL

Allen Moorman

Mike Rodgers

Anna Hammonds

Ross Weaver

Wayne Shuffield

CITY MANAGER

Chris Dick, CPA

FINANCE DIRECTOR/CFO

Ann Honza, CPA

FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

Opinions

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 (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently know information that may raise substantial doubt shortly thereafter.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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.

Supplementary 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 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2025, 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
March 25, 2025

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CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024

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, 2024.

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 \$552,301,977 (net position). Of this amount, \$57,350,509 (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 \$67,013,114 for the current fiscal year, which resulted primarily from ad valorem, sales and franchise fees of \$61,363,660 and capital grants and contributions of \$45,029,123.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$108,453,782. Of this amount, 32% or \$34,932,975 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 \$34,936,740 or 65% of total General Fund expenditures.

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 14-17 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.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024

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 twelve 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 eleven 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 22-26 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 31-71.

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 72-80 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 82-86 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 \$552,301,977 as of September 30, 2024.

The largest portion of the City's net position \$448,545,408 (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 services 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.

CITY OF MIDLOTHIAN, TEXAS

**Management's Discussion and Analysis
For the Year Ended September 30, 2024**

Long-term liabilities decreased by \$9,167,961 for the fiscal year ended September 30, 2024, due primarily to the annual principal payments for the current year.

An additional portion of the City's net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position (\$57,350,509), which may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2024, 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, 2024.

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 131,411,911	\$ 168,840,665	\$ 71,325,860	\$ 62,711,426	\$ 202,737,771	\$ 231,552,091
Capital assets	346,488,045	280,033,872	191,213,219	168,149,605	537,701,264	448,183,477
Total assets	<u>477,899,956</u>	<u>448,874,537</u>	<u>262,539,079</u>	<u>230,861,031</u>	<u>740,439,035</u>	<u>679,735,568</u>
Total deferred outflows of resources	<u>7,115,058</u>	<u>8,610,198</u>	<u>931,906</u>	<u>1,135,735</u>	<u>8,046,964</u>	<u>9,745,933</u>
Long-term liabilities	163,386,590	170,482,200	12,711,604	14,783,955	176,098,194	185,266,155
Other liabilities	11,838,132	12,248,969	5,734,606	4,869,566	17,572,738	17,118,535
Total liabilities	<u>175,224,722</u>	<u>182,731,169</u>	<u>18,446,210</u>	<u>19,653,521</u>	<u>193,670,932</u>	<u>202,384,690</u>
Total deferred inflows of resources	<u>1,802,192</u>	<u>1,586,234</u>	<u>710,898</u>	<u>221,714</u>	<u>2,513,090</u>	<u>1,807,948</u>
Net investment in capital assets	271,365,434	244,175,256	178,202,996	155,742,567	448,545,408	398,272,795
Restricted for:						
Debt service	2,233,389	1,596,966	1,106,083	1,073,012	3,339,472	2,669,978
Capital improvements	-	-	39,864,775	30,500,814	39,864,775	30,500,814
Other purposes	3,201,813	2,345,268	-	-	3,201,813	2,345,268
Unrestricted	<u>31,187,464</u>	<u>25,049,842</u>	<u>25,140,023</u>	<u>24,805,138</u>	<u>57,350,509</u>	<u>51,500,008</u>
Net position	<u>\$ 307,988,100</u>	<u>\$ 273,167,332</u>	<u>\$ 244,313,877</u>	<u>\$ 212,121,531</u>	<u>\$ 552,301,977</u>	<u>\$ 485,288,863</u>

CITY OF MIDLOTHIAN, TEXAS

**Management's Discussion and Analysis
For the Year Ended September 30, 2024**

The following table provides a summary of the City's Statement of Activities for the year ended September 30, 2024.

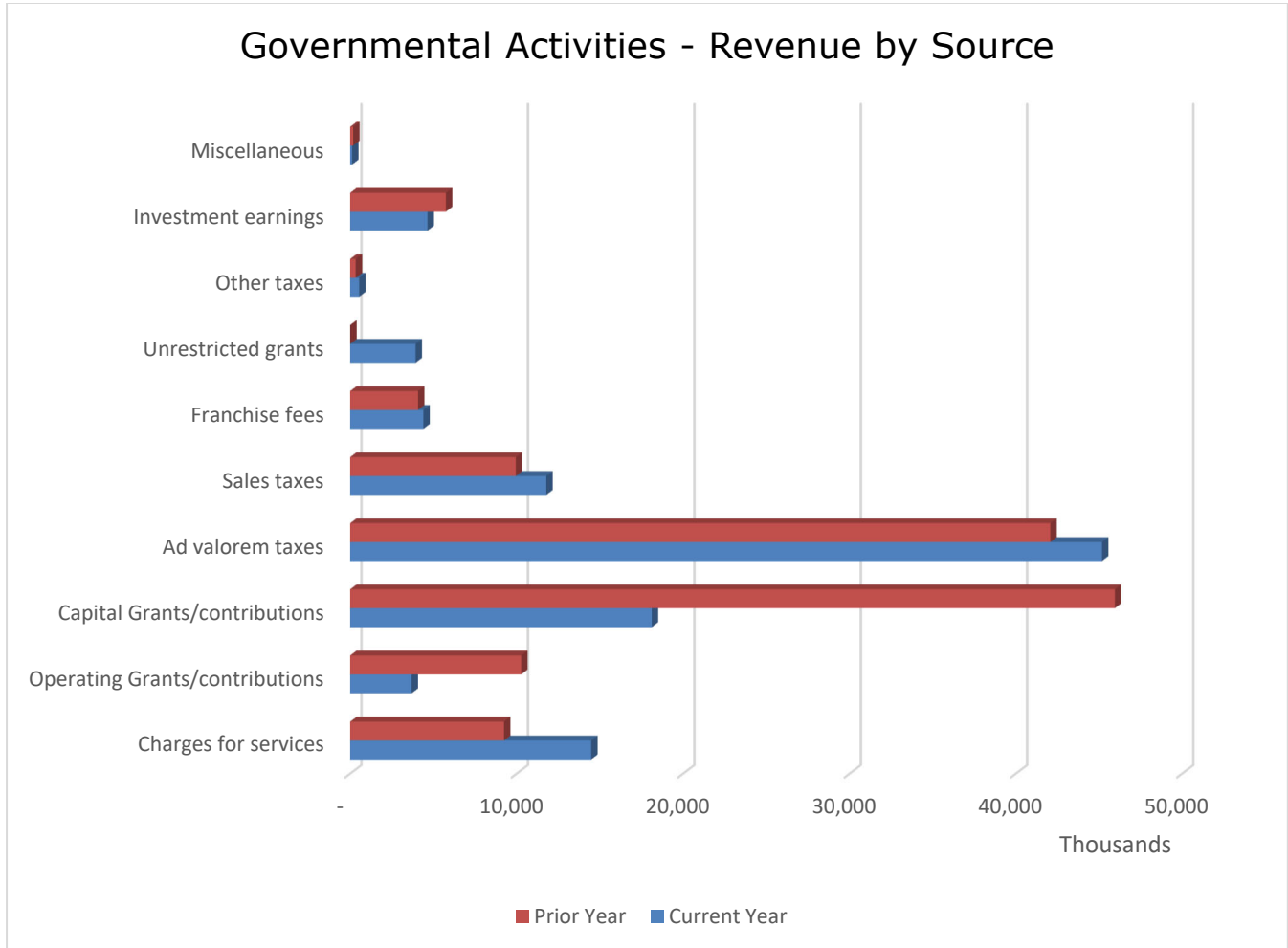
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Program revenues:						
Fees, fines and charges for services	\$ 14,474,703	\$ 9,235,218	\$ 37,161,818	\$ 32,912,960	\$ 51,636,521	\$ 42,148,178
Operating grants and contributions	3,680,693	10,274,042	-	-	3,680,693	10,274,042
Capital grants and contributions	18,117,174	45,955,603	26,911,949	29,474,622	45,029,123	75,430,225
General revenues:						
Ad valorem taxes	45,182,372	42,071,738	-	-	45,182,372	42,071,738
Sales taxes	11,782,037	9,948,894	-	-	11,782,037	9,948,894
Franchise taxes	4,399,251	4,071,225	-	-	4,399,251	4,071,225
Other taxes	543,293	331,404	-	-	543,293	331,404
Unrestricted grants and contributions	3,925,839	-	-	-	3,925,839	-
Gain on sale of asset	-	-	-	41,445	-	41,445
Investment earnings	4,647,758	5,746,591	2,206,923	2,138,622	6,854,681	7,885,213
Miscellaneous	116,145	177,104	-	-	116,145	177,104
Total revenues	<u>106,869,265</u>	<u>127,811,819</u>	<u>66,280,690</u>	<u>64,567,649</u>	<u>173,149,955</u>	<u>192,379,468</u>
Expenses:						
General government	18,812,711	14,687,695	-	-	18,812,711	14,687,695
Public safety	32,538,057	28,297,030	-	-	32,538,057	28,297,030
Public works	13,355,778	15,149,489	-	-	13,355,778	15,149,489
Cultural and recreation	6,103,507	5,476,034	-	-	6,103,507	5,476,034
Interest on long-term debt	4,645,701	5,203,561	-	-	4,645,701	5,203,561
Water and Sewer	<u>-</u>	<u>-</u>	<u>30,681,087</u>	<u>26,805,868</u>	<u>30,681,087</u>	<u>26,805,868</u>
Total expenses	<u>75,455,754</u>	<u>68,813,809</u>	<u>30,681,087</u>	<u>26,805,868</u>	<u>106,136,841</u>	<u>95,619,677</u>
Increases in net position before transfers	31,413,511	58,998,010	35,599,603	37,761,781	67,013,114	96,759,791
Transfers	<u>3,407,257</u>	<u>5,867,545</u>	<u>(3,407,257)</u>	<u>(5,867,545)</u>	<u>-</u>	<u>-</u>
Change in net position	34,820,768	64,865,555	32,192,346	31,894,236	67,013,114	96,759,791
Net position - beginning	273,167,332	204,324,220	212,121,531	180,227,295	485,288,863	384,551,515
Prior period adjustment	<u>-</u>	<u>3,977,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,977,557</u>
Net position - beginning, restated	<u>273,167,332</u>	<u>208,301,777</u>	<u>212,121,531</u>	<u>180,227,295</u>	<u>485,288,863</u>	<u>388,529,072</u>
Net position - ending	<u>\$ 307,988,100</u>	<u>\$ 273,167,332</u>	<u>\$ 244,313,877</u>	<u>\$ 212,121,531</u>	<u>\$ 552,301,977</u>	<u>\$ 485,288,863</u>

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024

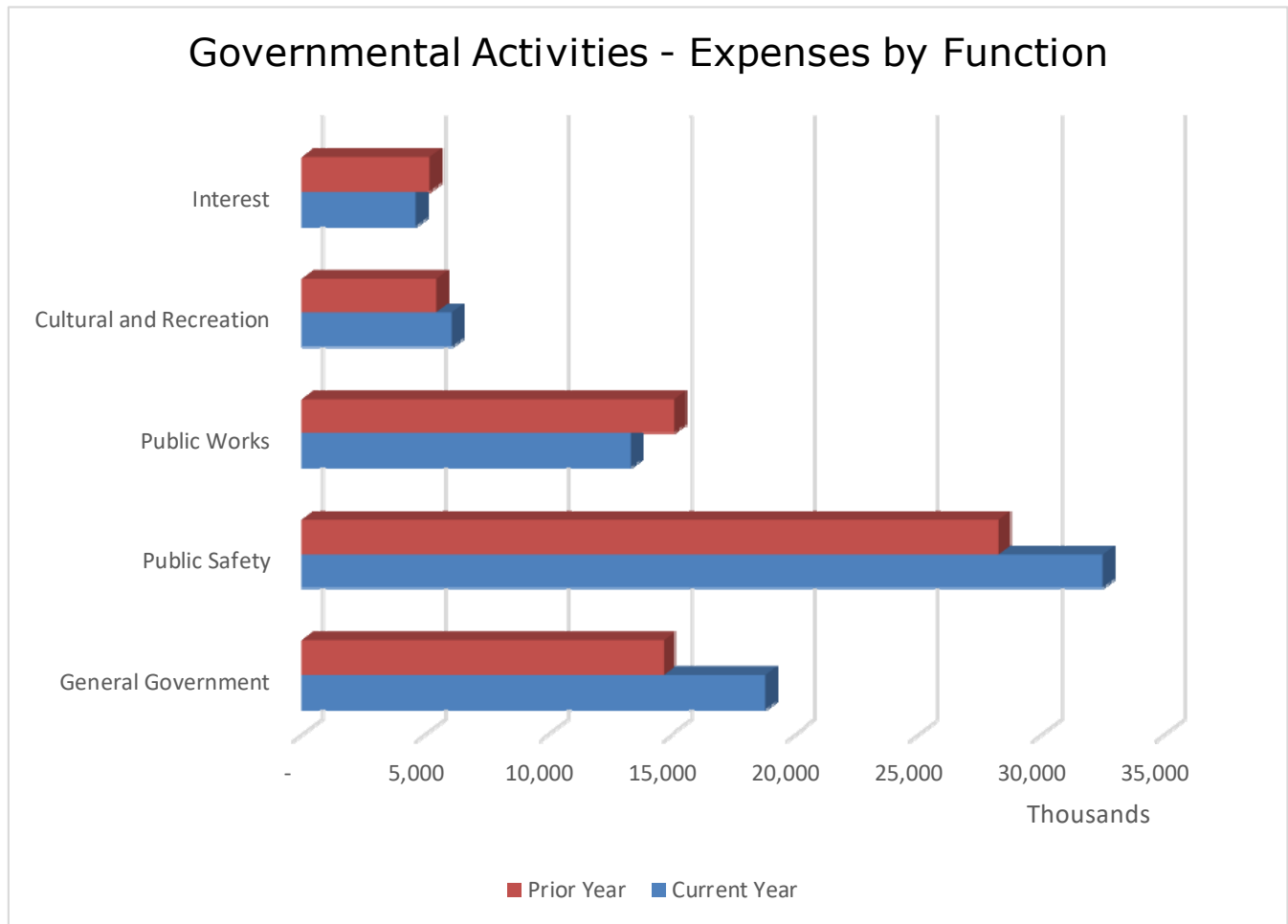
Governmental activities - Governmental activities increased the City's net position by \$34,820,768. Overall total revenues for fiscal year 2024 were lower than the previous fiscal year. This was primarily due to large decreases in capital grants and contributions (\$27,838,429) and operating grants and contributions (\$6,583,149). Ad valorem taxes increased by \$3,110,634. Sales taxes increased by \$1,833,143.

The City's governmental activities expenses for 2024 increased by \$6,641,945 due primarily to increases in general government and public safety expenses. These increases were mostly the result of additional personnel and equipment purchases. Overall, net position increased by \$34,820,768.



CITY OF MIDLOTHIAN, TEXAS

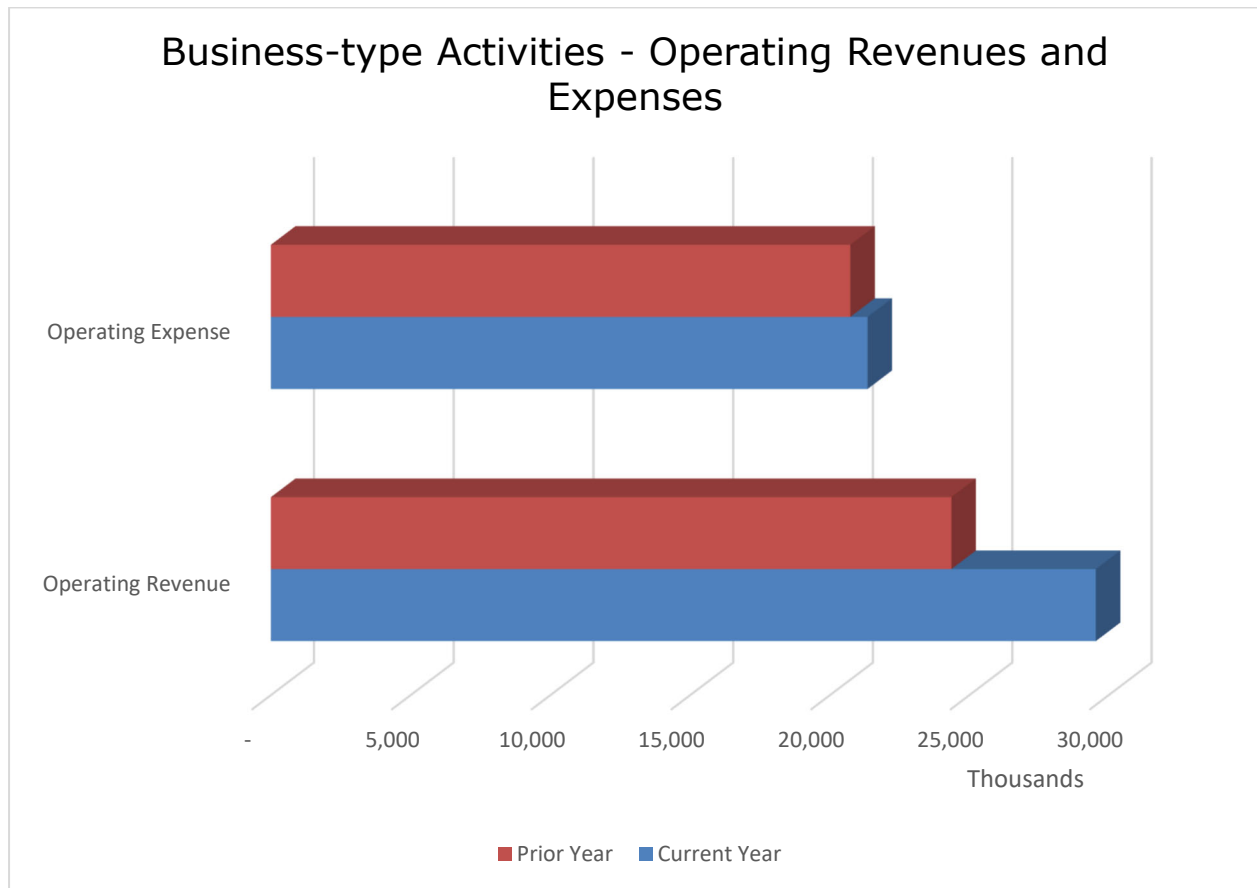
Management's Discussion and Analysis For the Year Ended September 30, 2024



Business-type activities - Business-type activities increased the City's net position by \$32,196,346. The increase is primarily due to \$26.9 million of capital grants and contributions, which was largely attributable to developer contributions and an overall increase in demand and growth from development for all business-type activities consisting primarily of water, sewer, and contract water sales. Operating expenses increased by \$3,875,219, primarily due to one-time expenses related to increased water treatment capacity. The overall change in net position recognized an increase of \$32,192,346.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024



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 \$108,453,782. Approximately 32% of this total amount (\$34,932,975) constitutes unassigned fund balance. Restricted fund balance (\$70,063,069) is primarily comprised of restrictions for capital improvements in the capital projects fund and restricted for debt service. Additional restricted amounts are for police imprest/special response team, tourism, court technology and building security, and grants. The General Fund has a nonspendable amount of \$28,986 for prepaid items, and \$248,056 committed for construction projects. In the General Fund, \$188,385 is assigned for community improvements and a conference center. Additionally, \$3,002,511 is assigned for the next year's budget deficit.

The increase in fund balance for the General Fund is due primarily to expenditures coming in below expectations by \$802,119 and offset by final revenues exceeding budgeted amounts by \$4,891,740. Tax collections contributed to the fund balance increase, exceeding budget in the fiscal year, which resulted from an increased tax levy, combined with growth, and increased appraisal values. Sales tax revenue increased significantly due to inflating factors and increased retail options. Investment revenue increased due to favorable interest rates. Expenditures were below budget due to staffing vacancy net of increased overtime and increased fuel cost.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024

The Debt Service Fund balance increased by \$324,117 due to increases in investment income and tax collections.

The fund balance for the Capital Projects Fund decreased by \$42,870,441. This was caused primarily by the capital outlay expenditures continuing to be made on capital projects.

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 \$25,140,023. Factors affecting the performance of the fund during the year include an increase in water usage and sewer collections as well as an increase in costs related to 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 \$1,005,486 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 \$4,891,740 above the budgeted amount of \$49,785,622 and expenditures falling below the budgeted amount of \$54,492,787 by \$802,119. Tax collections contributed to the fund balance increase, exceeding budget by \$1,882,210. The main reason was continued strong growth and increased appraisal values. The expenditures were below the amended budget by \$802,119 due to cost savings from fluctuations in hiring/terminations of payroll.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to \$537,701,264 (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 \$89,517,787, (a 20% 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 the construction of a new City Hall/Library and Public Safety Building. A significant increase in street and drainage improvements in the current year was from contributions by developers 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 and developer contributions.

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 40,199,928	\$ 38,078,527	\$ 812,778	\$ 812,778	\$ 41,012,706	\$ 38,891,305
Buildings	29,894,348	29,894,348	41,695,331	41,695,331	71,589,679	71,589,679
Equipment	24,098,483	22,742,584	9,419,466	8,756,886	33,517,949	31,499,470
Improvements	58,867,779	58,211,655	-	-	58,867,779	58,211,655
Infrastructure	258,944,785	238,034,164	137,678,964	118,795,820	396,623,749	356,829,984
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
Right to use equipment	961,453	1,155,387	-	-	961,453	1,155,387
SBITAs	2,199,906	345,998	-	-	2,199,906	345,998
Construction in progress	85,934,936	31,954,771	23,090,748	13,623,668	109,025,684	45,578,439
Accumulated depreciation	(154,613,573)	(140,383,562)	(69,485,783)	(63,536,593)	(224,099,356)	(203,920,155)
Total	\$ 346,488,045	\$ 280,033,872	\$ 191,213,219	\$ 168,149,605	\$ 537,701,264	\$ 448,183,477

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024

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

- Street and drainage additions (developer contributions) - \$4,385,282
- Street and drainage rehab and roadway infrastructure donated by developer - \$13,703,383.
- Cost related to the construction of Public Safety and Library/City Hall building - \$42,933,566.
- Water and sewer lines donated by developers - \$10,435,291.
- Water and sewer lines rehab - \$1,872,524
- Water treatment underdrain - \$1,153,808.

Additional information regarding the City's capital assets can be found in Note 6 on pages 49-50 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 \$169,738,156.

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. The first issuance was in September 2021 for \$13,480,00 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 was for \$68,090,000 in October 2022 to draw funds for construction of the new buildings. In August 2023, the City issued \$11,665,000 of this package to finance street and road construction and improvements.

A bond election was held in November 2017 when the voters approved a \$47,400,000 bond package for building a new fire station and firefighting training facility (\$9,100,000), constructing and improving streets (\$22,200,000) and park construction and improvements (\$16,100,000). The City issued \$4,665,000 for street improvements, leaving \$7,225,000 to draw on the 2017 bond package for street improvements.

On September 30, 2024, the City's long-term liabilities consisted of the following:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Tax notes	\$ 9,085,000	\$ 5,000,000	\$ -	\$ -	\$ 9,085,000	\$ 5,000,000
General obligation bonds	117,518,021	128,955,027	10,030,000	11,930,000	127,548,021	140,885,027
Accreted interest	3,192,033	4,743,117	-	-	3,192,033	4,743,117
Certificates of obligation	4,145,000	4,675,000	-	-	4,145,000	4,675,000
Financed Purchases	-	-	-	-	-	-
Leases	368,498	629,440	-	-	368,498	629,440
SBITAs	1,668,535	197,428	-	-	1,668,535	197,428
Bond premiums	7,027,862	7,567,811	514,580	629,996	7,542,442	8,197,807
Arbitrage	2,110,905	-	-	-	2,110,905	-
Compensated absences	3,834,114	3,125,007	258,044	174,425	4,092,158	3,299,432
Total	<u>\$ 148,949,968</u>	<u>\$ 154,892,830</u>	<u>\$ 10,802,624</u>	<u>\$ 12,734,421</u>	<u>\$ 159,752,592</u>	<u>\$ 167,627,251</u>

Additional information on the City's long-term debt can be found in Note 7 on pages 51-56 of this report.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City has budgeted for a 16% increase in sales tax and 12% increase in garbage franchise tax for the 24-25 fiscal year based on current growth. Development continues and new residents are buying homes in the City, with an increase of 11% in building permit revenue stands based on the 2023-2024 projections. The park rental fees are budgeted to continue climbing 98% due to the spike in revenue from the tournaments and rentals for park events and sports parks are budgeted to also jump to 118% based on the 2023-2024 projections for recreational sports team activities. Overall, licenses and permits are budgeted to rise 13%, and intergovernmental services will grow 5%; which includes the Midlothian ISD School Resource Officer (SRO) contract. The City continues to heavily subsidize the agreement they have with MISD. The Tax Increment Investment Zone (TIRZ) revenue rebate is budgeted to increase 4% based on values and abatements located within the zone.

In the fiscal year 2024-2025 budget, General Fund revenues are budgeted to rise overall by 9% relative to the 2023-2024 budget with taxes making up about 71% of budgeted revenues. Ad Valorem and Sales Tax lead this category, which has been trending upward over the past ten years, and it is anticipated this trend will continue to increase in FY 2024-2025 with increased property values including the local economy remains intact. The Development Services Department anticipates persisted growth for the 2024-2025 budget year, building permits for new homes experienced a boost with 855 new single-family permits issued in 2024. Plan review revenues are anticipated with new residential and commercial construction since as of September 30, 2024, the number of available buildable lots stands at 9,526. Interest income is budgeted to increase by 65% compared to 2023 – 2024 adopted. The economic future continues to look up for the City in maintaining a healthy fund balance.

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 second issuance (\$63,900,000) was completed in September 2022 for the construction of the new City Hall/library and public safety building. The most recent and third issuance (\$12,000,000) occurred in September 2023. The remaining amount to issue will be discussed during the budget planning for the 2025-2030 strategic planning in March 2025. In 2021, there was an issuance from a 2017 bond package in the amount of \$4,665,000 for street improvements and in September 2022, another issuance was completed in the amount of \$7,225,000.

The City Council authorized the use of unassigned fund balance in the amount of \$3,002,511 in FY 2024 -2025 for large capital equipment purchases, additional personnel 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 2024 - 2025 are \$6,928,263,866 and the Senior Freeze Adjusted Certification of \$6,564,923,570 less \$814,367,230 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. The Council provided an exemption enhancement this fiscal year, which added relief to constituents. One exemption, for elderly, disabled veterans and other disabled persons, was increased from seventy thousand dollars (\$70,000) to one hundred and fifty thousand dollars (\$150,000); in addition, the homestead exemption was increased from ten percent (10%) to twenty percent (20%) effective for the 2024 tax year. This enhancement was possible due to the offset of continued growth in the City's tax base. In 2019, the State of Texas legislature set a limit on the property tax effective rollback tax to a 3% cap.

The tax rate for FY 2024 - 2025 is \$0.650000 per \$100 valuation, which was a Council goal that remained unchanged compared to the 23-24 budget year.

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 215 N. 8th Street, Midlothian, Texas 76065, or call (972) 775-3481.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS

Exhibit 1

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 88,725,081	\$ 15,262,368	\$ 103,987,449	\$ 76,818,120
Investments	27,010,535	8,403,290	35,413,825	19,479,078
Receivables:				
Taxes, net of allowance	316,327	-	316,327	-
Accounts, net of allowance	1,409,644	5,739,486	7,149,130	192,285
Leases	688,230	436,429	1,124,659	-
Other	-	292,353	292,353	-
Due from component units	113,445	-	113,445	-
Internal balances	(6,594)	6,594	-	-
Due from other governments	3,155,654	-	3,155,654	2,377,291
Note receivable	1,601,244	-	1,601,244	4,018,346
Prepaid items	28,986	-	28,986	-
Restricted assets:				
Cash and cash equivalents	-	33,808,488	33,808,488	4,145,617
Investments	-	7,376,852	7,376,852	-
Investment in joint venture	8,369,359	-	8,369,359	-
Capital assets:				
Nondepreciable	126,134,864	53,853,320	179,988,184	14,879,144
Depreciable, net	220,353,181	137,359,899	357,713,080	3,362,751
Total assets	<u>477,899,956</u>	<u>262,539,079</u>	<u>740,439,035</u>	<u>125,272,632</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	6,304,303	662,118	6,966,421	122,639
OPEB related	605,827	159,073	764,900	2,859
Deferred losses on bond refundings	204,928	110,715	315,643	1,702,544
Total deferred outflows of resources	<u>7,115,058</u>	<u>931,906</u>	<u>8,046,964</u>	<u>1,828,042</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 1

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 9,830,329	\$ 4,087,813	\$ 13,918,142	\$ 9,767,224
Accrued liabilities	1,120,315	88,750	1,209,065	-
Accrued interest payable	628,163	41,764	669,927	191,395
Due to other governments	2,474	7,451	9,925	-
Due to primary government	-	-	-	113,445
Deposits payable	-	1,508,828	1,508,828	-
Unearned revenue	162,665	-	162,665	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	15,684,051	2,054,511	17,738,562	3,015,351
Total OPEB liability	94,186	26,197	120,383	308
Due in more than one year:				
Long-term debt	133,265,917	8,748,113	142,014,030	16,698,661
Net pension liability	12,132,594	1,274,243	13,406,837	236,021
Total OPEB liability	2,304,028	608,540	2,912,568	10,538
Total liabilities	175,224,722	18,446,210	193,670,932	30,032,943
DEFERRED INFLOWS OF RESOURCES				
Pension related	178,618	18,760	197,378	3,474
OPEB related	978,956	260,400	1,239,356	4,305
Lease related	644,618	431,738	1,076,356	-
Total deferred inflows of resources	1,802,192	710,898	2,513,090	7,779
NET POSITION				
Net investment in capital assets	271,365,434	178,202,996	448,545,408	15,581,806
Restricted for:				
Debt service	2,233,389	1,106,083	3,339,472	3,990,845
Capital improvements	-	39,864,775	39,864,775	-
Tax increment reinvestment zone	-	-	-	48,764,254
Economic development	-	-	-	28,723,047
Other purposes	3,201,813	-	3,201,813	-
Unrestricted	31,187,464	25,140,023	57,350,509	-
Total net position	\$ 307,988,100	\$ 244,313,877	\$ 552,301,977	\$ 97,059,952

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 18,812,711	\$ 6,744,721	\$ 102,000	\$ -
Public safety	32,538,057	4,327,742	2,652,797	28,509
Public works	13,355,778	3,202,795	-	18,088,665
Culture and recreation	6,103,507	199,445	925,896	-
Interest on long-term debt	4,645,701	-	-	-
Total governmental activities	<u>75,455,754</u>	<u>14,474,703</u>	<u>3,680,693</u>	<u>18,117,174</u>
Business-type activities:				
Water and sewer	30,681,087	37,161,818	-	26,911,949
Total business-type activities	<u>30,681,087</u>	<u>37,161,818</u>	<u>-</u>	<u>26,911,949</u>
Total primary government	<u>106,136,841</u>	<u>51,636,521</u>	<u>3,680,693</u>	<u>45,029,123</u>
Component units:				
Midlothian Economic Development	4,781,542	976,765	-	-
Midlothian Community Development Corporation	3,710,069	562,763	256,349	-
Midlothian Development Authority	14,204,749	-	-	-
Total component units	<u>\$ 22,696,360</u>	<u>\$ 1,539,528</u>	<u>\$ 256,349</u>	<u>\$ -</u>
General Revenues:				
Taxes:				
Ad valorem				
Sales				
Franchise				
Other				
Unrestricted grants and contributions				
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
\$ (11,965,990)	\$ -	\$ (11,965,990)	\$ -
(25,529,009)	-	(25,529,009)	-
7,935,682	-	7,935,682	-
(4,978,166)	-	(4,978,166)	-
(4,645,701)	-	(4,645,701)	-
<u>(39,183,184)</u>	<u>-</u>	<u>(39,183,184)</u>	<u>-</u>
-	33,392,680	33,392,680	-
-	33,392,680	33,392,680	-
<u>(39,183,184)</u>	<u>33,392,680</u>	<u>(5,790,504)</u>	<u>-</u>
			(3,804,777)
			(2,890,957)
			<u>(14,204,749)</u>
			<u>(20,900,483)</u>
45,182,372	-	45,182,372	21,210,320
11,782,037	-	11,782,037	12,227,338
4,399,251	-	4,399,251	-
543,293	-	543,293	-
3,925,839	-	3,925,839	-
4,647,758	2,206,923	6,854,681	2,865,633
116,145	-	116,145	245,931
3,407,257	(3,407,257)	-	-
<u>74,003,952</u>	<u>(1,200,334)</u>	<u>72,803,618</u>	<u>36,549,222</u>
34,820,768	32,192,346	67,013,114	15,648,739
<u>273,167,332</u>	<u>212,121,531</u>	<u>485,288,863</u>	<u>81,411,213</u>
<u>\$ 307,988,100</u>	<u>\$ 244,313,877</u>	<u>\$ 552,301,977</u>	<u>\$ 97,059,952</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS

Exhibit 3

**BALANCE SHEET
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2024

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 13,983,458	\$ 1,278,107	\$ 70,648,444	\$ 2,815,072	\$ 88,725,081
Investments	24,782,238	496	2,227,801	-	27,010,535
Receivables:					
Taxes, net	123,027	127,949	-	65,351	316,327
Accounts, net	1,404,068	-	1,478	4,098	1,409,644
Leases	688,230	-	-	-	688,230
Due from other governments	3,013,074	-	-	142,580	3,155,654
Due from other funds	270	-	-	776	1,046
Due from component units	113,445	-	-	-	113,445
Note receivable	-	1,601,244	-	-	1,601,244
Prepaid items	28,986	-	-	-	28,986
Total assets	<u>44,136,796</u>	<u>3,007,796</u>	<u>72,877,723</u>	<u>3,027,877</u>	<u>123,050,192</u>
LIABILITIES					
Accounts payable	2,238,017	-	7,302,984	289,328	9,830,329
Accrued liabilities	1,120,315	-	-	-	1,120,315
Due to other funds	6,594	-	-	1,046	7,640
Due to other governments	2,474	-	-	-	2,474
Unearned revenue	16,421	146,244	-	-	162,665
Total liabilities	<u>3,383,821</u>	<u>146,244</u>	<u>7,302,984</u>	<u>290,374</u>	<u>11,123,423</u>
DEFERRED INFLOWS OF RESOURCES					
Lease related	644,618	-	-	-	644,618
Unavailable revenue	1,241,448	1,582,948	-	3,973	2,828,369
Total deferred inflows	<u>1,886,066</u>	<u>1,582,948</u>	<u>-</u>	<u>3,973</u>	<u>3,472,987</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	28,986	-	-	-	28,986
Restricted for:					
Law enforcement	462,231	-	-	620,543	1,082,774
Tourism	-	-	-	183,651	183,651
Court	-	-	-	420,161	420,161
City Beautification	-	-	-	127,332	127,332
Grants	-	-	-	1,221,035	1,221,035
Community improvements	-	-	-	164,573	164,573
Capital improvements	-	-	65,574,739	-	65,574,739
Debt service	-	1,278,604	-	-	1,278,604
Committed - construction	248,056	-	-	-	248,056
Assigned for:					
Community improvements	33,688	-	-	-	33,688
Conference center	154,697	-	-	-	154,697
Budget deficit	3,002,511	-	-	-	3,002,511
Unassigned	34,936,740	-	-	(3,765)	34,932,975
Total fund balances	<u>38,866,909</u>	<u>1,278,604</u>	<u>65,574,739</u>	<u>2,733,530</u>	<u>108,453,782</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 44,136,796</u>	<u>\$ 3,007,796</u>	<u>\$ 72,877,723</u>	<u>\$ 3,027,877</u>	<u>\$ 123,050,192</u>

CITY OF MIDLOTHIAN- TEXAS

Exhibit 4

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

SEPTEMBER 30, 2024

Total fund balances - governmental funds	\$ 108,453,782
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.	8,369,359
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	346,488,045
Deferred losses on refundings of debt are not recognized on the balance sheet for governmental funds.	204,928
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.	(628,163)
Revenues earned but not available within sixty days of the fiscal year-end are not recognized as revenue in the fund financial statements.	2,828,369
Deferred inflows and outflows related to pensions and OPEB are not recognized on the governmental funds balance sheet.	5,752,556
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.	
Net pension liability	(12,132,594)
Total OPEB liability	(2,398,214)
Compensated absences	(3,834,114)
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.	(145,115,854)
Net position of governmental activities	<u>\$ 307,988,100</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 5

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 38,434,233	\$ 21,568,991	\$ -	\$ 326,284	\$ 60,329,508
Licenses and permits	3,413,804	-	-	-	3,413,804
Intergovernmental	6,831,467	-	-	627,507	7,458,974
Assessments	-	-	-	3,608,548	3,608,548
Charges for services	2,812,363	-	-	153,969	2,966,332
Fines	1,140,062	-	-	-	1,140,062
Investment income	1,639,535	605,013	4,804,833	21,807	7,071,188
Contributions and donations	299,011	-	-	756,209	1,055,220
Miscellaneous	106,887	-	3,925,839	16,007	4,048,733
Total revenues	<u>54,677,362</u>	<u>22,174,004</u>	<u>8,730,672</u>	<u>5,510,331</u>	<u>91,092,369</u>
EXPENDITURES					
Current:					
General government	10,054,076	-	59,420	4,674,823	14,788,319
Public safety	30,746,177	-	-	181,109	30,927,286
Public works	6,078,938	-	-	-	6,078,938
Culture and recreation	3,684,525	-	-	-	3,684,525
Intergovernmental:					
Payment to TIRZ	2,293,113	767,908	-	-	3,061,021
Capital outlay	91,231	-	59,148,174	-	59,239,405
Debt service:					
Principal retirement	708,603	13,982,006	-	-	14,690,609
Interest charges	34,005	7,094,146	-	-	7,128,151
Fiscal agent's fees and debt issuance costs	-	5,827	42,285	-	48,112
Total expenditures	<u>53,690,668</u>	<u>21,849,887</u>	<u>59,249,879</u>	<u>4,855,932</u>	<u>139,646,366</u>
Excess (deficiency) of revenues over (under) expenditures	<u>986,694</u>	<u>324,117</u>	<u>(50,519,207)</u>	<u>654,399</u>	<u>(48,553,997)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	42,498	-	-	-	42,498
Issuance of tax notes	-	-	6,100,000	-	6,100,000
Issuance of SBITA	1,918,762	-	-	-	1,918,762
Insurance recoveries	-	-	-	82,834	82,834
Transfers in	3,443,577	-	1,548,766	23,999	5,016,342
Transfers out	(1,572,765)	-	-	(36,320)	(1,609,085)
Total other financing sources (uses)	<u>3,832,072</u>	<u>-</u>	<u>7,648,766</u>	<u>70,513</u>	<u>11,551,351</u>
Net change in fund balances	<u>4,818,766</u>	<u>324,117</u>	<u>(42,870,441)</u>	<u>724,912</u>	<u>(37,002,646)</u>
Fund balances - beginning	<u>34,048,143</u>	<u>954,487</u>	<u>108,445,180</u>	<u>2,008,618</u>	<u>145,456,428</u>
Fund balances - ending	<u>\$ 38,866,909</u>	<u>\$ 1,278,604</u>	<u>\$ 65,574,739</u>	<u>\$ 2,733,530</u>	<u>\$ 108,453,782</u>

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, 2024

Net change in fund balances - total governmental funds \$ (37,002,646)

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.

64,925,800

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.

(14,903,396)

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.

18,088,665

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.

(1,656,896)

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.

(210,474)

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 (8,018,762)

 Arbitrage liability (2,110,905)

 Repayment of principal of long-term debt 16,631,383

 Amortization of:

 Premium on bond issuance 150,253

 Loss on refunding (107,702)

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 (709,107)

 Net pension liability (419,216)

 Total OPEB liability (182,602)

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.

547,237

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.

(200,864)

Change in net position of governmental activities \$ 34,820,768

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PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS

Exhibit 7

STATEMENT OF NET POSITION
PROPRIETARY FUND

SEPTEMBER 30, 2024

	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 15,262,368
Investments	8,403,290
Receivables:	
Accounts, net	5,739,486
Leases	436,429
Other	292,353
Restricted assets:	
Cash and cash equivalents	33,808,488
Investments	7,376,852
Due from other funds	6,594
Total current assets	<u>71,325,860</u>
Noncurrent assets:	
Capital assets:	
Land and land improvements	812,778
Construction in progress	23,090,748
Buildings and improvements	41,695,331
Waterworks and sewer system	137,678,964
Machinery and equipment	9,419,466
Water and wastewater rights	48,001,715
Accumulated depreciation	<u>(69,485,783)</u>
Total capital assets, net of accumulated depreciation	<u>191,213,219</u>
Total noncurrent assets	<u>191,213,219</u>
Total assets	<u>262,539,079</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	662,118
OPEB related	159,073
Deferred loss on refunding	<u>110,715</u>
Total deferred outflows of resources	<u>931,906</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 7

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

SEPTEMBER 30, 2024
(Continued)

	Water and Sewer
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 4,087,813
Accrued liabilities	88,750
Accrued interest payable	41,764
Due to other governments	7,451
Customer deposits	1,508,828
Noncurrent liabilities due within one year:	
Long-term debt	2,054,511
Total OPEB liability	26,197
Total current liabilities	<u>7,815,314</u>
Noncurrent liabilities due in more than one year:	
Long-term debt	8,748,113
Net pension liability	1,274,243
Total OPEB liability	608,540
Total noncurrent liabilities	<u>10,630,896</u>
Total liabilities	<u>18,446,210</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	18,760
OPEB related	260,400
Leases	431,738
Total deferred inflows of resources	<u>710,898</u>
NET POSITION	
Net investment in capital assets	178,202,996
Restricted for:	
Debt service	1,106,083
Capital improvements	39,864,775
Unrestricted	25,140,023
Total net position	<u>\$ 244,313,877</u>

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CITY OF MIDLOTHIAN, TEXAS**Exhibit 8****STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Water and Sewer
OPERATING REVENUES	
Water sales	\$ 20,510,521
Sewer sales	15,459,219
Tap fees, penalties and other	<u>1,192,078</u>
Total operating revenues	<u>37,161,818</u>
OPERATING EXPENSES	
Cost of sales and services	22,491,474
Administrative	1,838,368
Depreciation	<u>6,016,775</u>
Total operating expenses	<u>30,346,617</u>
Operating income	6,815,201
NONOPERATING REVENUES (EXPENSES)	
Investment income	2,206,923
Interest expense and agent fees	<u>(334,470)</u>
Total nonoperating revenues (expenses)	<u>1,872,453</u>
Income before contributions and transfers	8,687,654
Capital contributions	26,911,949
Transfers out	<u>(3,407,257)</u>
Change in net position	32,192,346
NET POSITION - BEGINNING	<u>212,121,531</u>
NET POSITION - ENDING	<u>\$ 244,313,877</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 37,357,065
Cash paid to employees	(3,684,927)
Cash paid to suppliers	<u>(20,556,392)</u>
Net cash provided by operating activities	<u>13,115,746</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(3,407,257)</u>
Net cash used by noncapital financing activities	<u>(3,407,257)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	12,917,211
Principal paid on debt	(1,900,000)
Interest and fees paid on debt	(333,780)
Acquisition and construction of capital assets	<u>(15,085,651)</u>
Net cash used by capital and related financing activities	<u>(4,402,220)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of investments	6,587,078
Interest on investments	<u>2,206,923</u>
Net cash provided by investing activities	<u>8,794,001</u>
Net change in cash	14,100,270
Cash and cash equivalents, beginning of year	<u>34,970,586</u>
Cash and cash equivalents, end of year	<u><u>\$ 49,070,856</u></u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024
(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	\$ 5,590,727	\$ 29,379,859	\$ 34,970,586
Net change	<u>9,671,641</u>	<u>4,428,629</u>	<u>14,100,270</u>
Cash and cash equivalents - ending	<u>\$ 15,262,368</u>	<u>\$ 33,808,488</u>	<u>\$ 49,070,856</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			Water and Sewer
Operating income			\$ 6,815,201
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation			6,016,775
Change in assets and liabilities:			
Decrease (increase) in customer receivables			(707,753)
Decrease (increase) in other receivables			774,390
Increase (decrease) in accounts payable			713,244
Increase (decrease) in other liabilities			5,796
Increase (decrease) in customer deposits			128,610
Increase (decrease) in unearned revenue			27,146
Increase (decrease) in interfund payables			(736,141)
Increase (decrease) in net pension liability			28,785
Increase (decrease) in total OPEB liability			<u>49,693</u>
Net cash provided by operating activities			<u>\$ 13,115,746</u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of capital assets			\$ 13,994,738

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DISCRETELY PRESENTED COMPONENT UNITS

CITY OF MIDLOTHIAN, TEXAS

Exhibit 10

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS

SEPTEMBER 30, 2024

	Midlothian Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
ASSETS				
Cash and cash equivalents	\$ 18,585,759	\$ 9,786,909	\$ 48,445,452	\$ 76,818,120
Investments	490,706	1,001,746	17,986,626	19,479,078
Receivables, net of allowance:				
Interest receivable	-	11,151	181,134	192,285
Due from other governments	1,188,646	1,188,645	-	2,377,291
Notes	-	4,018,346	-	4,018,346
Restricted assets:				
Cash and cash equivalents, restricted	-	-	4,145,617	4,145,617
Capital assets:				
Land	684,283	1,334,721	-	2,019,004
Construction in progress	-	-	12,860,140	12,860,140
Buildings and improvements	7,540	-	-	7,540
Furniture and fixtures	21,588	-	-	21,588
Infrastructure	-	-	7,693,429	7,693,429
Accumulated depreciation	(21,092)	-	(4,338,714)	(4,359,806)
Total assets	<u>20,957,430</u>	<u>17,341,518</u>	<u>86,973,684</u>	<u>125,272,632</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	96,411	26,228	-	122,639
OPEB related	2,247	612	-	2,859
Deferred loss on refunding	-	-	1,702,544	1,702,544
Total deferred outflows of resources	<u>98,658</u>	<u>26,840</u>	<u>1,702,544</u>	<u>1,828,042</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 10

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
(Continued)
SEPTEMBER 30, 2024

	Midlothian Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
LIABILITIES				
Accounts payable and accrued liabilities	\$ 84,312	\$ 77,601	\$ 9,605,311	\$ 9,767,224
Accrued interest payable	-	36,623	154,772	191,395
Due to primary government	25,949	86,216	1,280	113,445
Noncurrent liabilities:				
Due within one year:				
Long-term debt	9,390	405,961	2,600,000	3,015,351
Total OPEB liability	242	66	-	308
Due in more than one year				
Long-term debt	28,170	6,665,491	10,005,000	16,698,661
Net pension liability	185,542	50,479	-	236,021
Total OPEB liability	8,284	2,254	-	10,538
Total liabilities	<u>341,889</u>	<u>7,324,691</u>	<u>22,366,363</u>	<u>30,032,943</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related	2,732	742	-	3,474
OPEB related	3,384	921	-	4,305
Total deferred inflows of resources	<u>6,116</u>	<u>1,663</u>	<u>-</u>	<u>7,779</u>
NET POSITION				
Net investment in capital assets	692,319	1,334,721	13,554,766	15,581,806
Restricted for:				
Debt service	-	-	3,990,845	3,990,845
Economic development	20,015,764	8,707,283	-	28,723,047
Tax increment reinvestment zone	-	-	48,764,254	48,764,254
Total net position	<u>\$ 20,708,083</u>	<u>\$ 10,042,004</u>	<u>\$ 66,309,865</u>	<u>\$ 97,059,952</u>

CITY OF MIDLOTHIAN, TEXAS

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Midlothian Economic Development			
General government	\$ 758,809	\$ -	\$ -
Economic development	<u>4,022,733</u>	<u>976,765</u>	<u>-</u>
Total Midlothian Economic Development	<u>4,781,542</u>	<u>976,765</u>	<u>-</u>
Midlothian Community Development Corporation			
Economic development	3,508,293	562,763	256,349
Interest on long-term debt	<u>201,776</u>	<u>-</u>	<u>-</u>
Total Midlothian Community Development Corporation	<u>3,710,069</u>	<u>562,763</u>	<u>256,349</u>
Midlothian Development Authority			
General government	13,694,049	-	-
Interest on long-term debt	<u>510,700</u>	<u>-</u>	<u>-</u>
Total Midlothian Development Authority	<u>14,204,749</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 22,696,360</u>	<u>\$ 1,539,528</u>	<u>\$ 256,349</u>

General revenues:

Ad valorem taxes
Sales taxes
Unrestricted investment income
Miscellaneous

Change in net position

Net position - beginning

Net position - ending

Net (Expenses) Revenues and Change in Net Position			
Midlothian Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
\$ (758,809)	\$ -	\$ -	\$ (758,809)
(3,045,968)	-	-	(3,045,968)
(3,804,777)	-	-	(3,804,777)
-	(3,201,879)	-	(3,201,879)
-	(201,776)	-	(201,776)
-	(2,890,957)	-	(3,403,655)
-	-	(13,694,049)	(13,694,049)
-	-	(510,700)	(510,700)
-	-	(14,204,749)	(14,204,749)
<u>\$ (3,804,777)</u>	<u>\$ (2,890,957)</u>	<u>\$ (14,204,749)</u>	<u>\$ (21,413,181)</u>
\$ -	\$ -	\$ 21,210,320	\$ 21,210,320
6,113,669	6,113,669	-	12,227,338
-	-	2,865,633	2,865,633
211,802	-	34,129	245,931
<u>6,325,471</u>	<u>6,113,669</u>	<u>24,110,082</u>	<u>36,549,222</u>
2,520,694	3,222,712	9,905,333	15,648,739
<u>18,187,389</u>	<u>6,819,292</u>	<u>56,404,532</u>	<u>81,411,213</u>
<u>\$ 20,708,083</u>	<u>\$ 10,042,004</u>	<u>\$ 66,309,865</u>	<u>\$ 97,059,952</u>

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NOTES TO FINANCIAL STATEMENTS

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CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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; 215 N. 8th Street, Midlothian, TX 76065.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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.

Redden PID Fund

This fund was established to account for activity associated with the Redden Public Improvement District (PID) to fund improvements and/or services undertaken by the district for the benefit of property owners.

Westside Preserve PID Fund

This fund was established to account for activity associated with the Westside Preserve Public Improvement District (PID) to fund improvements and/or services undertaken by the district for the benefit of property owners.

Escrow PID Fund

Established to account for activity associated with the Escrow Improvement District (PID) to fund improvements and/or services undertaken by the district for the benefit of property owners.

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.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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 in the Statement of Net Position. The City utilizes 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 the 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 to 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.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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 include 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.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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
Right-to-use equipment	3-10 Years
SBITAs	3-10 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 is 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.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, the 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.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purposes (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*.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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 are prohibited from applying any assessment ratios. The assessed value upon which the completed tax year 2023 levy was based was approximately \$6,788,931,755. 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, 2024, was \$0.6500 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 2024 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2023 and those considered "available" at year-end are recognized as revenues in 2024. 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.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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 assets 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 assets 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).

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

- 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. Leases

The City has entered into various lease agreements as either lessee or lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.
- The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee. The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor. The City is a lessor in an arrangement allowing the placement of a cellular tower on City property. In both the government-wide financial statements and the governmental fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

R. Subscription-Based Information Technology Arrangements.

The City is a lessee for subscription-based IT arrangements (SBITAs). The City recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a SBITA, the City initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

S. 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, the 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 Encumbrances 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, 2024, 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

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Cash and investments as of September 30, 2024, consist of the following:

Primary Government:	
Cash and cash equivalents	\$ 103,987,449
Investments	35,413,825
Restricted cash and cash equivalents	33,808,488
Restricted investments	<u>7,376,852</u>
Total primary government	<u>\$ 180,586,614</u>
Component Units:	
Cash and cash equivalents	\$ 76,818,120
Investments	19,479,078
Restricted cash and cash equivalents	<u>4,145,617</u>
Total component units	<u>\$ 100,442,815</u>
Primary Government:	
Deposits with financial institutions	\$ 20,111,965
Texpool	119,071,393
TexSTAR	5,292
U.S. Treasury Bonds	12,278,582
U.S. GSE (United States Government Sponsored Enterprise)	4,983,240
US Agency Bonds	7,506,306
Money Markets, Commercial Paper, and CDs	<u>16,629,836</u>
Total cash and investments	<u>\$ 180,586,614</u>

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

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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, 2024, the City had the following cash and investments:

		Fair Value Measurement Using		Weighted
	9/30/2024	Level 1	Level 2	Average
				Maturity
				(Days)
Cash and cash equivalents:				
Deposits with financial institutions	\$ 20,111,965			
Total cash and cash equivalents	<u>\$ 20,111,965</u>			
Investments measured at net asset value:				
Investment pools:				
Texpool	\$ 119,071,393			26
TexSTAR	<u>5,292</u>			24
Total investments measured				
at net asset value	<u>\$ 119,076,685</u>			
Investments by fair value level:				
U.S. Treasury Bonds	\$ 12,278,582	\$ 12,278,582	\$ -	1548
U.S. GSE (Government Sponsored)	4,983,240	-	4,983,240	860
US Agency Bonds	7,506,306	4,970,617	2,535,689	1232
Money Markets, Commercial Paper, and CDs	<u>16,629,836</u>	<u>16,629,836</u>	<u>-</u>	163
Total investments by fair value	<u>\$ 41,397,964</u>	<u>\$ 33,879,035</u>	<u>\$ 7,518,929</u>	
Total cash and investments	<u>\$ 180,586,614</u>	<u>\$ 33,879,035</u>	<u>\$ 7,518,929</u>	
Portfolio weighted average maturity				239

Of the investments categorized by fair value level, \$19,784,888 were valued using documented trade history in exact security and \$21,613,076 were valued using present value of expected future cash flow model.

As of September 30, 2024, 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 the 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.

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Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
Texpool	\$ 119,071,393	N/A	AAAm
TexSTAR	5,292	N/A	AAAm
U.S. Treasury Bonds	12,278,582	N/A	AA+
U.S. GSE (Government Sponsored)	4,983,240	A1/P1	AA+
US Agency Bonds	7,506,306	N/A	AA+
Money Markets, Commercial Paper, and CDs	16,629,836	N/A	N/A
Total	<u>\$ 160,474,649</u>		

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, 2024, 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

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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	\$ 1,147,846
Construction	38,528,666
Refundable water and sewer deposits	<u>1,508,828</u>
Total	<u>\$ 41,185,340</u>

NOTE 4. RECEIVABLES

Notes Receivable

During 2004, the City entered into a 25-year 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 used by the College. These bonds were refunded in fiscal year 2015. Under the terms of the agreement, the College agrees to make semi-annual 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, 2024:

Year Ending September 30,	Principal	Interest	Total
2025	\$ 270,000	\$ 49,875	\$ 319,875
2026	275,000	39,075	314,075
2027	290,000	28,075	318,075
2028	305,000	19,375	324,375
2029	<u>315,000</u>	<u>9,844</u>	<u>324,844</u>
Total	<u>\$ 1,455,000</u>	<u>\$ 146,244</u>	<u>\$ 1,601,244</u>

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Accounts Receivable

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

	General	Debt Service	Capital Projects	Nonmajor Governmental	Water and Sewer	Total
Taxes	\$ 199,879	\$ 187,609	\$ -	\$ 69,324	\$ -	\$ 456,812
Accounts	3,177,906	-	1,478	125	6,261,620	9,441,129
Interest	202,661	-	-	-	-	202,661
Leases	688,230	-	-	-	436,429	1,124,659
Other	2,000	-	-	-	292,353	294,353
	<u>4,270,676</u>	<u>187,609</u>	<u>1,478</u>	<u>69,449</u>	<u>6,990,402</u>	<u>11,519,614</u>
Less: allowance for uncollectibles	<u>(2,055,351)</u>	<u>(59,660)</u>	<u>-</u>	<u>-</u>	<u>(522,134)</u>	<u>(2,637,145)</u>
Totals	<u>\$ 2,215,325</u>	<u>\$ 127,949</u>	<u>\$ 1,478</u>	<u>\$ 69,449</u>	<u>\$ 6,468,268</u>	<u>\$ 8,882,469</u>

Leases Receivable

On October 1, 2021, the City entered into a 198 month lease as Lessor for the use of 1050 US Hwy 67 Land Lease. An initial lease receivable was recorded in the amount of \$426,009. As of September 30, 2024, the value of the lease receivable is \$372,304 and the value of the short-term lease receivable is \$19,754. The lessee is required to make monthly fixed payments of \$1,900. The lease has an interest rate of 1.575%. The value of the deferred inflow of resources as of September 30, 2024, was \$348,553, and the City recognized lease revenue of \$18,710 during the fiscal year. The lessee has 3 extension option(s), each for 60 months.

On October 1, 2021, the City entered into a 150 month lease as Lessor for the use of a Verizon Tower Lease. An initial lease receivable was recorded in the amount of \$389,560. As of September 30, 2024, the value of the lease receivable is \$315,926 and the value of the short-term lease receivable is \$28,726. The lessee is required to make monthly fixed payments of \$2,396. The lease has an interest rate of 1.432%. The value of the deferred inflow of resources as of September 30, 2024, was \$296,065, and the City recognized lease revenue of \$26,171 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

On April 1, 2024, the City entered into a 240 month lease as lessor for the use of a Cingular-AT&T Tower Lease. An initial lease receivable was recorded in the amount of \$442,808. As of September 30, 2024, the value of the lease receivable is \$436,429 and the value of the short-term lease receivable is \$10,558. The lessee is required to make monthly fixed payments of \$2,083. The lease has an interest rate of 3.3460%. The value of the deferred inflow of resources as of September 30, 2024, was \$436,428, and the City recognized lease revenue of \$6,379 during the fiscal year in the Utility Fund. The lessee has 3 extension options, each for 60 months.

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The annual amounts due for lease receivable are as follows as of September 30, 2024:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 48,480	\$ 10,059	\$ 58,539
2026	49,978	9,326	59,304
2027	51,521	8,569	60,090
2028	53,112	7,789	60,901
2029	57,240	6,977	64,217
2030-2034	307,003	20,898	327,901
2035-2038	120,896	3,502	124,398
Total	<u>\$ 688,230</u>	<u>\$ 67,120</u>	<u>\$ 755,350</u>

Year Ending September 30,	Business - Type Activities		
	Principal	Interest	Total
2025	\$ 10,558	\$ 14,442	\$ 25,000
2026	10,917	14,083	25,000
2027	11,288	13,712	25,000
2028	11,671	13,329	25,000
2029	13,956	12,919	26,875
2030-2034	89,669	56,237	145,906
2035-2039	129,735	38,057	167,792
2040-2044	158,635	12,463	171,098
	<u>\$ 436,429</u>	<u>\$ 175,242</u>	<u>\$ 611,671</u>

NOTE 5. DEFERRED INFLOWS OF RESOURCES

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

	General	Debt Service	Nonmajor Governmental	Totals
Delinquent property taxes	\$ 123,028	\$ 127,948	\$ 3,973	\$ 254,949
Franchise fees	120,437	-	-	120,437
Ambulance fees	845,711	-	-	845,711
Court fines	149,985	-	-	149,985
Grants	2,287	-	-	2,287
Leases	644,618	-	-	644,618
Notes receivable	-	1,455,000	-	1,455,000
Totals	<u>\$ 1,886,066</u>	<u>\$ 1,582,948</u>	<u>\$ 3,973</u>	<u>\$ 3,472,987</u>

CITY OF MIDLOTHIAN, TEXAS
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NOTE 6. CAPITAL ASSETS

Capital asset activity for the governmental and business-type activities for the year ended September 30, 2024, was as follows:

	Beginning Balance	Transfers/ Increases	Transfers/ Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 38,078,527	\$ 2,121,401	\$ -	\$ 40,199,928
Construction in progress	31,954,771	58,402,694	(4,422,529)	85,934,936
	<u>70,033,298</u>	<u>60,524,095</u>	<u>(4,422,529)</u>	<u>126,134,864</u>
Capital assets being depreciated:				
Buildings	29,894,348	-	-	29,894,348
Improvements other than buildings	58,211,655	656,124	-	58,867,779
Infrastructure	238,034,164	20,910,621	-	258,944,785
Machinery and equipment	22,742,584	1,773,685	(417,786)	24,098,483
Right-to-use equipment	1,155,387	-	(193,934)	961,453
SBITAs	345,998	1,920,093	(66,185)	2,199,906
	<u>350,384,136</u>	<u>25,260,523</u>	<u>(677,905)</u>	<u>374,966,754</u>
Accumulated depreciation:				
Buildings	(9,755,990)	(793,476)	-	(10,549,466)
Improvements other than buildings	(20,811,363)	(3,022,853)	-	(23,834,216)
Infrastructure	(95,497,957)	(8,600,860)	-	(104,098,817)
Machinery and equipment	(13,772,228)	(1,814,075)	417,786	(15,168,517)
Right-to-use equipment	(425,512)	(299,731)	189,414	(535,829)
SBITAs	(120,512)	(372,401)	66,185	(426,728)
	<u>(140,383,562)</u>	<u>(14,903,396)</u>	<u>673,385</u>	<u>(154,613,573)</u>
Capital assets being depreciated, net	<u>210,000,574</u>	<u>10,357,127</u>	<u>(4,520)</u>	<u>220,353,181</u>
Governmental activities capital assets, net	<u>\$ 280,033,872</u>	<u>\$ 70,881,222</u>	<u>\$ (4,427,049)</u>	<u>\$ 346,488,045</u>

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	Beginning Balance	Increases	Transfers/ 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	13,623,668	9,467,081	-	23,090,749
	<u>44,386,239</u>	<u>9,467,081</u>	<u>-</u>	<u>53,853,320</u>
Capital assets being depreciated:				
Buildings	41,695,331	-	-	41,695,331
Machinery and equipment	8,756,886	730,164	(67,584)	9,419,466
Wastewater rights	18,051,922	-	-	18,051,922
Water and sewer system	118,795,820	18,883,144	-	137,678,964
	<u>187,299,959</u>	<u>19,613,308</u>	<u>(67,584)</u>	<u>206,845,683</u>
Accumulated depreciation:				
Buildings	(17,589,470)	(1,032,375)	-	(18,621,845)
Machinery and equipment	(3,639,335)	(649,321)	67,584	(4,221,072)
Wastewater rights	(8,018,181)	(451,298)	-	(8,469,479)
Water and sewer system	(34,289,607)	(3,883,781)	-	(38,173,388)
	<u>(63,536,593)</u>	<u>(6,016,775)</u>	<u>67,584</u>	<u>(69,485,784)</u>
Capital assets being depreciated, net	<u>123,763,366</u>	<u>13,596,533</u>	<u>-</u>	<u>137,359,899</u>
Business-type activities capital assets, net	<u>\$ 168,149,605</u>	<u>\$ 23,063,614</u>	<u>\$ -</u>	<u>\$ 191,213,219</u>

Capital asset activity for the component units for the year ended September 30, 2024, was as follows:

	Beginning Balance	Increases	Transfers Decreases	Ending Balance
Component Units:				
Capital assets not being depreciated:				
Land	\$ 167,101	\$ 1,851,903	\$ -	\$ 2,019,004
Construction in progress	4,593,615	11,825,972	(3,559,447)	12,860,140
	<u>4,760,716</u>	<u>13,677,875</u>	<u>(3,559,447)</u>	<u>14,879,144</u>
Capital assets being depreciated:				
Buildings and improvements	7,540	-	-	7,540
Furniture and fixtures	21,588	-	-	21,588
Infrastructure	7,693,429	-	-	7,693,429
	<u>7,722,557</u>	<u>-</u>	<u>-</u>	<u>7,722,557</u>
Accumulated depreciation:				
Buildings and improvements	(7,540)	-	-	(7,540)
Furniture and fixtures	(11,944)	(1,608)	-	(13,552)
Infrastructure	(4,235,275)	(103,439)	-	(4,338,714)
	<u>(4,254,759)</u>	<u>(105,047)</u>	<u>-</u>	<u>(4,359,806)</u>
Capital assets being depreciated, net	<u>3,467,798</u>	<u>(105,047)</u>	<u>-</u>	<u>3,362,751</u>
Component unit capital assets, net	<u>\$ 8,228,514</u>	<u>\$ 13,572,828</u>	<u>\$ (3,559,447)</u>	<u>\$ 18,241,895</u>

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

Governmental activities:	
General government	\$ 858,004
Public safety	2,072,210
Public works	9,552,122
Culture and recreation	<u>2,421,060</u>
Total depreciation expense - governmental activities	<u>\$ 14,903,396</u>
Business-type activities:	
Water and sewer	<u>\$ 6,016,775</u>
Component units:	
Midlothian Economic Development	\$ 1,608
Midlothian Development Authority	<u>103,439</u>
Total depreciation expense - component units	<u>\$ 105,047</u>

Construction Commitments

The City has active construction projects as of September 30, 2024. Total accumulated commitments for ongoing capital projects are composed of the following:

Fund	Amount
General Fund	\$ 374,140
Capital Projects Fund	30,940,219
Nonmajor Governmental Funds	723,160
Enterprise Fund	1,583,589
Total	<u>\$ 33,621,108</u>

Encumbrances

At year end, the amount of encumbrances expected to be paid upon performance by the vendor in the next year were as follows:

Fund	Amount
General Fund	\$ 370,177
Capital Projects Fund	31,663,379
Nonmajor Governmental Funds	497,866
Total	<u>\$ 32,531,422</u>

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.

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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

A September 30, 2024, the City's bonds payable consisted of the following:

	<u>Governmental</u>	<u>Business-type</u>
General Obligation Bonds:		
\$29,449,922 Combination Tax and Revenue Refunding Bonds, Series 2000, 5.00%-6.00%, final installment due September 2026.	\$ 4,215,054	\$ -
\$6,925,000 General Obligation Refunding Bonds, Series 2012, 1.00-3.00%, final installment due Aug. 2025	345,000	-
\$7,800,000 General Obligation Bonds Series 2013, 1.50-3.00%, final installment due Feb. 2033	3,955,000	-
\$3,530,000 General Obligation Refunding Bonds, Series 2014, 2.0%-3.125%, final installment due August 2029.	1,455,000	-
\$15,015,000 General Obligation Refunding Bonds Series 2014, 2.00-4.00%, final installment due Aug. 2029	945,000	1,820,000
\$9,895,000 General Obligation Bonds Series 2015, 2.00-3.00%, final installment due Aug. 2034	5,745,000	-
\$8,465,000 General Obligation Refunding Bonds Series 2016, 2.00%, final installment due Sept. 2027	1,680,000	-
\$6,040,000 General Obligation Refunding Bonds Series 2017, 2.00%-5.00%, final installment due Sept. 2033	-	2,205,000
\$13,630,000 General Obligation Refunding Bonds Series 2018, 3%-4%, final installment due February 2028	-	6,005,000
\$18,315,000 General Obligation Bonds Series 2018, 3%-5%, final installment due February 2038	8,165,000	-
\$20,220,000 General Obligation Bonds Series 2019, 2%-5%, final installment due February 2039	14,545,000	-
\$13,480,000 General Obligation Bonds Series 2021, 2%-5%, final installment due September 2041	10,905,000	-
\$68,090,000 General Obligation Bonds Series 2022, 4%-5%, final installment due August 2042	57,565,000	-
\$11,665,000 General Obligation Bonds Series 2023, 4%-5%, final installment due August 2040	11,190,000	-
Total General Obligation Bonds	<u>\$ 120,710,054</u>	<u>\$ 10,030,000</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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	<u>Governmental</u>	<u>Business-type</u>
Certificate of Obligation:		
\$4,655,000 Combination Tax & Rev CO Series 2021, 2.00%-5.00% final installment September 2041.	\$ 4,145,000	\$ -
Total Certificates of Obligation	<u>\$ 4,145,000</u>	<u>\$ -</u>
Tax Notes Private Placement:		
\$5,000,000 Tax Notes Series 2023, 4.50% final installment September 2025.	\$ 2,985,000	\$ -
\$6,000,000 Tax Notes Series 2024, 3.60%-3.95% final installment September 2027.	6,100,000	-
Total Tax Notes Private Placement	<u>\$ 9,085,000</u>	<u>\$ -</u>

The annual requirements to amortize all debts outstanding as of September 30, 2024, are as follows:

General Obligation Bonds:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2025	\$ 7,866,432	\$ 4,486,106	\$ 1,990,000	\$ 334,113	\$ 14,676,651
2026	6,601,589	4,207,931	2,045,000	270,013	13,124,533
2027	6,410,000	3,961,524	2,130,000	189,025	12,690,549
2028	6,110,000	3,712,949	2,185,000	124,213	12,132,162
2029	6,375,000	3,451,543	640,000	57,256	10,523,799
2030-2034	33,870,000	13,139,800	1,040,000	92,313	48,142,113
2035-2039	34,700,000	6,252,673	-	-	40,952,673
2040-2042	15,585,000	885,269	-	-	16,470,269
Total	<u>\$ 117,518,021</u>	<u>\$ 40,097,795</u>	<u>\$ 10,030,000</u>	<u>\$ 1,066,933</u>	<u>\$ 168,712,749</u>
Remaining interest accretion	3,192,033				
Total	<u>\$ 120,710,054</u>				

Certificates of Obligation:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2025	\$ 180,000	\$ 124,094	\$ 304,094
2026	185,000	117,744	302,744
2027	190,000	111,144	301,144
2028	200,000	101,394	301,394
2029	210,000	91,144	301,144
2030-2034	1,205,000	312,869	1,517,869
2035-2039	1,380,000	134,744	1,514,744
2040-2041	595,000	12,697	607,697
Total	<u>\$ 4,145,000</u>	<u>\$ 1,005,830</u>	<u>\$ 5,150,830</u>

CITY OF MIDLOTHIAN, TEXAS
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Tax Notes Private Placement:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2025	\$ 6,085,000	\$ 343,516	\$ 6,428,516
2026	1,470,000	110,206	1,580,206
2027	1,530,000	55,080	1,585,080
Total	<u>\$ 9,085,000</u>	<u>\$ 508,802</u>	<u>\$ 9,593,802</u>

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2024:

	Beginning Balance	Increases	Adjustments Decreases	Ending Balance	Amount Due Within One Year
Governmental activities:					
General obligation bonds	\$ 128,955,027	\$ -	\$ (11,437,006)	\$ 117,518,021	\$ 7,866,432
Certificates of obligation	4,675,000	-	(530,000)	4,145,000	180,000
Tax notes private placement	5,000,000	6,100,000	(2,015,000)	9,085,000	6,085,000
Leases	629,440	-	(260,942)	368,498	180,162
SBITAs	197,428	1,918,762	(447,655)	1,668,535	413,929
Accreted interest	4,743,117	389,696	(1,940,780)	3,192,033	-
Bond premium	7,567,811	-	(539,949)	7,027,862	-
Arbitrage	-	2,110,905	-	2,110,905	-
Compensated absences	3,125,007	1,413,995	(704,888)	3,834,114	958,528
Total governmental activities	<u>\$ 154,892,830</u>	<u>\$ 11,933,358</u>	<u>\$ (17,876,220)</u>	<u>\$ 148,949,968</u>	<u>\$ 15,684,051</u>
Business-type activities:					
General obligation bonds	\$ 11,930,000	\$ -	\$ (1,900,000)	\$ 10,030,000	\$ 1,990,000
Bond premium	629,996	-	(115,416)	514,580	-
Compensated absences	174,425	167,240	(83,621)	258,044	64,511
Total business-type activities	<u>\$ 12,734,421</u>	<u>\$ 167,240</u>	<u>\$ (2,099,037)</u>	<u>\$ 10,802,624</u>	<u>\$ 2,054,511</u>
Component units:					
Sales tax bonds	\$ 23,305,000	\$ -	\$ (4,065,000)	\$ 19,240,000	\$ 3,005,000
Compensated absences	33,762	15,286	(7,644)	41,404	10,351
Bond premium	462,369	-	(29,761)	432,608	-
Total component units	<u>\$ 23,801,131</u>	<u>\$ 15,286</u>	<u>\$ (4,102,405)</u>	<u>\$ 19,714,012</u>	<u>\$ 3,015,351</u>

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

Tax Notes

On September 12, 2024, the city issued \$6,100,000 in Tax Notes, Series 2024. This debt will be used to improve roads, purchase and refurbish equipment, design a new fire station, and build a reserve apparatus bay for the fire department, with an interest rate between 3.60% and 3.95%.

Leases Payable

The City is obligated under several leases (direct borrowing) for copiers, computers, and police vehicles. The leases are secured by the financed assets and paid on a monthly basis.

CITY OF MIDLOTHIAN, TEXAS
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Leases:

Purpose	Date Issued	Maturity Date	Terms (Months)	Interest Rate	Original Principal	Amount Outstanding
Dell computers	1/1/2023	12/31/2025	36	2.656%	\$ 135,872	\$ 45,380
Copiers	6/23/2020	6/22/2025	44	0.475%	185,647	37,384
Police vehicles 21	12/17/2021	12/16/2026	60	3.750%	118,192	48,098
Police vehicles 22	4/20/2023	4/20/2027	60	6.250%	184,524	110,445
Police vehicles 23	7/18/2023	7/18/2027	60	7.990%	212,820	127,191
						<u>\$ 368,498</u>

Annual debt service requirements to maturity for the leases are as follows:

Leases:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2025	\$ 180,162	\$ 16,268	\$ 196,430
2026	107,601	12,704	120,305
2027	80,735	6,093	86,828
Total	<u>\$ 368,498</u>	<u>\$ 35,065</u>	<u>\$ 403,563</u>

Subscriptions Payable

The financial statements are prepared under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

Subscriptions:

Purpose	Date Issued	Maturity Date	Terms (Months)	Interest Rate	Original Principal	Amount Outstanding
Benchmark saas	10/1/2022	12/31/2026	51	3.207%	\$ 52,184	\$ 27,353
Debtbook platform	7/12/2023	7/11/2026	36	2.901%	34,939	12,634
Evidence.com	11/1/2023	10/31/2028	60	3.511%	911,090	716,083
NeoGov Onboard	11/1/2022	10/31/2025	36	3.238%	66,985	28,670
Taser 10 Bundle	1/1/2024	12/31/2028	60	3.511%	387,713	317,720
Perry Weather	10/1/2022	5/17/2027	55	3.305%	52,826	30,307
Webex	10/1/2022	1/31/2027	52	3.269%	59,519	26,949
Fleet 3	4/1/2024	3/31/2029	60	3.511%	619,959	508,819
						<u>\$ 1,668,535</u>

CITY OF MIDLOTHIAN, TEXAS
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The future principal and interest payments as of September 30, 2024, are as follows:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2025	\$ 413,929	\$ 48,916	\$ 462,845
2026	376,863	43,945	420,808
2027	345,317	30,821	376,138
2028	357,443	18,695	376,138
2029	174,983	6,144	181,127
Total	<u>\$ 1,668,535</u>	<u>\$ 123,682</u>	<u>\$ 1,792,217</u>

NOTE 8. DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

Plan Description

The City participates as one of 934 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.

CITY OF MIDLOTHIAN, TEXAS
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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, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	133
Inactive employees entitled to but not yet receiving benefits	180
Active employees	<u>306</u>
Total	<u>619</u>

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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 15.48% and 15.10% in calendar year 2024 and 2023, respectively, of which, 15.25%, respectively, represented the retirement portion of the contribution. The city's contributions to TMRS for the year ended 2024, were \$4,229,298, and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018, to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

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The target allocation and best estimates of arithmetic real rates return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.70%
Core Fixed Income	6%	4.90%
Non-Core Fixed Income	20%	8.70%
Real Return	12%	8.10%
Real Estate	12%	5.80%
Absolute Return	5%	6.90%
Private Equity	10%	11.80%
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 statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	City		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2022	\$ 74,741,043	\$ 59,987,022	\$ 14,754,021
Changes for the year:			
Service cost	4,640,524	-	4,640,524
Interest	5,124,264	-	5,124,264
Difference between expected and actual experience	1,571,930	-	1,571,930
Contributions - employer	-	3,765,285	(3,765,285)
Contributions - employee	-	1,745,495	(1,745,495)
Change in Assumptions	(249,049)	-	(249,049)
Net investment income	-	6,968,550	(6,968,550)
Benefit payments, including refunds of employee contributions	(2,292,575)	(2,292,575)	-
Administrative expense	-	(44,168)	44,168
Other changes	-	(309)	309
Net changes	8,795,094	10,142,278	(1,347,184)
Balance at 12/31/2023	\$ 83,536,137	\$ 70,129,300	\$ 13,406,837

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	MED		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 1,034,373	\$ 830,186	\$ 204,187
Changes for the year:			
Service cost	64,222	-	64,222
Interest	70,917	-	70,917
Difference between expected and actual experience	21,755	-	21,755
Contributions - employer	-	52,109	(52,109)
Contributions - employee	-	24,157	(24,157)
Net investment income	-	96,441	(96,441)
Change in assumptions	(3,447)	-	(3,447)
Benefit payments, including refunds of employee contributions	(31,728)	(31,728)	-
Administrative expense	-	(611)	611
Other changes	-	(4)	4
Net changes	121,719	140,364	(18,645)
Balance at 12/31/2023	<u>\$ 1,156,092</u>	<u>\$ 970,550</u>	<u>\$ 185,542</u>

	MCDC		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 281,410	\$ 225,859	\$ 55,551
Changes for the year:			
Service cost	17,472	-	17,472
Interest	19,294	-	19,294
Difference between expected and actual experience	5,919	-	5,919
Contributions - employer	-	14,177	(14,177)
Contributions - employee	-	6,572	(6,572)
Net investment income	-	26,238	(26,238)
Change in assumptions	(938)	-	(938)
Benefit payments, including refunds of employee contributions	(8,632)	(8,632)	-
Administrative expense	-	(168)	168
Other changes	-	-	-
Net changes	33,115	38,187	(5,072)
Balance at 12/31/2023	<u>\$ 314,525</u>	<u>\$ 264,046</u>	<u>\$ 50,479</u>

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

CITY OF MIDLOTHIAN, TEXAS
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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	\$ 26,978,620	\$ 13,406,837	\$ 2,436,638
MED	373,369	185,542	33,722
MCDC	101,578	50,479	9,174
Total	<u>\$ 27,453,567</u>	<u>\$ 13,642,858</u>	<u>\$ 2,479,534</u>

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.tmr.com.

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

For the year ended September 30, 2024, the City recognized pension expense of \$4,701,722 (\$4,620,382 for the primary government). As of September 30, 2024, the City reported deferred outflows 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	\$ 2,382,997	\$ -
Changes in actuarial assumptions	34,364	197,378
Difference between projected and actual investment earnings	1,494,354	-
Contributions subsequent to the measurement date	3,054,706	-
Total	<u>\$ 6,966,421</u>	<u>\$ 197,378</u>

For the year ended September 30, 2024, the MED recognized pension expense of \$63,943. For the year ended September 30, 2024, the MCDC recognized pension expense of \$17,396 and the MED reported deferred outflows of resources related to pensions from the following sources:

MED	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 32,979	\$ -
Changes in actuarial assumptions	476	2,732
Difference between projected and actual investment earnings	20,681	-
Contributions subsequent to the measurement date	42,275	-
Total	<u>\$ 96,411</u>	<u>\$ 2,732</u>

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MCDC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,972	\$ -
Changes in actuarial assumptions	129	742
Difference between projected and actual investment earnings	5,626	-
Contributions subsequent to the measurement date	11,501	-
Total	<u>\$ 26,228</u>	<u>\$ 742</u>

For the primary government, MED, and MCDC, respectively, \$3,054,706, \$42,275, and \$11,501 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, 2025. 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	MED	MCDC
2025	\$ 1,190,826	\$ 16,480	\$ 4,484
2026	1,160,402	16,059	4,369
2027	1,699,275	23,517	6,398
2028	(336,166)	(4,652)	(1,266)

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). The 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, 2024, totaled \$98,694.

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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 identical to the City's pension plan. The City Council elected, by ordinance, to provide group-term life insurance coverage to both active and retired employees. The 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 0.25% for 2024 and 0.24% for 2023, of which 0.07% and 0.07%, 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's entire careers. The City's contributions to the TMRS SDBF for the year ended September 30, 2024, were \$19,122, which equaled the required contributions.

Employees covered by benefit terms

As of December 31, 2023, 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	101
Inactive employees entitled to but not yet receiving benefits	-	32
Active employees	297	306
Total	<u>303</u>	<u>439</u>

Total OPEB Liability

The total OPEB liability of \$3,043,797, comprised of \$2,416,869 and \$626,928 for RHCP and SDBF, respectively, was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2023, 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	3.77%	3.77%
Inflation	2.50%	2.50%
Salary Increase	3.60% to 11.85%, including inflation	3.60% to 11.85%, including inflation
Health Care Trend Rates	Initial rate of 7% declining to an ultimate rate of 4.25% after 15 years.	None

Under the SDBF plan, all administrative expenses are paid through the Pension Trust Fund and are accounted for under the 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, 2023.

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, 2023, valuation were based on the results of an actuarial experience study for the period December 31, 2014, to December 31, 2018.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Changes in the Total OPEB Liability

	RHCP	SDBF	Total
Service Cost	\$ 239,352	\$ 38,062	\$ 277,414
Interest on the total OPEB liability	98,539	21,779	120,318
Difference between expected and actual experience	(318,066)	25,191	(292,875)
Changes in assumptions or other inputs	135,127	32,048	167,175
Benefit Payments	<u>(102,929)</u>	<u>(17,762)</u>	<u>(120,691)</u>
Net Changes	52,023	99,318	151,341
Total OPEB liability - as of beginning of the year	2,364,846	527,610	2,892,456
Total OPEB liability - as of end of the year	<u>\$2,416,869</u>	<u>\$ 626,928</u>	<u>\$3,043,797</u>

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 4.05% as of December 31, 2022, to 3.77% as of December 31, 2023.

Retiree Health Care Plan. The following presents the total OPEB liability of the City calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate.

	1% Decrease in Discount Rate (2.77%)	Current Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City	\$ 2,662,728	\$ 2,416,869	\$ 2,196,103

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	Healthcare Cost Trend Rates	1% Increase
City	\$ 2,119,410	\$ 2,416,869	\$ 2,772,320

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Supplemental Death Benefits Fund. The following presents the total OPEB liability of the City and the discretely presented component unit, calculated using the discount rate of 3.77%, as well as what the City's and component unit's total OPEB liability would be if they were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease in Discount Rate (2.77%)	Current Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City	\$ 745,547	\$ 616,082	\$ 516,401
MED	10,318	8,526	7,147
MCDC	2,807	2,320	1,944
Total	<u>\$ 758,672</u>	<u>\$ 626,928</u>	<u>\$ 525,492</u>

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, 2024, the City recognized OPEB expense of \$301,718 for this plan. The total OPEB expense was \$350,943 for both OPEB plans.

As of September 30, 2024, 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	\$ 190,405	\$ 513,953
Changes in actuarial assumptions	351,436	480,823
Contributions subsequent to the measurement date	<u>60,678</u>	<u>-</u>
Total	<u>\$ 602,519</u>	<u>\$ 994,776</u>

For the primary government, \$60,678 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 total OPEB liability in the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended September 30	City
2025	\$ (36,173)
2026	(36,173)
2027	(37,019)
2028	(43,260)
2029	(37,358)
Thereafter	(262,952)

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Supplemental Death Benefits Fund. For the year ended September 30, 2024, the City recognized OPEB expense of \$49,225 for this plan. The total OPEB expense was \$350,943 for both OPEB plans. As of September 30, 2024, 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	\$ 23,802	\$ 31,545
Changes in actuarial assumptions	124,766	213,035
Contributions subsequent to the measurement date	<u>13,813</u>	<u>-</u>
Total	<u>\$ 162,381</u>	<u>\$ 244,580</u>

For the year ended September 30, 2024, the MED recognized OPEB expense of \$669, and MCDC recognized OPEB expense of \$182 for this plan. As of September 30, 2024, the MED and MCDC collectively reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

MED	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 329	\$ 436
Changes in actuarial assumptions	1,727	2,948
Contributions subsequent to the measurement date	<u>191</u>	<u>-</u>
Total	<u>\$ 2,247</u>	<u>\$ 3,384</u>

MCDC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 90	\$ 119
Changes in actuarial assumptions	470	802
Contributions subsequent to the measurement date	<u>52</u>	<u>-</u>
Total	<u>\$ 612</u>	<u>\$ 921</u>

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

For the primary government, MED, and MCDC, respectively, \$13,813, \$191, and \$52 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, 2025. 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	MED	MCDC
2025	\$ (13,029)	\$ (180)	\$ (49)
2026	(11,719)	(162)	(44)
2027	(12,000)	(166)	(45)
2028	(26,622)	(368)	(100)
2029	(31,265)	(433)	(118)
Thereafter	(1,375)	(19)	(5)

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 2024 transfer activity:

Transfer In	Transfer Out	Amount
General	Water and Sewer	\$ 3,407,257
General	Nonmajor Governmental	36,320
Capital Projects	General	1,548,766
Nonmajor Governmental	General	23,999
Total		<u>\$ 5,016,342</u>

At the end of fiscal year 2024 the City had the following interfund balances:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 270
Water and Sewer	General	6,594
Total		<u>\$ 6,864</u>

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. The City General Fund also has a receivable in the amount of \$113,445 due from the Component Units (\$25,949 from MED, \$86,216 from MCDC, and \$1,280 from MDA).

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.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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 joint venture does not issue separate financial statements. The following is summary financial information of the joint venture as of September 30, 2024, and for the year then ended:

Statement of Net Position:

Assets & deferred outflows	\$ 17,412,409
Liabilities & deferred inflows	<u>(673,690)</u>

Net position	<u>\$ 16,738,719</u>
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Statement of Activities:

Revenues	\$ 889,462
Expenses	<u>(1,310,411)</u>

Change in net position	<u>\$ (420,949)</u>
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NOTE 13. CONDUIT DEBT OBLIGATIONS

During the year ended September 30, 2010, the City of Midlothian Industrial Development Corporation (third party obligor) 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

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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 \$7,959,288 in fiscal year 2024.

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 2024, the City rebated \$635,240 in taxes.

NOTE 15. SIGNIFICANT FORTHCOMING STANDARDS

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the entity include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This

CITY OF MIDLOTHIAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

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REQUIRED SUPPLEMENTARY INFORMATION

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BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

CITY OF MIDLOTHIAN, TEXAS

Exhibit A-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 36,552,023	\$ 36,552,023	\$ 38,434,233	\$ 1,882,210
Licenses and permits	2,224,750	2,224,750	3,413,804	1,189,054
Intergovernmental	7,206,165	7,206,165	6,831,467	(374,698)
Charges for services	2,293,016	2,293,016	2,812,363	519,347
Fines	684,163	684,163	1,140,062	455,899
Investment income	613,400	613,400	1,639,535	1,026,135
Contributions and donations	130,500	130,500	299,011	168,511
Miscellaneous	81,605	81,605	106,887	25,282
Total revenues	<u>49,785,622</u>	<u>49,785,622</u>	<u>54,677,362</u>	<u>4,891,740</u>
EXPENDITURES				
Current:				
General government	10,365,192	10,727,727	10,054,076	673,651
Public safety	30,377,122	30,397,778	30,746,177	(348,399)
Public works	6,189,619	6,615,445	6,078,938	536,507
Culture and recreation	3,908,867	3,908,867	3,684,525	224,342
Debt service:				
Principal retirement	132,789	316,117	708,603	(392,486)
Interest charges	-	13,141	34,005	(20,864)
Capital outlay	50,000	50,000	91,231	(41,231)
Intergovernmental	2,463,712	2,463,712	2,293,113	170,599
Total expenditures	<u>53,487,301</u>	<u>54,492,787</u>	<u>53,690,668</u>	<u>802,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,701,679)</u>	<u>(4,707,165)</u>	<u>986,694</u>	<u>5,693,859</u>
OTHER FINANCING SOURCES (USES)				
Issuance of SBITA	-	-	1,918,762	1,918,762
Sale of capital assets	17,640	17,640	42,498	24,858
Transfers in	3,443,577	3,443,577	3,443,577	-
Transfers out	(1,114,728)	(1,114,728)	(1,572,765)	(458,037)
Total other financing sources (uses)	<u>2,346,489</u>	<u>2,346,489</u>	<u>3,832,072</u>	<u>1,485,583</u>
Net change in fund balance	(1,355,190)	(2,360,676)	4,818,766	7,179,442
Fund Balance - beginning	<u>34,048,143</u>	<u>34,048,143</u>	<u>34,048,143</u>	<u>-</u>
Fund Balance - ending	<u>\$ 32,692,953</u>	<u>\$ 31,687,467</u>	<u>\$ 38,866,909</u>	<u>\$ 7,179,442</u>

The accompanying notes are an integral part of this schedule.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
GENERAL FUND BUDGETARY SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 1. BUDGETARY CONTROL

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbered amounts lapse at year end. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

Annual appropriated budgets are consistent with U.S. generally accepted accounting principles and are legally adopted for the General Fund and MidTowne PID Fund. Other governmental fund budgets are not legally adopted annual budgets.

All appropriations lapse on September 30 of the fiscal year.

Budgeted amounts are presented as originally adopted and as amended by the City Council.

CITY OF MIDLOTHIAN, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Plan Year December 31,	2014	2015	2016	2017
A. Total pension liability				
Service cost	\$ 1,671,812	\$ 1,942,044	\$ 2,200,728	\$ 2,398,347
Interest (on the total pension liability)	2,267,231	2,441,280	2,593,138	2,836,106
Difference between expected and actual experience	(297,979)	449,448	15,928	(85,922)
Changes in assumptions	-	(80,345)	-	-
Benefit payments, including refunds of employee contributions	(1,186,061)	(1,393,454)	(1,287,236)	(1,330,913)
Net change in total pension liability	2,455,003	3,358,973	3,522,558	3,817,618
Total pension liability - beginning	32,146,137	34,601,140	37,960,113	41,482,671
Total pension liability - ending (a)	<u>\$ 34,601,140</u>	<u>\$ 37,960,113</u>	<u>\$ 41,482,671</u>	<u>\$ 45,300,289</u>
B. Plan fiduciary net position				
Contributions - employer	\$ 1,432,241	\$ 1,610,066	\$ 1,724,855	\$ 1,939,729
Contributions - employee	735,693	779,465	859,659	930,622
Net Investment Income	1,512,705	42,673	2,023,811	4,608,375
Benefit payments, including refunds of employee contributions	(1,186,061)	(1,393,454)	(1,287,236)	(1,330,913)
Administrative expenses	(15,790)	(25,988)	(22,841)	(23,863)
Other	(1,298)	(1,283)	(1,200)	(1,209)
Net change in plan fiduciary net position	2,477,490	1,011,479	3,297,048	6,122,741
Plan fiduciary net position - beginning	26,437,306	28,914,796	29,926,275	33,223,322
Plan fiduciary net position - ending (b)	<u>\$ 28,914,796</u>	<u>\$ 29,926,275</u>	<u>\$ 33,223,323</u>	<u>\$ 39,346,063</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 5,686,344</u>	<u>\$ 8,033,838</u>	<u>\$ 8,259,348</u>	<u>\$ 5,954,226</u>
D. Plan fiduciary net position as a percentage of total pension liability	84%	79%	80%	87%
E. Covered payroll	\$ 10,509,904	\$ 11,129,194	\$ 12,280,847	\$ 13,294,606
F. Net pension liability as a percentage of covered payroll	54%	72%	67%	45%

2018	2019	2020	2021	2022	2023
\$ 2,645,859	\$ 3,013,814	\$ 3,481,795	\$ 3,613,150	\$ 3,913,293	\$ 4,722,218
3,099,754	3,439,509	3,842,187	4,225,211	4,698,792	5,214,474
634,993	621,598	97,024	1,134,764	910,140	1,599,603
-	312,490	-	-	-	(253,433)
<u>(1,401,878)</u>	<u>(1,660,464)</u>	<u>(1,651,139)</u>	<u>(1,973,389)</u>	<u>(2,240,966)</u>	<u>(2,332,935)</u>
4,978,728	5,726,947	5,769,867	6,999,736	7,281,259	8,949,927
<u>45,300,289</u>	<u>50,279,017</u>	<u>56,005,964</u>	<u>61,775,831</u>	<u>68,775,567</u>	<u>76,056,826</u>
<u>\$ 50,279,017</u>	<u>\$ 56,005,964</u>	<u>\$ 61,775,831</u>	<u>\$ 68,775,567</u>	<u>\$ 76,056,826</u>	<u>\$ 85,006,753</u>
\$ 2,137,933	\$ 2,343,268	\$ 2,787,268	\$ 2,920,740	\$ 3,147,549	\$ 3,831,571
1,027,803	1,147,182	1,321,723	1,363,453	1,479,107	1,776,224
(1,180,070)	6,179,663	3,640,935	7,048,957	(4,631,764)	7,091,228
(1,401,878)	(1,660,464)	(1,651,139)	(1,973,389)	(2,240,966)	(2,332,935)
(22,778)	(34,860)	(23,517)	(32,545)	(39,973)	(44,946)
<u>(1,190)</u>	<u>(1,047)</u>	<u>(918)</u>	<u>223</u>	<u>47,699</u>	<u>(314)</u>
559,820	7,973,742	6,074,352	9,327,439	(2,238,348)	10,320,828
<u>39,346,063</u>	<u>39,905,883</u>	<u>47,879,625</u>	<u>53,953,977</u>	<u>63,281,416</u>	<u>61,043,068</u>
<u>\$ 39,905,883</u>	<u>\$ 47,879,625</u>	<u>\$ 53,953,977</u>	<u>\$ 63,281,416</u>	<u>\$ 61,043,068</u>	<u>\$ 71,363,896</u>
<u>\$ 10,373,134</u>	<u>\$ 8,126,339</u>	<u>\$ 7,821,854</u>	<u>\$ 5,494,151</u>	<u>\$ 15,013,759</u>	<u>\$ 13,642,858</u>
79%	85%	87%	92%	80%	84%
\$ 14,682,905	\$ 16,388,311	\$ 18,881,752	\$ 19,477,897	\$ 21,130,094	\$ 25,082,459
71%	50%	41%	28%	71%	54%

CITY OF MIDLOTHIAN, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Fiscal Year	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 1,537,267	\$ 1,758,800	\$ 2,012,422	\$ 2,079,272
Contributions in relation to the actuarially determined contribution	<u>1,537,267</u>	<u>1,758,800</u>	<u>2,012,422</u>	<u>2,079,272</u>
Contribution deficiency (excess)	-	-	-	-
Covered payroll	10,885,736	12,385,709	13,051,789	14,296,653
Contributions as a percentage of covered payroll	14.1%	14.2%	15.4%	14.5%

Notes to the Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

There were no benefit changes during the year.

2019	2020	2021	2022	2023	2024
\$ 2,202,570	\$ 2,633,038	\$ 2,853,834	\$ 3,033,389	\$ 3,640,534	\$ 4,229,298
<u>2,202,570</u>	<u>2,633,038</u>	<u>2,853,834</u>	<u>3,033,389</u>	<u>3,640,534</u>	<u>4,229,298</u>
-	-	-	-	-	-
15,280,211	16,388,331	18,881,752	19,477,897	21,130,094	27,316,372
14.4%	16.1%	15.1%	15.6%	17.2%	15.5%

CITY OF MIDLOTHIAN, TEXAS

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH CARE PLAN**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Plan Year	2017	2018	2019
A. Total OPEB liability			
Service cost	\$ 114,015	\$ 128,910	\$ 149,408
Interest on the total OPEB liability	51,694	51,847	60,649
Difference between expected and actual experience	-	2,077	372,835
Changes of assumptions	77,204	(67,559)	129,085
Benefit payments	<u>(33,739)</u>	<u>(47,818)</u>	<u>(66,471)</u>
Net change in total OPEB liability	209,174	67,457	645,506
Total OPEB liability - beginning	<u>1,316,648</u>	<u>1,525,822</u>	<u>1,593,279</u>
Total OPEB liability - ending	<u>\$ 1,525,822</u>	<u>\$ 1,593,279</u>	<u>\$ 2,238,785</u>
B. Covered-employee payroll	<u>\$ 12,879,044</u>	<u>\$ 13,017,295</u>	<u>\$ 16,269,853</u>
C. Total OPEB liability as a percentage of covered-employee payroll	11.8%	12.2%	13.8%

Note: GASB 75 requires 10 years of data to be included in this schedule. Additional years will be presented as they become available.

Note: No assets are accumulated in a trust to pay related benefits.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 236,000	\$ 304,945	\$ 287,407	\$ 239,352
63,797	55,206	51,067	98,539
(19,112)	(313,200)	2,113	(318,066)
190,594	42,126	(570,578)	135,127
<u>(73,820)</u>	<u>(56,843)</u>	<u>(73,641)</u>	<u>(102,929)</u>
397,459	32,234	(303,632)	52,023
<u>2,238,785</u>	<u>2,636,244</u>	<u>2,668,478</u>	<u>2,364,846</u>
<u>\$ 2,636,244</u>	<u>\$ 2,668,478</u>	<u>\$ 2,364,846</u>	<u>\$ 2,416,869</u>
<u>\$ 18,904,663</u>	<u>\$ 19,528,919</u>	<u>\$ 21,040,625</u>	<u>\$ 25,376,452</u>
13.9%	13.7%	11.2%	9.5%

CITY OF MIDLOTHIAN, TEXAS

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Plan Year	2017	2018	2019
A. Total OPEB liability			
Service cost	\$ 25,260	\$ 30,834	\$ 29,499
Interest on the total OPEB liability	14,029	14,754	16,296
Difference between expected and actual experience	-	(14,388)	(1,178)
Changes of assumptions	35,988	(33,092)	98,812
Benefit payments, including refunds of employee contributions	<u>(3,988)</u>	<u>(2,937)</u>	<u>(4,916)</u>
Net change in total OPEB liability	71,289	(4,829)	138,513
Total OPEB liability - beginning	<u>360,497</u>	<u>431,786</u>	<u>426,957</u>
Total OPEB liability - ending	<u>\$ 431,786</u>	<u>\$ 426,957</u>	<u>\$ 565,470</u>
B. Covered-employee payroll	<u>\$ 13,294,606</u>	<u>\$ 14,682,905</u>	<u>\$ 16,388,331</u>
C. Total OPEB liability as a percentage of covered-employee payroll	3.2%	2.9%	3.5%

Note: GASB 75 requires 10 years of data to be included in this schedule. Additional years will be presented as they become available.

Note: No assets are accumulated in a trust to pay related benefits.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 43,428	\$ 54,538	\$ 63,390	\$ 38,062
16,096	14,425	14,268	21,779
(22,377)	(31,086)	3,803	25,191
101,953	25,040	(291,249)	32,048
<u>(3,776)</u>	<u>(13,635)</u>	<u>(12,678)</u>	<u>(17,762)</u>
135,324	49,282	(222,466)	99,318
<u>565,470</u>	<u>700,794</u>	<u>750,076</u>	<u>527,610</u>
<u>\$ 700,794</u>	<u>\$ 750,076</u>	<u>\$ 527,610</u>	<u>\$ 626,928</u>
<u>\$ 18,881,752</u>	<u>\$ 19,477,897</u>	<u>\$ 21,130,094</u>	<u>\$ 25,082,459</u>
3.7%	3.9%	2.5%	2.5%

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**COMBINING STATEMENTS AND NONMAJOR
BUDGETARY COMPARISON SCHEDULES**

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The Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes.

Police Imprest Fund — Established to account for funds accumulated through police seizures.

Hotel/Motel Tax Fund – Established to account for local hotel and motel occupancy tax receipts.

City Beautification Fund — 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 – Established to account for activity associated with the MidTowne Public Improvement District (PID) to fund improvements and/or services undertaken by the district for the benefit of property owners.

Redden PID Fund – Established to account for activity associated with the Redden Public Improvement District (PID) to fund improvements and/or services undertaken by the district for the benefit of property owners.

Westside Preserve PID Fund – Established to account for activity associated with the Westside Preserve Public Improvement District (PID) to fund improvements and/or services undertaken by the district for the benefit of property owners.

Escrow PID Fund - Established to account for activity associated with the Escrow Public Improvement District (PID) to fund improvements and/or services undertaken by the district for the benefit of property owners.

Municipal Court Fund — Established to account for the accumulation of funds to be used for court building security, court technology, judicial efficiency and child safety program.

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 the City Council with limitations for use of incidents involving hostage, terrorists and live shooter scenarios.

Grant Fund – Established to account for various grants with which the City participates.

CITY OF MIDLOTHIAN, TEXAS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2024

	Special Revenue Funds				
	Police Imprest	Hotel Motel Tax	City Beautification	MidTowne PID	Redden PID
ASSETS					
Cash and cash equivalents	\$ 573,073	\$ 176,104	\$ 128,582	\$ 99,949	\$ 6,917
Taxes receivable	-	65,351	-	-	-
Accounts receivable, net	-	-	-	3,973	-
Due from other funds	-	-	-	776	-
Due from other governments	-	-	-	-	-
Total assets	<u>573,073</u>	<u>241,455</u>	<u>128,582</u>	<u>104,698</u>	<u>6,917</u>
LIABILITIES					
Accounts payable	54,324	57,804	1,250	-	6,802
Due to other funds	<u>270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388</u>
Total liabilities	<u>54,594</u>	<u>57,804</u>	<u>1,250</u>	<u>-</u>	<u>7,190</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	3,973	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,973</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Law enforcement	518,479	-	-	-	-
Tourism	-	183,651	-	-	-
Court	-	-	-	-	-
Grants	-	-	-	-	-
City beautification	-	-	127,332	-	-
Community improvements	-	-	-	100,725	-
Unassigned	-	-	-	-	(273)
Total fund balances	<u>518,479</u>	<u>183,651</u>	<u>127,332</u>	<u>100,725</u>	<u>(273)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 573,073</u>	<u>\$ 241,455</u>	<u>\$ 128,582</u>	<u>\$ 104,698</u>	<u>\$ 6,917</u>

Special Revenue Funds						Total Nonmajor Governmental Funds
Westside Preserve PID	Bridgewater TIRZ 3	Escrow PID	Municipal Court	Police Regional Response	Grant	
\$ 34,313	\$ 70,840	\$ 87,402	\$ 420,161	\$ 83,471	\$ 1,134,260	\$ 2,815,072
-	-	-	-	-	-	65,351
-	-	-	-	-	125	4,098
-	-	-	-	-	-	776
-	-	-	-	18,593	123,987	142,580
<u>34,313</u>	<u>70,840</u>	<u>87,402</u>	<u>420,161</u>	<u>102,064</u>	<u>1,258,372</u>	<u>3,027,877</u>
37,398	6,992	87,421	-	-	37,337	289,328
388	-	-	-	-	-	1,046
<u>37,786</u>	<u>6,992</u>	<u>87,421</u>	<u>-</u>	<u>-</u>	<u>37,337</u>	<u>290,374</u>
-	-	-	-	-	-	3,973
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,973</u>
-	-	-	-	102,064	-	620,543
-	-	-	-	-	-	183,651
-	-	-	420,161	-	-	420,161
-	-	-	-	-	1,221,035	1,221,035
-	-	-	-	-	-	127,332
-	63,848	-	-	-	-	164,573
(3,473)	-	(19)	-	-	-	(3,765)
<u>(3,473)</u>	<u>63,848</u>	<u>(19)</u>	<u>420,161</u>	<u>102,064</u>	<u>1,221,035</u>	<u>2,733,530</u>
<u>\$ 34,313</u>	<u>\$ 70,840</u>	<u>\$ 87,402</u>	<u>\$ 420,161</u>	<u>\$ 102,064</u>	<u>\$ 1,258,372</u>	<u>\$ 3,027,877</u>

CITY OF MIDLOTHIAN, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Special Revenue Funds				
	Police Imprest	Hotel Motel Tax	City Beautification	MidTowne PID	Redden PID
REVENUES					
Taxes	\$ -	\$ 261,802	\$ -	\$ -	\$ -
Special assessments	-	-	-	85,072	996,945
Charges for services	-	-	28,238	-	-
Investment income	-	3,139	2,699	5,344	-
Intergovernmental	174,681	-	-	-	-
Miscellaneous	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Total revenues	<u>174,681</u>	<u>264,941</u>	<u>30,937</u>	<u>90,416</u>	<u>996,945</u>
EXPENDITURES					
Current:					
General government	181,804	213,948	5,639	91,461	997,218
Public Safety	-	-	-	-	-
Total expenditures	<u>181,804</u>	<u>213,948</u>	<u>5,639</u>	<u>91,461</u>	<u>997,218</u>
Excess (deficiency) of revenues over (under) expenditures	(7,123)	50,993	25,298	(1,045)	(273)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(20,000)	-	-	-
Insurance recoveries	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(7,123)	30,993	25,298	(1,045)	(273)
FUND BALANCE - BEGINNING	<u>525,602</u>	<u>152,658</u>	<u>102,034</u>	<u>101,770</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 518,479</u>	<u>\$ 183,651</u>	<u>\$ 127,332</u>	<u>\$ 100,725</u>	<u>\$ (273)</u>

Special Revenue Funds						Total Nonmajor Governmental Funds
Westside Preserve PID	Bridgewater TIRZ 3	Escrow PID	Municipal Court	Police Regional Response	Grant	
\$ -	\$ 64,482	\$ -	\$ -	\$ -	\$ -	\$ 326,284
2,526,531	-	-	-	-	-	3,608,548
-	-	-	125,731	-	-	153,969
-	-	-	9,756	869	-	21,807
-	-	-	-	47,926	404,900	627,507
-	-	-	-	10,156	5,851	16,007
-	-	-	-	-	756,209	756,209
<u>2,526,531</u>	<u>64,482</u>	<u>-</u>	<u>135,487</u>	<u>58,951</u>	<u>1,166,960</u>	<u>5,510,331</u>
2,526,534	634	-	14,684	2,263	640,638	4,674,823
-	-	-	-	-	181,109	181,109
<u>2,526,534</u>	<u>634</u>	<u>-</u>	<u>14,684</u>	<u>2,263</u>	<u>821,747</u>	<u>4,855,932</u>
(3)	63,848	-	120,803	56,688	345,213	654,399
-	-	-	-	-	23,999	23,999
-	-	-	(16,320)	-	-	(36,320)
-	-	-	-	-	82,834	82,834
-	-	-	(16,320)	-	106,833	70,513
(3)	63,848	-	104,483	56,688	452,046	724,912
(3,470)	-	(19)	315,678	45,376	768,989	2,008,618
<u>\$ (3,473)</u>	<u>\$ 63,848</u>	<u>\$ (19)</u>	<u>\$ 420,161</u>	<u>\$ 102,064</u>	<u>\$ 1,221,035</u>	<u>\$ 2,733,530</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit B-3

MIDTOWNE PID
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Assessments	\$ 58,500	\$ 58,500	\$ 85,072	\$ 26,572
Investment income	<u>1,000</u>	<u>1,000</u>	<u>5,344</u>	<u>4,344</u>
Total revenues	<u>59,500</u>	<u>59,500</u>	<u>90,416</u>	<u>30,916</u>
Expenditures:				
Current:				
General government	<u>81,400</u>	<u>81,400</u>	<u>91,461</u>	<u>(10,061)</u>
Total expenditures	<u>81,400</u>	<u>81,400</u>	<u>91,461</u>	<u>(10,061)</u>
NET CHANGE IN FUND BALANCE	(21,900)	(21,900)	(1,045)	20,855
FUND BALANCE - BEGINNING	<u>101,770</u>	<u>101,770</u>	<u>101,770</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 79,870</u>	<u>\$ 79,870</u>	<u>\$ 100,725</u>	<u>\$ 20,855</u>

Financial Advisory Services
Provided By:

