

PRELIMINARY OFFICIAL STATEMENT**Dated: August 18, 2026**

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)

\$21,175,000*
GENERAL OBLIGATION BONDS,
SERIES 2026

\$11,185,000*
TAX NOTES,
SERIES 2026

Dated Date: August 1, 2026**Due: August 15, as shown on pages ii and iii, respectively**

The City of Midlothian, Texas (the "City" or the "Issuer") is issuing its (i) \$21,175,000* General Obligation Bonds, Series 2026 (the "Bonds") and (ii) \$11,185,000* Tax Notes, Series 2026 (the "Notes" and together with the Bonds, 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 (the "City Council") on August 25, 2026 (the "Bond 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 Notes to be adopted by the City Council on August 25, 2026 (the "Tax Note Ordinance" and, together with the Bond 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. (see "The Obligations - Authority for Issuance" and "The Obligations - Security for 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, 2027, until stated maturity or, with respect to the Bonds, 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 "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, improving, upgrading and reconstructing streets and roads, including related bridges and intersections, utility relocation, drainage, landscaping, sidewalks, traffic safety and operational improvements and signalization and signage, the acquisition of any necessary right-of-way, and other related costs for such projects, and (ii) paying the costs incurred in connection with the issuance of the Bonds. (see "Plan of Financing - Purpose - Use of Bond Proceeds").

Proceeds from the sale of the Notes will be used for (i) purchasing and equipping a fire truck and Fire department equipment; (ii) purchase of vehicles for Park, Public Works, and Planning departments; (iii) street, curbs and sidewalk improvements; (iv) technology improvements, including software upgrades; (v) park playground equipment and Park department improvements; (vi) construction of a Police Training Facility and (vii) paying the costs of professional services and the costs of issuance of the Notes. (see "Plan of Financing - Purpose - Use of Note Proceeds").

The issuance of the Bonds 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.

STATED MATURITY SCHEDULES
(On pages ii and iii, 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 Escamilla & Poneck, 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 16, 2026.

FROST BANK**BOKF FINANCIAL SECURITIES, INC****BAIRD**

* Preliminary, subject to change.

STATED MATURITY SCHEDULE*
\$21,175,000*
GENERAL OBLIGATION BONDS, SERIES 2026
(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>
2027	\$2,155,000			
2028	640,000			
2029	670,000			
2030	700,000			
2031	735,000			
2032	770,000			
2033	805,000			
2034	845,000			
2035	885,000			
2036	925,000			
2037	970,000			
2038	1,015,000			
2039	1,065,000			
2040	1,115,000			
2041	1,165,000			
2042	1,220,000			
2043	1,280,000			
2044	1,340,000			
2045	1,405,000			
2046	1,470,000			

(Interest to accrue from the Dated Date)

Optional Redemption . . . The City reserves the right to redeem the Bonds maturing on and after August 15, 2036, on August 15, 2035, 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 – Redemption Provisions - Optional Redemption of the Bonds”). 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) 2026 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***\$11,185,000*****Tax Notes, Series 2026****(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>
2027	\$3,865,000			
2028	1,090,000			
2029	1,140,000			
2030	1,190,000			
2031	1,245,000			
2032	1,300,000			
2033	1,355,000			

(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) 2026 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

**215 N 8th Street
Midlothian, Texas 76065
(972) 775-3481**

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u> <u>May</u>
Justin Coffman	Mayor	2029
Richard Reno	Council Member-Place 1	2029
Kasey Cheshier	Council Member-Place 2	2029
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	18 years
Clyde Melick, AICP	Assistant City Manager	7 years
Dori Lee	Assistant City Manager	2 months
Ann Honza	Finance Director/CFO	11 years
Maria Belloti	Assistant Finance Director	2 years
Shalonda Oliver	Assistant Director of Budget & Treasury	2 years
Tammy Varner, TRMC	City Secretary	23 years
Joe Grofida	City Attorney	13 years
Mike Adams	City Engineer	26 years
Adam Mergener	Director of Public Works	31 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 OBLIGATIONS 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.

TABLE OF CONTENTS

PRELIMINARY OFFICIAL STATEMENT	1	ADDITIONAL TAX COLLECTIONS	17
INTRODUCTORY STATEMENT	1	Municipal Sales Tax Collections	17
THE OBLIGATIONS	2	Optional Sales Tax	17
General	2	TAX MATTERS	17
Authority for Issuance	2	Opinion	17
Security for Payment	2	Federal Income Tax Accounting Treatment of Original	
Use of Proceeds	2	Issue Discount	18
Redemption Provisions	2	Collateral Federal Income Tax Consequences	18
DTC Notices	3	State, Local and Foreign Taxes	19
Payment Record	3	Information Reporting and Backup Withholding	19
Defeasance	3	Future and Proposed Legislation	19
Default and Remedies	4	CONTINUING DISCLOSURE OF INFORMATION	19
REGISTRATION, TRANSFER AND EXCHANGE	5	Annual Reports	19
Paying Agent/Registrar	5	Notice of Certain Events	19
Record Date	5	Availability of Information from MSRB	20
Transfer, Exchange and Registration	5	Limitations and Amendments	20
Limitation on Transfer or Exchange of Obligations	5	Compliance with Prior Agreements	20
Replacement Obligations	6	OTHER PERTINENT INFORMATION	20
BOOK-ENTRY-ONLY SYSTEM	6	Registration and Qualification of Obligations for Sale	20
Use of Certain Terms in Other Sections of this Official		Litigation	21
Statement	7	Future Debt Issuance	21
INVESTMENT AUTHORITY AND INVESTMENT PRACTICES		Legal Investments and Eligibility to Secure Public Funds in	
OF THE ISSUER	7	Texas	21
Unauthorized Investments	10	Legal Matters	21
Current Investments	10	Ratings	22
DEFINED BENEFIT PENSION PLAN	11	Financial Advisor	22
AD VALOREM TAX PROCEDURES	11	Underwriting	22
Property Tax Code and Countywide Appraisal District ..	11	Links to Websites	22
CITY APPLICATION OF THE PROPERTY TAX CODE	15	Forward-Looking Statements Disclaimer	23
Tax Increment Reinvestment Zone	16	Concluding Statement	23

Financial Information of the Issuer	Appendix A
General Information Regarding City of Midlothian and Ellis County, Texas	Appendix B
Forms of Legal Opinions of Bond Counsel	Appendix C
The Issuer's General Purpose Audited Financial Statements for the Year Ended September 30, 2025	Appendix D

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 48,383 (see "Appendix B - General Information Regarding City of Midlothian and Ellis County, Texas" herein).
The Bonds	The \$21,175,000* General Obligation Bonds, Series 2026 are to mature on August 15 in each of the years 2027 through 2046 (see "The Obligations - Description of the Obligations").
The Tax Notes	The \$11,185,000* Tax Notes, Series 2026 are to mature on August 15 in each of the years 2027 through 2033 (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 (see "The Obligations – Security for Payment").
Redemption of the Bonds	The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on August 15, 2035, 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 to be grouped together as one or more "term" Bonds, in which case such "term" Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Ordinance, as applicable, which provisions will be included in the final Official Statement (see "The Obligations – Redemption Provisions - Optional Redemption of the Bonds").
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, 2027, and on each August 15 and February 15 thereafter until maturity or, with respect to the Bonds, prior redemption.
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, improving, upgrading and reconstructing streets and roads, including related bridges and intersections, utility relocation, drainage, landscaping, sidewalks, traffic safety and operational improvements and signalization and signage, the acquisition of any necessary right-of-way, and other related costs for such projects, and (ii) paying the costs incurred in connection with the issuance of the Bonds (see "Plan of Financing – Purpose – Use of Bond Proceeds").
Use of Note Proceeds	Proceeds from the sale of the Notes will be used for (i) purchasing and equipping a fire truck and Fire department equipment; (ii) purchase of vehicles for Park, Public Works, and Planning departments; (iii) street, curbs and sidewalk improvements; (iv) technology improvements, including software upgrades; (v) park playground equipment and Park department improvements; (vi) construction of a Police Training Facility and (vii) paying the costs of professional services and the costs of issuance of the Notes. (see "Plan of Financing – Purpose – Use of 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).

**Preliminary, subject to change.*

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. On August 11, 2026 the City approved an Ordinance calling for a bond election November 3, 2026 in the amount of \$192,450,000. If successful, the City anticipates it will issue a to-be-determined amount of the authorization during Summer 2027.
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 16, 2026.
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)

\$21,175,000*
General Obligation Bonds,
Series 2026

\$11,185,000*
Tax Notes,
Series 2026

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) \$21,175,000* General Obligation Bonds, Series 2026 (the "Bonds") and (ii) \$11,185,000* Tax Notes, Series 2026 (the "Notes" and, together with the Bonds, the "Obligations"). The Obligations are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Bond Ordinance", and the "Tax 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 25, 2026.

The issuance of the Bonds 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 being 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 25, 2026 (the "Bond 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 25, 2026 (the "Tax 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 iv 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, 2026 (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) and iii (with respect to the Notes) hereof. Interest on the Obligations will accrue from the Dated 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 February 15, 2027, until maturity or, with respect to the Bonds, 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 "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 1331, Texas Government Code, as amended, an election held in the City on May 1, 2021, and the Bond 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.)

Use of Proceeds

Use of Bond Proceeds... Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, improving, upgrading and reconstructing streets and roads, including related bridges and intersections, utility relocation, drainage, landscaping, sidewalks, traffic safety and operational improvements and signalization and signage, the acquisition of any necessary right-of-way, and other related costs for such projects, and (ii) paying the costs incurred in connection with the issuance of the Bonds.

Use of Note Proceeds... Proceeds from the sale of the Notes will be used for (i) purchasing and equipping a fire truck and Fire department equipment; (ii) purchase of vehicles for Park, Public Works, and Planning departments; (iii) street, curbs and sidewalk improvements; (iv) technology improvements, including software upgrades; (v) park playground equipment and Park department improvements; (vi) construction of a Police Training Facility and (vii) paying the costs of professional services and the costs of issuance of the Notes.

Redemption Provisions

Optional Redemption of the Bonds: The Issuer reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 2036 on August 15, 2035, 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 Bonds within a stated maturity are to be redeemed, the particular Bonds 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 to be grouped together as one or more "term" Bonds, in which case such "term" Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond 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 Bond, 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 Bonds 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 BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND, OR ANY PORTION THEREOF, HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND, OR PORTION THEREOF, SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds 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 Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

DTC Notices

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption, notice of proposed amendment to the Ordinances or other notices with respect to the 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, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinances 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 Bonds selected for redemption (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Payment Record

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

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 Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

In the 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 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 not relied upon Chapter 1371 in connection with the issuance of either series of Obligations, and 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 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 Bonds, 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" 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 "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 Bond 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 Bond 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 registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds 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 State 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 State 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 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (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 State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, 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 State law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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) State law. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt 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, 2026 (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 Funds Invested</u>	
<i>General Fund</i>			
Wells Fargo Accounts	\$ 33,343,808		
Investment Pool Accounts (TexPool / TexStar)	7,632,720		\$ 79,433,584
Federal Securities (FNDN / FMCDN / CDs)			17,500,000
Money Market Accounts – Various Banks	27,648		
Certificates of Deposit	<u>383,168</u>		<u>2,276,612</u>
General Fund Subtotal	<u>\$41,387,344</u>		<u>\$96,933,584</u>
TOTAL	<u>138,320,928</u>		
<i>Utility Fund</i>			
		UF Capital/DB <u>SRV</u>	<u>Impact Fees</u>
Wells Fargo Accounts	\$ 23,566,166		
Investment Pool Accounts (TexPool / TexStar)	141	\$ 60,192,163	
Federal Securities (FNDN / FMCDN / CDs)	7,500,000		
Money Market Accounts – Various Banks	1,020,407		\$ 207,671
Certificates of Deposit	<u>35,846</u>	<u>3,646,722</u>	<u>904,663</u>
Utility Fund Subtotal	<u>\$ 32,122,560</u>	<u>\$ 63,838,885</u>	<u>\$ 1,112,334</u>
Total	<u>\$ 97,073,779</u>		
	<u>Total All - \$235,394,706</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 "AAAm" rating from S&P and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds are allowed by the participants.

DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

Plan Descriptions

The City participates as one of 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") 2025 (Appendix D, Note 8 and Note 9 beginning on page 59 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.

Unless extended by future legislation, through December 31, 2026, an appraisal district may only increase the appraised value of real property during the 2026 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5.32 million (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 (collectively, the "Appraisal Cap"). 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.

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. From and after the 2026 tax year, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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 with 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.

“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 through 2024 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.

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 State 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 \$937,113,103.

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	SunOpta Grains and Foods
Design LLC	Sunrider Manufacturing
Earth Root Holdings LLC	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 TICR Bonds have a final maturity of November 15, 2029 and the Series 2017 TICR 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 City with respect to the Obligations or the facilities financed or refinanced with the proceeds of the Obligations. Bond Counsel's opinions represent its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinions and are not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders 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 2026. 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 2026. 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. On August 11, 2026 the City approved an Ordinance calling for a bond election November 3, 2026 in the amount of \$192,450,000. If successful, the City anticipates it will issue a to-be-determined amount of the authorization during Summer 2027.

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, Escamilla & Poneck, 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 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.)

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION**TABLE 1**

2026-2027 Actual Market Value of Taxable Property			\$ 14,187,975,401
Less Exemptions / Losses:			
Homestead/Over 65/Disabled	\$	1,424,448,779	
Disabled and Deceased Veterans'		5,037,907	
Disabled Veterans Homestead		411,622,164	
Agricultural Productivity Loss		378,949,932	
Abatements		1,609,496,839	
Freeport		241,999,484	
HS Cap and CB Cap Loss		127,285,969	
Pollution Control / Solar		296,358,673	
Other		56,422,403	
Totally Exempt Property		941,431,632	<u>\$ 5,493,053,782</u>
2026-2027 Net Taxable Assessed Valuation (Including TIRZ Valuation)			<u>\$ 8,694,921,619</u>
Tax Limit / Freeze Adjustment			<u>\$ 447,058,474</u>
2026-2027 Certified Adjusted Net Taxable Assessed Valuation			<u>\$ 8,247,863,145</u>

Source: Ellis Appraisal District and the City of Midlothian.

General Obligation Debt Principal Outstanding (As of August 15, 2026):

Combination Unlimited Tax and Revenue Refunding Bonds, Series 2000 (assumed Water District Debt)	\$	436,950
General Obligation Bonds, Series 2013		3,155,000
General Obligation Refunding Bonds, Series 2014		1,130,000
Combination Tax and Revenue Refunding Bonds, Series 2014		910,000
General Obligation Bonds, Series 2015		4,705,000
General Obligation Refunding Bonds, Series 2016		570,000
General Obligation Refunding Bonds, Series 2017		1,760,000
General Obligation Bonds, Series 2018		7,270,000
General Obligation Refunding Bonds, Series 2018		3,105,000
General Obligation Bonds, Series 2019		13,010,000
Combination Tax and Revenue Certificates of Obligation, Series 2021		3,780,000
General Obligation Bonds, Series 2021		9,905,000
General Obligation Bonds, Series 2022		53,310,000
General Obligation Bonds, Series 2023		10,215,000
Tax Notes, Series 2024		1,530,000
Combination Tax and Revenue Certificates of Obligation, Series 2025		14,355,000
General Obligation Bonds, Series 2025		16,155,000
Tax Notes, Series 2025		2,545,000
Total Gross General Obligation Debt Principal Outstanding:	\$	<u>147,846,950</u>

Current Issue General Obligation Debt Principal

General Obligation Bonds, Series 2026 (the "Bonds")	\$	21,175,000	*
Tax Notes, Series 2026 (the "Notes")	\$	11,185,000	*
	\$	<u>32,360,000</u>	

Total Gross General Obligation Debt Principal Outstanding (Following the Issuance of the Bonds and Notes): \$ 180,206,950 *

Less: Self-Supporting General Obligation Debt Principal

Combination Tax and Revenue Refunding Bonds, Series 2014 (100% Lease Revenues) ^(a)	\$	910,000
General Obligation Refunding Bonds, Series 2017 (100% UF)		1,760,000
General Obligation Refunding Bonds, Series 2018 (100% UF)		3,105,000
Total Self-Supporting General Obligation Debt Principal	\$	<u>5,775,000</u>

Total Net General Obligation Debt Outstanding (Following the issuance of the Obligations): \$ 174,431,950 *

Ratio of Gross General Obligation Debt Principal to 2026-27 Net Taxable Assessed Valuation 2.07% *

Ratio of Net General Obligation Debt Principal to 2026-27 Net Taxable Assessed Valuation 2.01% *

2026-27 Net Taxable Assessed Valuation (Including Value Captured by the TIRZ) \$ 8,694,921,619

Population: 1990 - 5,141; 2000 - 7,480; 2010; 2020 - 35,125; Current 44,882

Per Capita 2026-27 Net Taxable Assessed Valuation - \$193,728

Per Capita Gross General Obligation Debt Principal - \$4,015 *

Per Capita Net General Obligation Debt Principal - \$3,886 *

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

^(a) 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 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	Combined Debt Service ^{(a)*}	
2027	\$ 18,023,749	\$ 2,155,000	\$ 1,044,927	\$ 3,199,927	\$ 3,865,000	\$ 522,899	\$ 4,387,899	\$ 25,611,575	\$ 22,974,475
2028	15,885,031	640,000	903,450	1,543,450	1,090,000	329,400	1,419,400	18,847,881	16,214,293
2029	14,276,169	670,000	873,050	1,543,050	1,140,000	280,350	1,420,350	17,239,569	16,217,469
2030	12,605,669	700,000	841,225	1,541,225	1,190,000	229,050	1,419,050	15,565,944	15,280,150
2031	12,610,250	735,000	807,975	1,542,975	1,245,000	175,500	1,420,500	15,573,725	15,291,056
2032	12,594,556	770,000	773,063	1,543,063	1,300,000	119,475	1,419,475	15,557,094	15,273,031
2033	12,597,313	805,000	736,488	1,541,488	1,355,000	60,975	1,415,975	15,554,775	15,274,987
2034	11,813,081	845,000	698,250	1,543,250	-	-	-	13,356,331	13,356,331
2035	11,154,800	885,000	658,113	1,543,113	-	-	-	12,697,913	12,697,913
2036	11,154,800	925,000	616,075	1,541,075	-	-	-	12,695,875	12,695,875
2037	11,159,056	970,000	572,138	1,542,138	-	-	-	12,701,194	12,701,194
2038	11,147,063	1,015,000	526,063	1,541,063	-	-	-	12,688,125	12,688,125
2039	10,417,519	1,065,000	477,850	1,542,850	-	-	-	11,960,369	11,960,369
2040	9,236,234	1,115,000	427,263	1,542,263	-	-	-	10,778,497	10,778,497
2041	8,239,447	1,165,000	374,300	1,539,300	-	-	-	9,778,747	9,778,747
2042	7,143,784	1,220,000	318,963	1,538,963	-	-	-	8,682,747	8,682,747
2043	2,511,750	1,280,000	261,013	1,541,013	-	-	-	4,052,763	4,052,763
2044	2,513,250	1,340,000	200,213	1,540,213	-	-	-	4,053,463	4,053,463
2045	2,504,250	1,405,000	136,563	1,541,563	-	-	-	4,045,813	4,045,813
2046	-	1,470,000	69,825	1,539,825	-	-	-	1,539,825	1,539,825
	<u>\$ 197,587,771</u>	<u>\$ 21,175,000</u>	<u>\$ 11,316,802</u>	<u>\$ 32,491,802</u>	<u>\$ 11,185,000</u>	<u>\$ 1,717,649</u>	<u>\$ 12,902,649</u>	<u>\$ 242,982,222</u>	<u>\$ 7,425,102</u>
									<u>\$ 235,557,120</u>

^(a) Includes general obligation self-supporting debt and unlimited tax debt. Does not include \$2,025,000 for the Series 2000 due on September 1, 2026, the final maturity.

^(b) Includes debt being paid from water and sewer system revenue 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

2026-27 Net Taxable Assesd Valuation before TIRZ Adjustment	\$ 8,694,921,619
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-27)	\$ 25,611,575 *
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 0.30057 *

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

2026-27 Net Taxable Assesd Valuation before TIRZ Adjustment	\$ 8,694,921,619
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-27)	\$ 22,974,475 *
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 0.26962 *

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

* Preliminary; subject to change.

Fiscal Year Ending 9/30	Principal Repayment Schedule				Bonds Unpaid at End of Year	Percent of Principal Retired (%)
	Outstanding Principal ^(a)	The Bonds*	The Notes*	Total		
2026	\$ 436,590			\$ 436,590	\$ 179,770,000	0.2%
2027	12,070,000	\$ 2,155,000	\$ 3,865,000	18,090,000	161,680,000	10.3%
2028	10,400,000	640,000	1,090,000	12,130,000	149,550,000	17.0%
2029	9,225,000	670,000	1,140,000	11,035,000	138,515,000	23.1%
2030	7,970,000	700,000	1,190,000	9,860,000	128,655,000	28.6%
2031	8,320,000	735,000	1,245,000	10,300,000	118,355,000	34.3%
2032	8,645,000	770,000	1,300,000	10,715,000	107,640,000	40.3%
2033	9,005,000	805,000	1,355,000	11,165,000	96,475,000	46.5%
2034	8,590,000	845,000	-	9,435,000	87,040,000	51.7%
2035	8,300,000	885,000	-	9,185,000	77,855,000	56.8%
2036	8,665,000	925,000	-	9,590,000	68,265,000	62.1%
2037	9,015,000	970,000	-	9,985,000	58,280,000	67.7%
2038	9,335,000	1,015,000	-	10,350,000	47,930,000	73.4%
2039	8,940,000	1,065,000	-	10,005,000	37,925,000	79.0%
2040	8,080,000	1,115,000	-	9,195,000	28,730,000	84.1%
2041	7,410,000	1,165,000	-	8,575,000	20,155,000	88.8%
2042	6,605,000	1,220,000	-	7,825,000	12,330,000	93.2%
2043	2,170,000	1,280,000	-	3,450,000	8,880,000	95.1%
2044	2,280,000	1,340,000	-	3,620,000	5,260,000	97.1%
2045	2,385,000	1,405,000	-	3,790,000	1,470,000	99.2%
2046	-	1,470,000	-	1,470,000	-	100.0%
	<u>\$ 147,846,590</u>	<u>\$ 21,175,000</u>	<u>\$ 11,185,000</u>	<u>\$ 180,206,590</u>		

^(a) Includes self-supporting debt principal. As of August 15, 2026.

* 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%	\$ 354,684	\$ 182,353
Postage Meter	10/1/2021	9/30/2026	60	0.632%	19,883	4,026
UBEO	10/1/2024	9/30/2029	60	2.331%	36,848	29,779
Police vehicles 21	12/17/2021	12/16/2026	60	3.750%	118,192	24,491
Police vehicles 22	4/20/2023	4/20/2027	60	6.250%	184,524	75,837
Police vehicles 23	7/18/2023	7/18/2027	60	7.990%	212,820	88,008
Police vehicles 24	10/1/2024	9/30/2029	60	2.323%	362,200	286,395

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

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 310,340	\$ 24,284	\$ 334,624
2027	218,836	12,901	231,737
2028	79,932	3,693	83,625
2029	81,781	1,834	83,615
Total	\$ 690,889	\$ 42,712	\$ 733,601

INTEREST AND SINKING FUND MANAGEMENT INDEX

TABLE 8

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2025	\$ 973,011	
FY 2026-27 Interest and Sinking Fund Tax Levy of \$0.316500 at 98% Collections Produces	26,969,038	
Total Available for Debt Service	<u>\$ 27,942,049</u>	^(a)
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-26	23,509,686	^{(b)*}
Estimated Interest & Sinking Fund Balance at Fiscal Year Ending 9-30-26	<u>\$ 4,432,363</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>
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%
2026-27	8,694,921,619	897,065,060	11.50%

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

Sources: Issuer's 2025 Annual Comprehensive Financial Report and information provided by Ellis Central Appraisal District.

FUND BALANCES
TABLE 10

	<u>As of September 30, 2025</u>	<u>As of May 31, 2026 (Unaudited)</u>
General Fund	\$ 43,300,937	\$ 54,124,594
General Obligation Debt Service Fund	973,011	10,909,910
Special Revenue Fund (Appropriated)	2,998,303	8,666,015
Capital Projects Fund (General Fund)	77,556,560	68,870,613
Capital Projects Fund (Utilities)	47,270,824	45,487,062
Revenue Bond Debt Service Fund	1,216,716	2,609,249
Revenue Bond Reserve Fund	11,213,889	7,438,048
Water and Sewer Operating Fund (Cash and Investment Only)	30,286,708	32,161,799
Utility Capital Recovery Fund (Impact Fees)	46,054,108	43,622,788
Total	<u>\$ 260,871,056</u>	<u>\$ 273,890,078</u>

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>
2017	\$ 7,538,793	\$ 3,769,397	\$ 21,448,519	17.57%	0.12
2018	8,619,125	4,309,563	26,245,503	16.42%	0.12
2019	9,878,092	4,939,046	28,231,847	17.49%	0.12
2020	12,834,591	6,417,296	31,674,755	20.26%	0.14
2021	13,382,426	6,691,213	29,667,706	22.55%	0.15
2022	18,402,380 ^(a)	9,201,190	34,033,271	27.04%	0.18
2023	20,598,244 ^(a)	10,299,122	43,753,409	23.54%	0.15
2024	24,746,509 ^(a)	12,373,254	44,500,325	27.80%	0.18
2025	31,801,178 ^(a)	15,900,589	50,103,759	31.74%	0.21
2026	24,039,911 ^(b)	12,019,955	-	-	-

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

Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the City, which is two months after they are generated/collected.

^(a) Changed from Fiscal Year to Calendar Year

^(b) Collections through August 2026.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 12

<u>Category</u>	<u>2026-27</u>	<u>% of Total</u>	<u>2025-26</u>	<u>% of Total</u>	<u>2024-25</u>	<u>% of Total</u>	<u>2023-24</u>	<u>% of Total</u>	<u>2022-23</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 6,121,653,733	43.15%	\$ 5,823,845,822	44.56%	\$ 5,226,020,350	44.41%	\$ 5,317,369,054	47.75%	\$ 4,062,160,855	46.41%
Real, Residential, Multi-Family	353,067,527	2.49%	326,600,540	2.50%	310,599,188	2.64%	245,133,864	2.20%	220,668,208	2.52%
Real, Vacant Lots/Tracts	203,696,152	1.44%	230,475,024	1.76%	179,482,235	1.53%	224,176,344	2.01%	162,519,502	1.86%
Real Acreage (Land Only)	385,011,417	2.71%	350,841,975	2.68%	361,118,406	3.07%	328,357,155	2.95%	256,658,941	2.93%
Farm & Ranch Improvements	180,302,174	1.27%	180,204,017	1.38%	193,323,320	1.64%	223,724,580	2.01%	161,508,478	1.85%
Real, Commercial	754,768,116	5.32%	1,363,520,944	10.43%	1,343,220,408	11.41%	1,370,228,355	12.30%	1,283,353,160	14.66%
Real, Industrial	2,016,877,072	14.22%	1,413,811,784	10.82%	1,345,278,689	11.43%	1,042,162,488	9.36%	868,775,026	9.93%
Oil and Gas	424,975	0.00%	456,234	0.00%	211,820	0.00%	1,881,532	0.02%	840,323	0.01%
Real & Tangible, Personal Utilities	258,680,458	1.82%	120,181,876	0.92%	86,615,404	0.74%	80,871,178	0.73%	72,535,450	0.83%
Tangible Personal, Commercial	465,685,917	3.28%	1,372,145,039	10.50%	909,818,585	7.73%	781,633,480	7.02%	555,469,246	6.35%
Tangible Personal, Industrial	2,350,970,247	16.57%	796,160,865	6.09%	730,851,308	6.21%	653,893,461	5.87%	357,169,852	4.08%
Tangible Personal, Mobile Homes	11,114,924	0.08%	10,767,191	0.08%	10,090,945	0.09%	10,697,445	0.10%	8,900,007	0.10%
Real Property, Inventory / Other	148,248,680	1.04%	162,626,081	1.24%	239,680,899	2.04%	139,372,337	1.25%	87,332,027	1.00%
Totally Exempt Property	937,474,009	6.61%	918,747,260	7.03%	831,502,495	7.07%	716,832,113	6.44%	654,373,530	7.48%
Total Market Value	\$ 14,187,975,401	100.00%	\$ 13,070,384,652	100.00%	\$ 11,767,814,052	100.00%	\$ 11,136,333,386	100.00%	\$ 8,752,264,605	100.00%
Less Exemptions:										
Homestead/Over 65/Disabled	\$ 1,424,448,779		\$ 1,335,092,281		\$ 1,228,787,943		\$ 587,201,501		\$ 158,261,519	
Disabled and Deceased Veterans'	5,037,907		4,683,907		4,460,934		4,234,879		11,683,519	
Disabled Veterans Homestead	411,622,164		326,548,646		240,155,023		178,772,881		116,353,381	
Agricultural Productivity Loss	378,949,932		348,579,410		358,869,227		322,868,727		258,019,893	
Abatements	1,609,496,839		1,384,040,583		1,409,157,115		1,224,505,883		897,539,378	
Freeport	241,999,484		435,425,557		170,679,209		165,657,122		187,585,577	
HS Cap and CB Cap Loss	127,285,969		206,732,658		301,401,614		803,930,209		342,036,520	
Pollution Control / Solar	296,358,673		312,350,379		305,086,867		216,333,212		215,264,946	
Other	56,422,403		-		-		844,826		420,586	
Totally Exempt Property	941,431,632		919,074,672		820,952,254		718,881,104		655,717,148	
Total Exemptions	\$ 5,493,053,782		\$ 5,272,528,093		\$ 4,639,550,186		\$ 4,223,230,344		\$ 2,842,882,467	
Net Taxable Assessed Valuation	\$ 8,694,921,619		\$ 7,797,856,559		\$ 6,928,263,866		\$ 6,913,103,042		\$ 5,909,382,138	
Tax Limit / Freeze Adjustment	\$ 447,058,474		\$ 453,015,875		\$ 363,340,296		\$ 448,802,965		\$ 673,494,232	
Net Taxable Assessed Valuation after TIRZ Adjustment	\$ 8,247,863,145		\$ 7,344,840,684		\$ 6,564,923,570		\$ 6,464,300,077		\$ 5,235,887,906	

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.

<u>Name</u>	<u>Type of Property</u>	<u>2026</u>		<u>% of Total 2026</u>
		<u>Net Taxable</u>	<u>Assessed Valuation</u>	
Design LLC	Data Center	\$ 414,617,164		5.03%
Midlothian Energy Limited	Utility	295,339,800		3.58%
Sharka LLC	Data Center	265,763,758		3.22%
Oncor Electric Delivery Company	Utility	216,903,644		2.63%
Gerdau Ameristeel	Steel Manufacturer	210,509,566		2.55%
Target Corporation	Retail Distribution	147,686,669		1.79%
TXI Operations LP	Cement Plant	120,416,600		1.46%
Holcim (US) Inc.	Cement Plant	90,709,800		1.10%
Desert Willow Energy Storage	Utility	79,407,201		0.96%
Quik N Tasty Foods Inc.	Retail Distribution	71,210,185		0.86%
		Total	\$ 1,912,564,387	23.19%
Based on 2026-27 Net Taxable Assessed of (After TIRZ Adjustment)		\$ 8,247,863,145		

Source: Ellis Appraisal District

PROPERTY TAX RATES AND COLLECTIONS ^(a)

TABLE 14

<u>Tax</u>	<u>Net Taxable</u>		<u>Total Tax</u>	<u>Tax</u>	<u>% Collections^(b)</u>		<u>Fiscal Year</u>
	<u>Assessed Valuation</u>	<u>After TIRZ Adjustment</u>			<u>Current</u>	<u>Total</u>	
<u>Year</u>			<u>Rate</u>	<u>Levy</u>			<u>Ended</u>
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%	99.60%	9/30/2024
2024	6,564,923,570		0.650000	44,500,325	98.35%	98.76%	9/30/2025
2025	7,344,840,684		0.650000	50,103,759	97.46% ^(c)	97.64%	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) Collections as of May 31, 2026.

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

TAX RATE DISTRIBUTION

TABLE 15

	<u>2025-26</u>	<u>2024-25</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>
General Fund	\$0.333500	\$0.343882	\$0.329455	\$0.340590	\$0.380002
I & S Fund	<u>0.316500</u>	<u>0.306118</u>	<u>0.320545</u>	<u>0.309410</u>	<u>0.294998</u>
TOTAL	\$0.650000	\$0.650000	\$0.650000	\$0.650000	\$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 15, 2026)

<u>Taxing Body</u>	<u>Gross Debt Principal</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Ellis County	\$ 18,535,000	26.59%	\$ 4,928,457
Midlothian Independent School District	444,305,000	74.04%	328,963,422
Midlothian Municipal Management District #2	22,505,000	100.00%	22,505,000
Midlothian Municipal Management District #3	6,095,000	100.00%	6,095,000
Waxahachie Independent School District	669,175,981	1.18%	7,896,277
Total Net Overlapping Debt			\$370,388,155
City of Midlothian	180,206,950 ^(a)	100.00%	180,206,950 ^{(a)*}
Total Gross Direct and Overlapping Debt Principal			\$550,595,105 ^{(a)*}
Ratio of Gross Direct and Overlapping Debt to 2026-27 Net Taxable Assessed Valuation (Including TIRZ Valuation)			6.33% ^{(a)*}
Ratio of Gross Direct and Overlapping Debt to 2026-27 Actual Value			3.88% ^{(a)*}
Per Capita Gross Direct and Overlapping Debt			\$12,267.62 ^{(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			\$ 174,431,950 *
Calculations on the basis of Net General Obligation Debt would change the above figures as follows:			
Total Net Direct and Overlapping Debt Principal			\$544,820,105 *
Ratio of Net Direct and Overlapping Debt to 2026-27 Net Taxable Assessed Valuation (Including TIRZ Valuation)			6.27% *
Ratio of Net Direct and Overlapping Debt Principal to 2026-27 Actual Value			3.84% *
Per Capita Net Direct and Overlapping Debt			\$12,139 *

^(a) Includes the Bonds, the Notes, self-supporting debt, and unlimited tax debt as of August 15, 2026.

^{*} Preliminary, subject to change.

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>2025 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2025 Tax Rate</u>
Ellis County	\$ 39,198,444,896	100%	\$ 0.274
Midlothian Independent School District	10,801,934,989	100%	1.071
Midlothian Municipal Management District #2	173,892,269	100%	0.600
Midlothian Municipal Management District #3	147,746,188	100%	0.400
Waxahachie Independent School District	8,564,760,288	100%	1.168

Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas.

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

(As of August 15, 2026)

<u>Taxing Body</u>	<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To-Date</u>	<u>Unissued</u>
Ellis County	None				
Midlothian ISD	11/4/2025	School Bldg & Buses	226,455,000	104,100,000	\$ 122,355,000
		Career & Tech Ed Ctr	157,165,000	40,300,000	116,865,000
		Technology	5,600,000	5,600,000	-
			389,220,000	150,000,000	239,220,000
Midlothian MMD #2	5/1/2021 5/1/2021	Water, Sewer & Drainage Road	\$ 151,060,000	\$ 9,860,000	\$ 141,200,000
			229,560,000	12,645,000	216,915,000
			\$ 380,620,000	\$ 22,505,000	\$ 358,115,000.00
Midlothian MMD #3	11/7/2017 11/7/2017 11/7/2017	Drainage	\$ 46,000,000	\$ -	\$ 46,000,000
		Recreation	29,000,000	-	29,000,000
		Roads	46,000,000	6,435,000	39,565,000
			\$ 121,000,000	\$ 6,435,000	\$ 114,565,000
Waxahachie ISD	5/6/2023	School Building	\$ 192,284,113	\$ 150,000,000	\$ 42,284,113
		School Building	322,072,031	290,000,000	32,072,031
		School Building Improvements	60,689,843	60,689,843	-
			\$ 575,045,987	500,689,843	\$ 74,356,144

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 Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To-Date</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 *
			\$ 125,575,000	\$ 104,400,000	\$ 21,175,000

^{*} The Bonds.

On August 11, 2026 the City approved an Ordinance calling for a bond election November 3, 2026 in the amount of \$192,450,000.

Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas.

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

TABLE 20

	Fiscal Year Ended September 30				
	2025	2024	2023	2022	2021
Revenues:					
Taxes	\$ 43,198,990	\$ 38,434,233	\$ 33,950,616	\$ 30,965,511	\$ 27,503,621
Licenses and Permits	2,568,048	3,413,804	3,178,960	2,753,359	2,550,411
Intergovernmental	7,232,188	6,831,467	13,383,103	5,224,316	6,806,481
Charges for Services	2,998,641	2,812,363	2,124,570	2,783,123	2,541,185
Fines	939,982	1,140,062	721,964	776,090	772,678
Investment Income	1,703,293	1,639,535	1,519,801	282,923	6,240
Contributions and Donations	306,988	299,011	273,426	333,714	81,385
Miscellaneous	289,193	106,887	149,635	149,109	304,885
Total Revenues	<u>\$ 59,237,323</u>	<u>\$ 54,677,362</u>	<u>\$ 55,302,075</u>	<u>\$ 43,268,145</u>	<u>\$ 40,566,886</u>
Expenditures:					
Current:					
General Government	\$ 11,860,031	\$ 10,054,076	\$ 9,185,340	\$ 6,911,801	\$ 10,056,259
Public Safety	32,928,217	30,746,177	25,417,006	22,643,691	20,745,887
Public Works	5,662,017	6,078,938	4,564,838	5,423,837	5,892,675
Culture and Recreation	3,992,180	3,684,525	3,039,977	2,988,794	1,876,927
Intergovernmental (Payment to TIRZ)	2,591,982	2,293,113	2,273,424	2,227,560	2,816,619
Capital Outlay	127,581	91,231	404,639	122,712	-
Debt Service					
Principal retirement	880,859	708,603	590,900	315,942	142,461
Interest charges	87,870	34,005	12,009	13,141	21,712
Total Expenditures	<u>\$ 58,130,737</u>	<u>\$ 53,690,668</u>	<u>\$ 45,488,133</u>	<u>\$ 40,647,478</u>	<u>\$ 41,552,540</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 1,106,586	\$ 986,694	\$ 9,813,942	\$ 2,620,667	\$ (985,654)
Other Financing Sources (Uses):					
Issuance of Lease	\$ 789,321	\$ -	\$ 533,216	\$ 122,712	\$ -
Issuance of SBITA	-	1,918,762	101,924	-	-
Sale of Capital Assets	56,839	42,498	-	3,061,627	-
Transfers In (Includes Component Units)	3,806,282	3,443,577	3,050,377	3,050,377	3,050,388
Transfers Out	(1,325,000)	(1,572,765)	(10,101,728)	(1,251,815)	(1,316,172)
Total Other Financing Sources (Uses)	<u>\$ 3,327,442</u>	<u>\$ 3,832,072</u>	<u>\$ (6,416,211)</u>	<u>\$ 4,982,901</u>	<u>\$ 1,734,216</u>
Excess (Deficit) of Revenues/Other Sources Sources Over Expenditures/Other Uses	<u>4,434,028</u>	<u>4,818,766</u>	<u>3,397,731</u>	<u>7,603,568</u>	<u>748,562</u>
Fund Balance - Beginning of Year	38,866,909	34,048,143	30,650,412 ^(a)	23,046,825	22,298,263
Fund Balance - September 30	<u>\$ 43,300,937</u>	<u>\$ 38,866,909</u>	<u>\$ 34,048,143</u>	<u>\$ 30,650,393</u>	<u>\$ 23,046,825</u>

Note: The City anticipates the General Fund balance for period ending September 30, 2026 will be approximately \$39,131,416. The draw down was the result of the following one time expenses overall increase in Public Safety and Public Works (side walks and road maintenance).

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

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

(this page intentionally left blank)

APPENDIX B

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

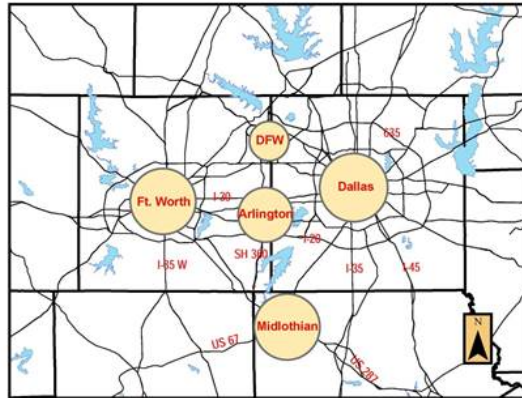
(this page intentionally left blank)

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

The City, incorporated in 1888, is located in the northwest part of Ellis County, approximately twenty-five miles southwest of Dallas, on U.S. Highway 67, and ten miles northwest of Waxahachie, on U.S. Highway 287. The City is part of the Dallas/Fort Worth Metroplex and encompasses an approximate area of 64.46 square miles, with an estimated 2026 estimated population of 44,882.

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. This includes Midlothian hosting a \$40 billion dollar investment announcement in data centers across Texas and Midlothian. SunOpta Grains and Food, which constructed a 275,000 square foot food and beverage manufacturing facility, had recently announced an expansion of its operational footprint. Logistics Property Company constructed a 550,000 square foot speculative industrial warehouse at RailPort Business Park which is home to DW Wholesale's distribution facility. Quality Tube, a steel conduit pipe manufacturer, has purchased a 852,000 square foot building with expectations to be fully operational by the end of this year. Sanderson Pipe has purchased land for their Plastic Pipe manufacturer expansion. Midlothian Business Park is home to five industrial buildings including Winsupply, Sunrider Manufacturing, and SunOpta's storage facility. Hillwood Investment Properties has owned over 350 acres of land off Ward Road in the "Crossroads Logistics Park". In September 2025, Medline Industries announce they would be building a 1.2 million square foot facility on the Crossroads Logistics Park to expand their distribution network in DFW. Desert Willow Energy had the ribbon cutting for their energy storage facility in the Summer of 2025. 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 in 2024.

Source: The City of Midlothian Annual Comprehensive Financial Report.



Population Trends:

Census Report	City of Midlothian	Ellis County
Current Estimate	44,882	247,255
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 2025:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Target Distribution	Distribution Center	1,250
Gerdau	Steel Manufacturing	1,075
Methodist Hospital	Medical Facility	500
Ash Grove, Texas Cement	Cement Plant	250
Lafarge Holcim Texas	Cement Plant	250
Martin Marietta Materials	Cement Production	250
Quick Trip Distribution	Distribution	250
SunOpta Grains and Foods	Beverage production facility	210
Sunrider Manufacturing	Manufacturing	205

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 2025, Ellis County's tax revenue increased by \$7,256,411 – an 8.79% increase from FY24 – 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 2026</u>	<u>May 2025</u>	<u>May 2024</u>	<u>May 2026</u>	<u>May 2025</u>	<u>May 2024</u>
Civilian Labor Force	125,767	124,928	121,240	15,901,582	15,858,126	15,501,676
Total Employed	120,814	120,474	117,122	15,213,369	15,206,483	14,913,510
Total Unemployed	4,953	4,454	4,118	688,213	651,643	588,166
% Unemployed	3.9%	3.6%	3.4%	4.3%	4.1%	3.8%
% Unemployed (United States)	4.3%	4.0%	3.7%	4.3%	4.0%	3.7%

Source: Texas Workforce Commission, Labor Market Information Department.

APPENDIX C

FORMS OF LEGAL OPINIONS OF BOND COUNSEL

(this page intentionally left blank)

Proposed Form of Opinion of Bond Counsel

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

**CITY OF MIDLOTHIAN, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2026**

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,

(this page intentionally left blank)

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the 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,

(this page intentionally left blank)

APPENDIX D

**THE CITY OF MIDLOTHIAN AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2025**

(this page intentionally left blank)

CITY OF MIDLOTHIAN, TEXAS
**Annual Comprehensive
Financial Report**

For the Year Ended
September 30, 2025



Midlothian
TEXAS

Strong Foundations. Bright Futures.

CITY OF MIDLOTHIAN, TEXAS

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2025**

As Prepared By:

Finance Department

City of Midlothian, Texas

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MIDLOTHIAN, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

TABLE OF CONTENTS

	Exhibit	Page
I. INTRODUCTORY SECTION		
Letter of Transmittal		i
Certificate of Achievement.....		viii
Organizational Chart		ix
Principal Officers		x
II. FINANCIAL SECTION		
Independent Auditor's Report.....		1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS		4
B. BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements		
Statement of Net Position	1	14
Statement of Activities	2	16
Fund Financial Statements:		
Governmental Fund Financial Statements		
Balance Sheet	3	18
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	4	19
Statement of Revenues, Expenditures and		
Changes in Fund Balances	5	20
Reconciliation of the Statement of Revenues,		
Expenditures and Changes in Fund Balances		
of Governmental Funds to the Statement		
of Activities	6	21
Proprietary Fund Financial Statements		
Statement of Fund Net Position	7	22
Statement of Revenues, Expenses and Changes		
In Fund Net Position	8	24
Statement of Cash Flows	9	25
Custodial Fund Financial Statements		
Statement of Fund Net Position – Custodial Funds....	10	27
Statement of Revenues, Expenses and Changes		
In Fund Net Position – Custodial Funds	11	28
Discretely Presented Component Units		
Combining Statement of Net Position	12	29
Combining Statement of Activities	13	31
Notes to Basic Financial Statements		33

	Exhibit	Page
C. REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund	A-1	75
Notes to Required Supplementary Information –		
Budgetary Comparison Schedule		76
Schedule of Changes in Net Pension Liability		
and Related Ratios	A-2	77
Schedule of Contributions – Pension	A-3	79
Schedule of Changes in Total OPEB Liability		
and Related Ratios – Retiree Health Care Plan	A-4	81
Schedule of Changes in Total OPEB Liability		
and Related Ratios – TMRS Supplemental Death		
Benefits Fund	A-5	83

D. COMBINING STATEMENTS AND NONMAJOR BUDGETARY COMPARISON SCHEDULE

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet –		
Nonmajor Governmental Funds	B-1	85
Combining Statement of Revenues,		
Expenditures and Changes in Fund Balance –		
Nonmajor Governmental Funds	B-2	87
Budgetary Comparison Schedule – MidTowne PID	B-3	89

CUSTODIAL FUNDS

Combining Statement of Fiduciary Net Position –		
Custodial Funds	C-1	90
Combining Statement of Changes in Fiduciary		
Net Position – Custodial Funds	C-2	91

	Table	Page
III. STATISTICAL SECTION		
Net Position by Component	1	92
Changes in Net Position	2	94
Fund Balances, Governmental Funds	3	98
Changes in Fund Balances of Governmental Funds	4	100
Assessed Value and Estimated Actual Value of Taxable Property	5	102
Direct and Overlapping Property Tax Rates	6	103
Principal Property Taxpayers Less T.I.R.Z.		
Taxable Real Property	7	104
Ad Valorem Tax Levies and Collections	8	105
Ratio of Outstanding Debt by Type	9	106
Ratio of General Bonded Debt Outstanding	10	108
Direct and Overlapping Governmental Activities Debt	11	110
Pledged-Revenue Coverage	12	111
Demographic and Economic Statistics	13	112
Principal Employers	14	113
Full-Time Equivalent City Government		
Employees by Function/Program	15	114
Operating Indicators by Function/Program	16	116
Capital Asset Statistics by Function/Program	17	118

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



February 24, 2026

*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, 2025.

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, 2025, 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, 2025, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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



Profile of the City

The City, incorporated in 1888, is located in the northwest part of Ellis County, approximately twenty-five miles southwest of Dallas, on U.S. Highway 67, and ten miles northwest of Waxahachie, on U.S. Highway 287. The City is part of the Dallas/Fort Worth Metroplex and encompasses an approximate area of 64.46 square miles, with an estimated population of 43,516 as of September 30, 2025. 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 75 and 89, respectively.



Economic Outlook and Financial Condition

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

Local economy. Midlothian's location is served by two major highways. US Hwy 67 travels north and south, and US Highway 287 travels east to west. The City is within 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. This includes Midlothian hosting a \$40 billion dollar investment announcement in data centers across Texas and Midlothian. SunOpta Grains and Food, which constructed a 275,000 square foot food and beverage manufacturing facility, had recently announced an expansion of its operational footprint. Logistics Property Company constructed a 550,000 square foot speculative industrial warehouse at RailPort Business Park which is home to DW Wholesale's distribution facility. Quality Tube, a steel conduit pipe manufacturer, has purchased a 852,000 square foot building with expectations to be fully operational by the end of this year. Sanderson Pipe has purchased land for their Plastic Pipe manufacturer expansion. Midlothian Business Park is home to five industrial buildings including Winsupply, Sunrider Manufacturing, and SunOpta's storage facility. Hillwood Investment Properties has owned over 350 acres of land off Ward Road in the "Crossroads Logistics Park". In September 2025, Medline Industries announce they would be building a 1.2 million square foot facility on the Crossroads Logistics Park to expand their distribution network in DFW. Desert Willow Energy had the ribbon cutting for their energy storage facility in the Summer of 2025. 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 in 2024.

Redden Farms PID: established in 2021, this master-planned community is actively selling and building roughly 800 homes. Builders in the district include Impression Homes, David Weekley Homes, and Risewell Homes. Westside Preserve PID: established in 2022, this area has a 131-acre master plan with approximately 980 homes. This mixed-use development includes single-family residential lots, multi-family tracts, and commercial areas. Builders such as Pulte Homes, Kindred Homes, and DRB Homes are active in the district.

Furthermore, the new Midlothian City Hall and Library opened in late 2024 which has spurred economic growth and sense of community in the downtown area. The new Public Safety and Police Headquarters opened in late 2025 Summer. The Lawson District, which opened in 2025, is home to many local restaurants and retail shops including Roma's and Bearded Axe. Main Street Towne Crossing, which is anchored by Lowes and home to Chick Fil A opened in late 2025. The development has future phases planned and under construction.

The City is over 65% developed with an annual growth rate of 4.63% and also benefits from a well-educated and affluent workforce with an average household income estimated between \$122,643 and \$127,181.

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. Texas State Technical College has purchased land in Midlothian and announced a conceptual plan for a campus to serve over 4,000 students. TSTC already has a campus in Red Oak approximately 20 minutes away from Midlothian, serving the needs of many Midlothian residents and Midlothian ISD students. The Midlothian Independent School District is one of the fastest growing districts in the State of Texas, making the City a sought-after environment with small town appeal.

Air transportation is available at nearby Dallas/Fort Worth International Airport and Love Field for national and international travel. Mid-Way Regional Airport is located within three miles of downtown Midlothian, for private/commercial services. The 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 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. Texas Eye and Cataract recently completed its Midlothian location off Highway 287. Specializing in advanced eye surgery, this facility will offer state-of-the-art care and treatment options to patients in the area, enhancing access to specialized ophthalmology services in the community.

The City is home to over 15 parks 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. In January 2023, the City Council adopted ParkVision, a comprehensive Parks, Recreation, Open Space, and Trails Master Plan. This plan serves as the guide for the Parks and Recreation Department through 2033, focusing on demographic trends, future land acquisitions, and a city-wide trail system. The Midlothian Heritage Park, Approved in April 2025, this project will expand Heritage Park to approximately 7.5 acres. The design includes a new performance stage, "great lawn," and integration with the new City Hall and Library. The City-wide Trail work is ongoing for the initial 3 miles of a connected city-wide trail system.

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 2025, building permits were approved for 833 single-family homes with an estimated annual average value of \$480,000. There are currently 8,587 residential lots available 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 3-6% for the past five years. In 2025, the growth was approximately 3.33%; with a five-year growth of 19.65%.

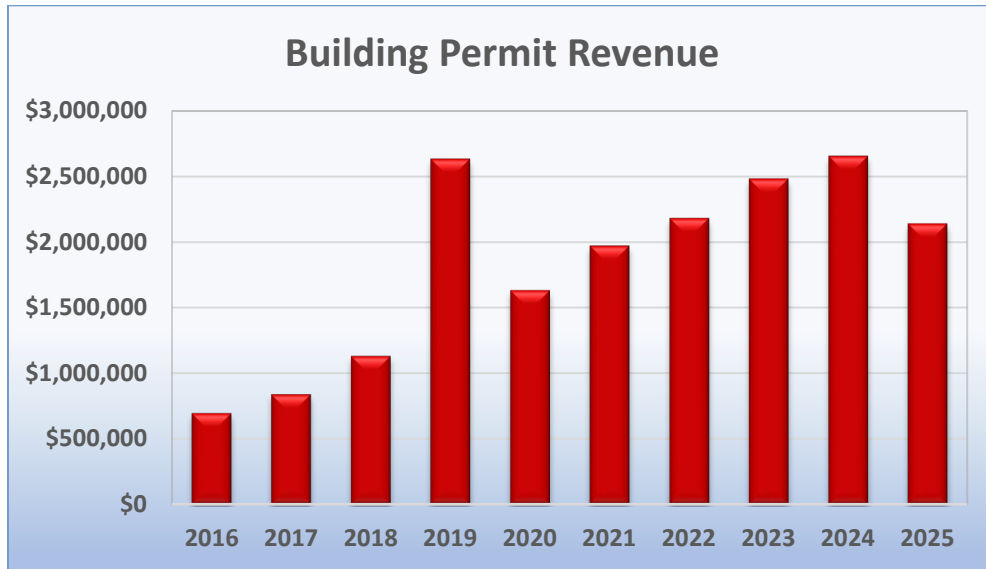
The local economy remained strong; sales tax increased by 26% during the current year. Due to the strong sales tax in 23-24, council projected an increase to the sales tax, budgeting \$11,716,000 for the 24-25 fiscal year which is \$1,616,000 above the amount budgeted for prior year. The economy in Midlothian remains very flourishing.



Building permit revenue decreased by \$517,268 in 24-25 due to timing issue on some new commercial construction recorded in 23-24 but not in 24-25. Building permits are budgeted to increase by 12.5% in 2025-2026. This increase is anticipated due to several new developments, and council budgeted conservatively in 25-26. The City is thriving with new development and indicators do not show a slowdown in the years to come.



Strong Foundations. Bright Futures.



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

The Finance Director and Budget 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 \$38,553,707. Within the FY 2024-2025 amended general budget, 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 system.

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 and the Public Safety/Municipal Court Building were substantially complete by September 30, 2025. The unissued Recreation Center bond of \$19,000,000 was issued in September 2025 and project should start in the next fiscal years.



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, 2024. This was the twentieth 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.

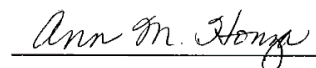
In addition, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2024. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This was the twenty-four consecutive year that the City has achieved this prestigious award.

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*



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, 2024

Christopher P. Morrell

Executive Director/CEO



CITY OF MIDLOTHIAN, TEXAS

PRINCIPAL OFFICERS

SEPTEMBER 30, 2025

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

THIS PAGE LEFT BLANK INTENTIONALLY



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, 2025, 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, 2025, 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.

Emphasis of Matter – Change of Accounting Principle

As described in the notes to the financial statements, in fiscal year 2025 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 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 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 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 February 24, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Waco, Texas
February 24, 2026

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2025

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, 2025.

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 \$610,152,804 (net position). Of this amount, \$68,544,778 (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 \$57,847,081 for the current fiscal year, which resulted primarily from ad valorem, sales and franchise fees of \$65,738,915 and charges for services of \$51,516,713.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$124,828,811. Of this amount, 31% or \$38,553,707 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 \$38,553,707 or 66% 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, 2025

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 Projects Funds, all of which are considered to be major funds. Data from nine 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 33-74.

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 75-84 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 85-91 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 \$610,152,804 as of September 30, 2025.

The largest portion of the City's net position \$485,858,679 (80%) 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, 2025

Long-term liabilities increased by \$25,479,777 for the fiscal year ended September 30, 2025, due primarily to the issuance of bonds and tax notes in the current year.

An additional portion of the City's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position (\$68,544,778), which may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2025, 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, 2025.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 144,081,318	\$ 131,411,911	\$ 90,121,640	\$ 71,325,860	\$ 234,202,958	\$ 202,737,771
Capital assets	387,399,101	346,488,045	202,024,011	191,213,219	589,423,112	537,701,264
Total assets	<u>531,480,419</u>	<u>477,899,956</u>	<u>292,145,651</u>	<u>262,539,079</u>	<u>823,626,070</u>	<u>740,439,035</u>
Total deferred outflows of resources	<u>6,389,022</u>	<u>7,115,058</u>	<u>844,794</u>	<u>931,906</u>	<u>7,233,816</u>	<u>8,046,964</u>
Long-term liabilities	190,834,971	163,386,590	10,743,000	12,711,604	201,577,971	176,098,194
Other liabilities	<u>8,851,286</u>	<u>11,838,132</u>	<u>6,950,891</u>	<u>5,734,606</u>	<u>15,802,177</u>	<u>17,572,738</u>
Total liabilities	<u>199,686,257</u>	<u>175,224,722</u>	<u>17,693,891</u>	<u>18,446,210</u>	<u>217,380,148</u>	<u>193,670,932</u>
Total deferred inflows of resources	<u>2,552,304</u>	<u>1,802,192</u>	<u>774,630</u>	<u>710,898</u>	<u>3,326,934</u>	<u>2,513,090</u>
Net investment in capital assets	295,823,265	271,365,434	190,472,004	178,202,996	485,858,679	398,272,795
Restricted for:						
Debt service	1,425,007	2,233,389	1,181,715	1,106,083	2,606,722	3,339,472
Capital improvements	-	-	49,663,776	39,864,775	49,663,776	39,864,775
Other purposes	3,478,849	3,201,813	-	-	3,478,849	3,201,813
Unrestricted	<u>34,903,759</u>	<u>31,187,464</u>	<u>33,204,429</u>	<u>25,140,023</u>	<u>68,544,778</u>	<u>51,500,008</u>
Net position	<u>\$ 335,630,880</u>	<u>\$ 307,988,100</u>	<u>\$ 274,521,924</u>	<u>\$ 244,313,877</u>	<u>\$ 610,152,804</u>	<u>\$ 552,301,977</u>

CITY OF MIDLOTHIAN, TEXAS

**Management's Discussion and Analysis
For the Year Ended September 30, 2025**

The following table provides a summary of the City's Statement of Activities for the year ended September 30, 2025.

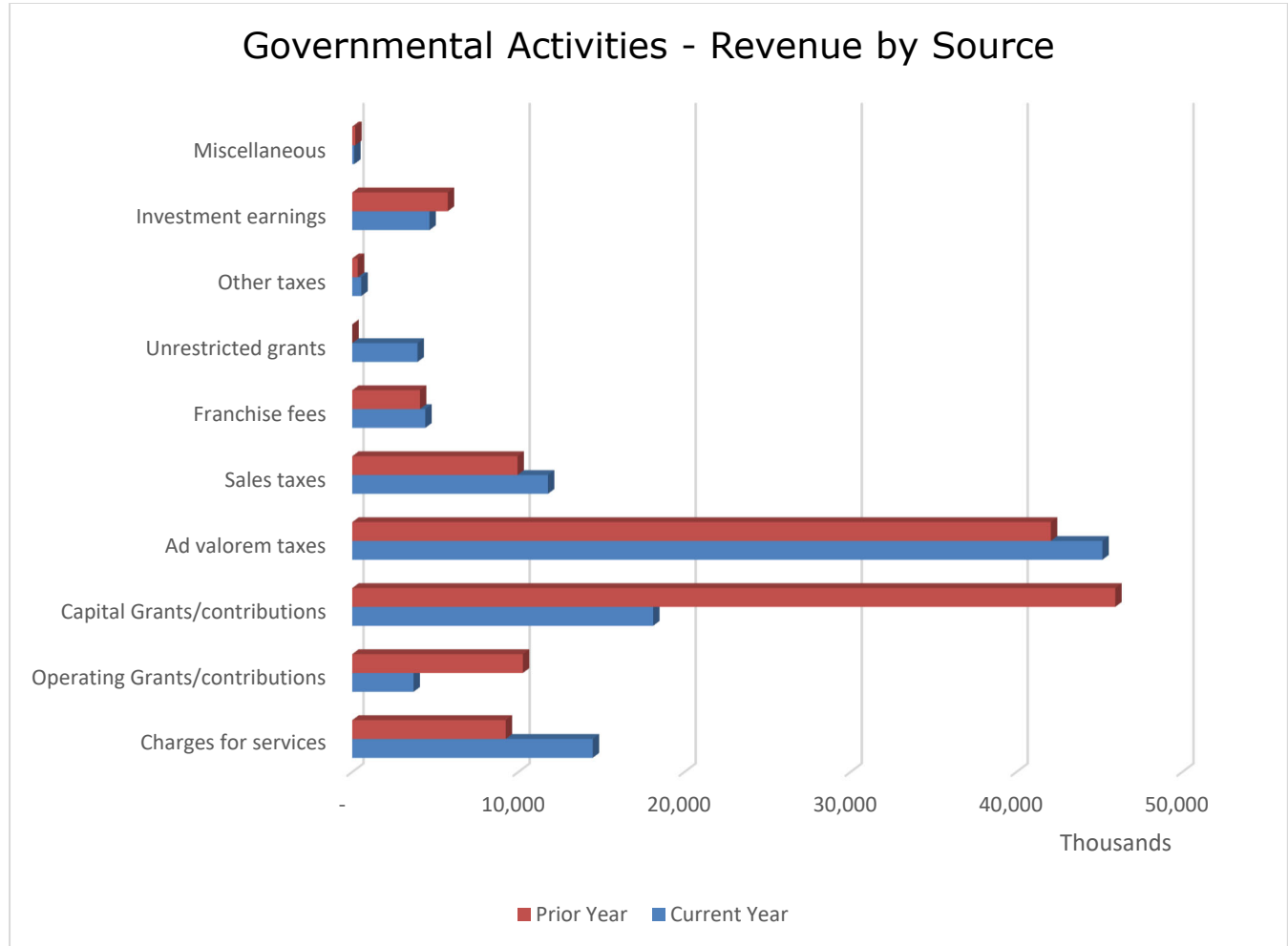
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program revenues:						
Fees, fines and charges for services	\$ 10,793,543	\$ 14,474,703	\$ 40,723,170	\$ 37,161,818	\$ 51,516,713	\$ 51,636,521
Operating grants and contributions	3,122,221	3,680,693	-	-	3,122,221	3,680,693
Capital grants and contributions	14,006,108	18,117,174	24,142,657	26,911,949	38,148,765	45,029,123
General revenues:						
Ad valorem taxes	46,201,301	45,182,372	-	-	46,201,301	45,182,372
Sales taxes	14,734,343	11,782,037	-	-	14,734,343	11,782,037
Franchise taxes	4,803,271	4,399,251	-	-	4,803,271	4,399,251
Other taxes	661,195	543,293	-	-	661,195	543,293
Unrestricted grants and contributions	-	3,925,839	-	-	-	3,925,839
Investment earnings	4,624,273	4,647,758	2,984,471	2,206,923	7,608,744	6,854,681
Miscellaneous	<u>225,981</u>	<u>116,145</u>	<u>-</u>	<u>-</u>	<u>225,981</u>	<u>116,145</u>
Total revenues	<u>99,172,236</u>	<u>106,869,265</u>	<u>67,850,298</u>	<u>66,280,690</u>	<u>167,022,534</u>	<u>173,149,955</u>
Expenses:						
General government	18,585,411	18,812,711	-	-	18,585,411	18,812,711
Public safety	36,004,291	32,538,057	-	-	36,004,291	32,538,057
Public works	7,961,481	13,355,778	-	-	7,961,481	13,355,778
Cultural and recreation	6,469,625	6,103,507	-	-	6,469,625	6,103,507
Interest on long-term debt	6,205,162	4,645,701	-	-	6,205,162	4,645,701
Water and Sewer	<u>-</u>	<u>-</u>	<u>33,949,483</u>	<u>30,681,087</u>	<u>33,949,483</u>	<u>30,681,087</u>
Total expenses	<u>75,225,970</u>	<u>75,455,754</u>	<u>33,949,483</u>	<u>30,681,087</u>	<u>109,175,453</u>	<u>106,136,841</u>
Increases in net position before transfers	23,946,266	31,413,511	33,900,815	35,599,603	57,847,081	67,013,114
Transfers	<u>3,692,768</u>	<u>3,407,257</u>	<u>(3,692,768)</u>	<u>(3,407,257)</u>	<u>-</u>	<u>-</u>
Change in net position	27,639,034	34,820,768	30,208,047	32,192,346	57,847,081	67,013,114
Net position - beginning	307,988,100	273,167,332	244,313,877	212,121,531	552,301,977	485,288,863
Restatement	<u>3,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,746</u>	<u>-</u>
Net position - beginning, restated	<u>307,991,846</u>	<u>273,167,332</u>	<u>244,313,877</u>	<u>212,121,531</u>	<u>552,305,723</u>	<u>485,288,863</u>
Net position - ending	<u>\$ 335,630,880</u>	<u>\$ 307,988,100</u>	<u>\$ 274,521,924</u>	<u>\$ 244,313,877</u>	<u>\$ 610,152,804</u>	<u>\$ 552,301,977</u>

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2025

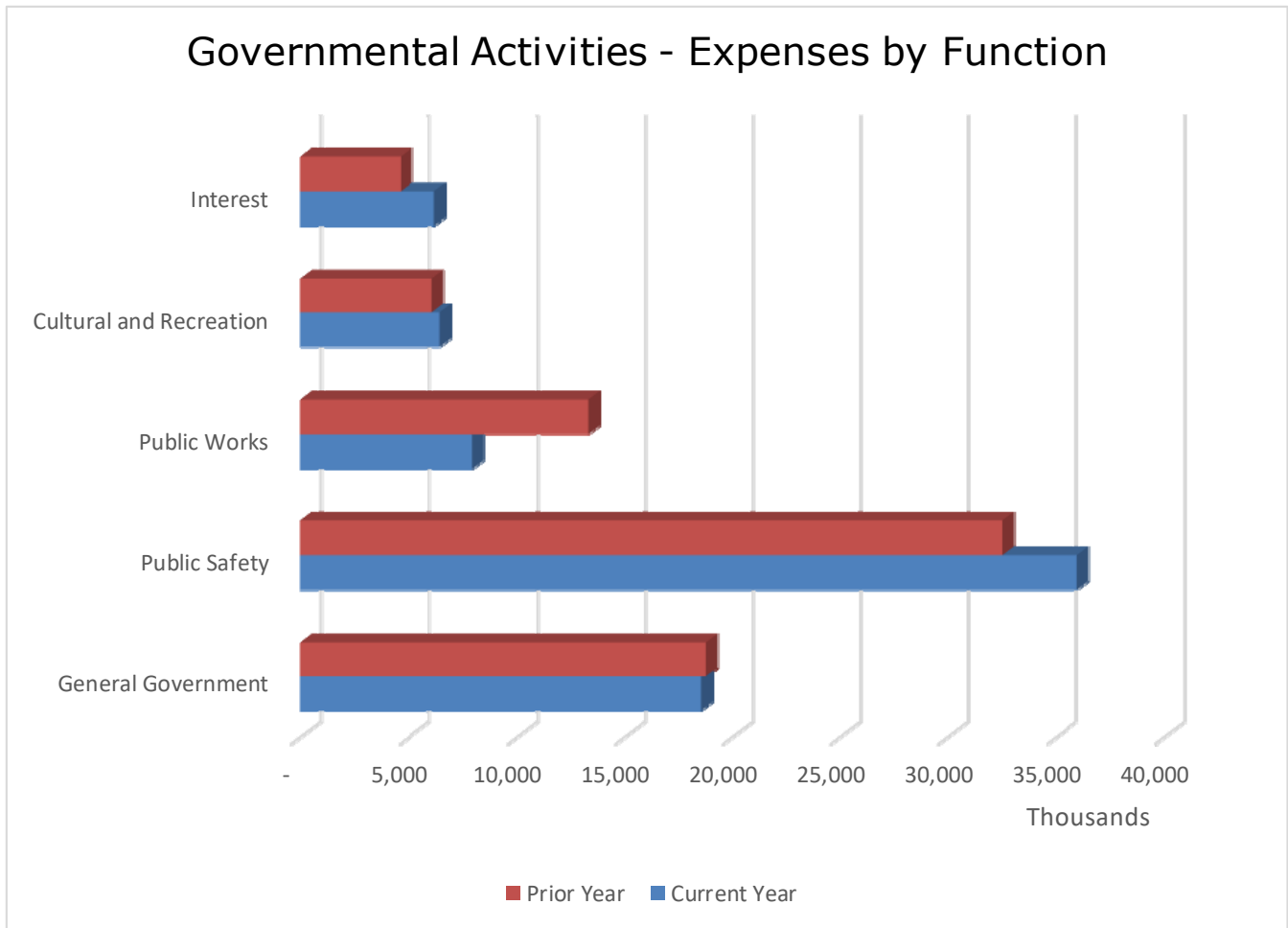
Governmental activities - Governmental activities increased the City's net position by \$27,639,034. Overall total revenues for fiscal year 2025 were lower than the previous fiscal year. This was primarily due to large decreases in capital grants and contributions and operating grants and contributions. Ad valorem taxes increased by \$1,018,929. Sales taxes increased by \$2,952,306.

The City's governmental activities expenses for 2025 decreased by \$229,784 due primarily to decreases in public works expenses. These decreases were mostly the result of open positions and fewer street projects. Overall, net position increased by \$27,639,034.



CITY OF MIDLOTHIAN, TEXAS

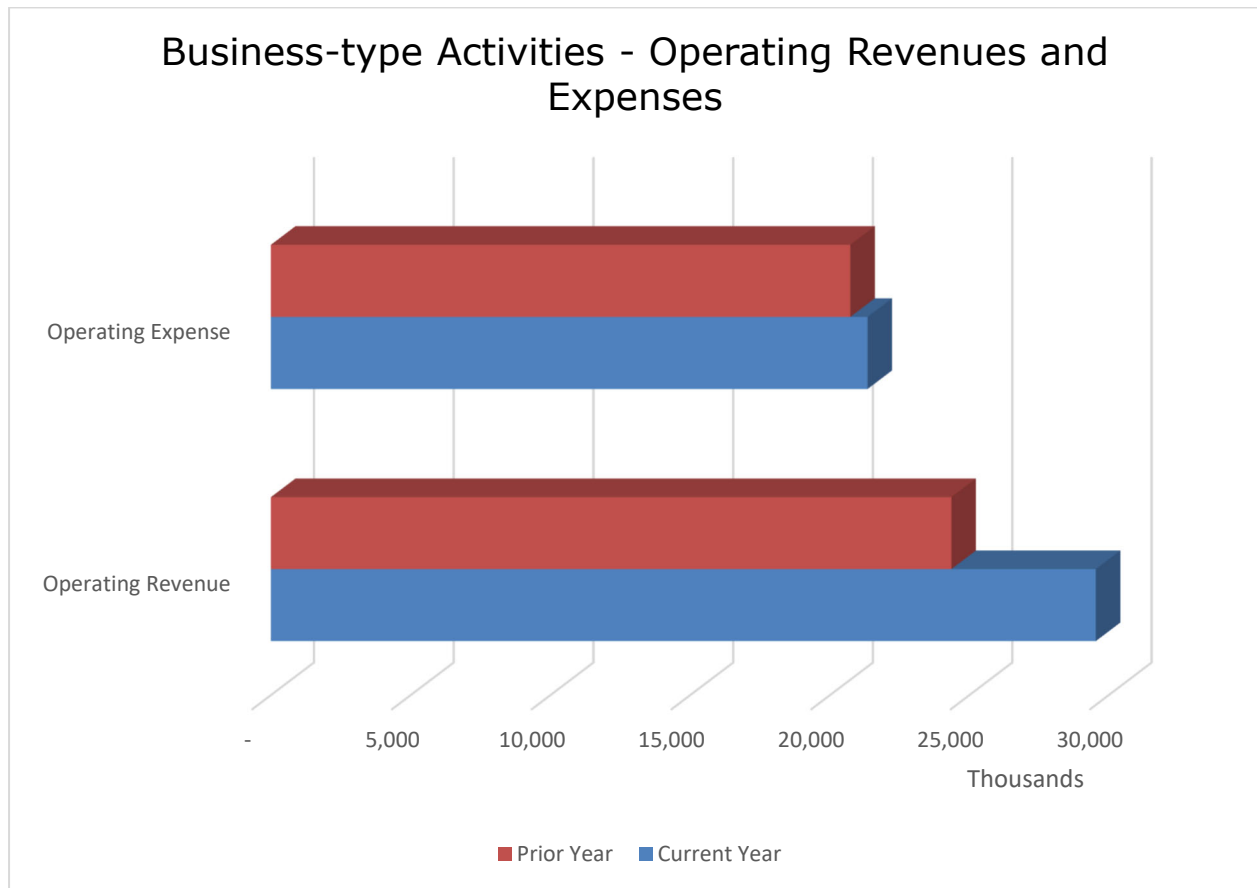
Management's Discussion and Analysis
For the Year Ended September 30, 2025



Business-type activities - Business-type activities increased the City's net position by \$30,208,047. The increase is primarily due to \$24.1 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 \$3,268,396, primarily due to expenses related to increased water consumption. The overall change in net position recognized an increase of \$30,208,047.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2025



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 \$124,828,811. Approximately 31% of this total amount (\$38,553,707) constitutes unassigned fund balance. Restricted fund balance (\$81,995,405) is primarily comprised of restrictions for capital improvements in the Capital Projects Fund. Additional restricted amounts are for debt service, police imprest/special response team, tourism, court technology and building security, and grants. The General Fund has a nonspendable amount of \$23,213 for prepaid items, and \$384,780 committed for construction projects. In the General Fund, \$30,667 is assigned for community improvements and a conference center. Additionally, \$3,715,533 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 \$3,200,303 and final revenues exceeding budgeted amounts by \$4,839,693. 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. 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, 2025

The Debt Service Fund balance decreased by \$305,593 due to decreases in tax collections and increases in principal retirement expenditures.

The fund balance for the Capital Projects Fund increased by \$11,981,821. This was caused primarily by the issuance of bonds and tax notes during the year.

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 \$33,204,429. 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 \$1,632,827 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 \$4,839,693 above the budgeted amount of \$54,397,630 and expenditures falling below the budgeted amount of \$61,331,040 by \$3,200,303. Tax collections contributed to the fund balance increase, exceeding budget by \$3,015,198. The main reason was continued strong growth and increased appraisal values. The expenditures were below the amended budget by \$3,200,303 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, 2025, amounts to \$589,423,112 (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 \$51,721,848, (a 10% 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	
	2025	2024	2025	2024	2025	2024
Land	\$ 41,251,682	\$ 40,199,928	\$ 812,778	\$ 812,778	\$ 42,064,460	\$ 41,012,706
Buildings	29,894,348	29,894,348	41,695,331	41,695,331	71,589,679	71,589,679
Equipment	24,744,918	24,098,483	10,457,871	9,419,466	35,202,789	33,517,949
Improvements	59,543,351	58,867,779	-	-	59,543,351	58,867,779
Infrastructure	285,944,085	258,944,785	145,530,130	137,678,964	431,474,215	396,623,749
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	1,453,075	961,453	-	-	1,453,075	961,453
SBITAs	2,199,906	2,199,906	-	-	2,199,906	2,199,906
Construction in progress	105,979,925	85,934,936	31,428,671	23,090,748	137,408,596	109,025,684
Accumulated depreciation	(163,612,189)	(154,613,573)	(75,902,485)	(69,485,783)	(239,514,674)	(224,099,356)
Total	<u>\$ 387,399,101</u>	<u>\$ 346,488,045</u>	<u>\$ 202,024,011</u>	<u>\$ 191,213,219</u>	<u>\$ 589,423,112</u>	<u>\$ 537,701,264</u>

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2025

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

- Street and drainage additions (developer contributions) - \$3,478,710
- Street and drainage rehab and roadway infrastructure donated by developer - \$8,085,423
- Cost related to the construction of Public Safety and Library/City Hall building - \$35,343,117
- Water and sewer lines donated by developers - \$5,284,611
- Water and sewer lines rehab - \$223,841
- Water treatment underdrain - \$1,232,541.

Additional information regarding the City's capital assets can be found in Note 6 on pages 51-53 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 \$185,990,619.

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. The third issuance was for \$11,665,000 of this package to finance street and road improvements in August 2023. The fourth issuance was done this fiscal year for \$18,310,000 for the construction of a new recreation center.

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.

This year, the City also issued \$14,775,000 of certificates of obligation for the construction of Fire Station #4, and a \$7,425,000 tax note for new equipment, new software, street and parks improvements, and other small projects.

On September 30, 2025, the City's long-term liabilities consisted of the following:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Tax notes	\$ 10,425,000	\$ 9,085,000	\$ -	\$ -	\$ 10,425,000	\$ 9,085,000
General obligation bonds	127,961,590	117,518,021	8,040,000	10,030,000	136,001,590	127,548,021
Accreted interest	1,471,984	3,192,033	-	-	1,471,984	3,192,033
Certificates of obligation	18,740,000	4,145,000	-	-	18,740,000	4,145,000
Leases	690,889	368,498	-	-	690,889	368,498
SBITAs	1,254,606	1,668,535	-	-	1,254,606	1,668,535
Bond premiums	8,648,632	7,027,862	399,164	514,580	9,047,796	7,542,442
Arbitrage	2,623,441	2,110,905	-	-	2,623,441	2,110,905
Compensated absences	5,362,321	3,834,114	372,992	258,044	5,735,313	4,092,158
Total	<u>\$ 177,178,463</u>	<u>\$ 148,949,968</u>	<u>\$ 8,812,156</u>	<u>\$ 10,802,624</u>	<u>\$ 185,990,619</u>	<u>\$ 159,752,592</u>

Additional information on the City's long-term debt can be found in Note 7 on pages 53-59 of this report.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City has budgeted for a 23.76% increase in sales tax and 8.2% increase in franchise taxes (electric, garbage, gas, cable and telephone) for the 25-26 fiscal year based on current growth. Development continues and new residents are buying homes in the City, with an increase of 13% in building permit revenue stands based on the 2024-2025 projections. The park rental fees are budgeted to continue climbing 14% due to the spike in revenue from the tournaments and rentals for park events and sports parks are budgeted to also jump to 47% based on the 2024-2025 projections for recreational sports team activities. Overall, licenses and permits are budgeted to rise 7%, and intergovernmental services will grow 23%, 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 2% based on values and abatements located within the zone.

In the fiscal year 2025-2026 budget, General Fund revenues are budgeted to rise overall by 10% relative to the 2024-2025 budget with taxes making up about 48% 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 2025-2026 with increased property values including the local economy remains intact. The Development Services Department anticipates persisted growth for the 2025-2026 budget year, building permits for new homes experienced a boost with 833 new single-family permits issued in 2025. Plan review revenues are anticipated with new residential and commercial construction since as of September 30, 2025, the number of available buildable lots stands at 8,587. Interest income is budgeted to increase by 53% compared to 2024 – 2025 amended. 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 third issuance (\$12,000,000) occurred in September 2023. The most recent issuance (\$18,310,000) occurred in September 2025 for the Recreation Center construction. The remaining amount to issue will be discussed during the budget planning for the 2026-2031 strategic planning in March 2026. 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. In September 2025, there was an issuance completed in the amount of \$14,775,000 for the Fire Station #4 construction.

The City Council authorized the use of unassigned fund balance in the amount of \$3,715,533 in FY 2025 -2026 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 2025 - 2026 are \$7,797,856,559 and the Senior Freeze Adjusted Certification of \$7,344,840,684 less \$937,283,729 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. 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 2025 - 2026 is \$0.650000 per \$100 valuation, which was a Council goal that remained unchanged compared to the 24-25 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

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS

Exhibit 1

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 84,619,540	\$ 14,802,924	\$ 99,422,464	\$ 79,133,841
Investments	43,380,811	8,415,143	51,795,954	19,231,151
Receivables:				
Taxes, net of allowance	266,564	-	266,564	-
Accounts, net of allowance	1,339,184	5,907,123	7,246,307	280,473
Leases	639,750	425,870	1,065,620	-
Other	-	459,464	459,464	-
Due from component units	239,055	-	239,055	-
Internal balances	828,481	(828,481)	-	-
Due from other governments	3,400,886	-	3,400,886	2,861,104
Note receivable	1,281,369	-	1,281,369	-
Prepaid items	23,213	-	23,213	-
Restricted assets:				
Cash and cash equivalents	-	49,168,618	49,168,618	4,329,371
Investments	-	11,770,979	11,770,979	-
Investment in joint venture	8,062,465	-	8,062,465	-
Capital assets:				
Nondepreciable	147,231,607	62,191,243	209,422,850	29,796,817
Depreciable, net	240,167,494	139,832,768	380,000,262	3,211,400
Total assets	<u>531,480,419</u>	<u>292,145,651</u>	<u>823,626,070</u>	<u>138,844,157</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	5,779,865	643,877	6,423,742	106,442
OPEB related	511,931	132,446	644,377	2,540
Deferred losses on bond refundings	97,226	68,471	165,697	1,663,374
Total deferred outflows of resources	<u>6,389,022</u>	<u>844,794</u>	<u>7,233,816</u>	<u>1,772,356</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 1

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 6,240,207	\$ 5,181,512	\$ 11,421,719	\$ 2,243,460
Accrued liabilities	1,565,248	124,818	1,690,066	-
Accrued interest payable	850,088	35,002	885,090	159,658
Due to other governments	2,474	7,451	9,925	-
Due to primary government	-	-	-	239,055
Deposits payable	-	1,602,108	1,602,108	-
Unearned revenue	112,790	-	112,790	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	17,739,373	2,138,248	19,877,621	3,107,815
Total OPEB liability	80,479	26,197	106,676	290
Due in more than one year:				
Long-term debt	159,439,090	6,673,908	166,112,998	13,581,291
Net pension liability	11,210,635	1,248,863	12,459,498	206,455
Total OPEB liability	2,445,873	655,784	3,101,657	9,650
Total liabilities	<u>199,686,257</u>	<u>17,693,891</u>	<u>217,380,148</u>	<u>19,547,674</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related	1,018,867	113,502	1,132,369	18,762
OPEB related	945,802	251,531	1,197,333	4,067
Lease related	587,635	409,597	997,232	-
Total deferred inflows of resources	<u>2,552,304</u>	<u>774,630</u>	<u>3,326,934</u>	<u>22,829</u>
NET POSITION				
Net investment in capital assets	295,823,265	190,472,004	485,858,679	30,881,450
Restricted for:				
Debt service	1,425,007	1,181,715	2,606,722	4,189,692
Capital improvements	-	49,663,776	49,663,776	-
Law enforcement	1,040,506	-	1,040,506	-
Tourism	511,464	-	511,464	-
Court	396,397	-	396,397	-
City Beautification	162,588	-	162,588	-
Grants	1,257,480	-	1,257,480	-
Tax increment reinvestment zone	-	-	-	51,753,609
Economic development	-	-	-	21,808,239
Community development	110,414	-	110,414	12,413,020
Unrestricted	<u>34,903,759</u>	<u>33,204,429</u>	<u>68,544,778</u>	<u>-</u>
Total net position	<u>\$ 335,630,880</u>	<u>\$ 274,521,924</u>	<u>\$ 610,152,804</u>	<u>\$ 121,046,010</u>

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, 2025

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 18,585,411	\$ 2,619,649	\$ 107,236	\$ -
Public safety	36,004,291	5,169,879	2,331,534	37,813
Public works	7,961,481	2,660,361	-	13,968,295
Culture and recreation	6,469,625	343,654	683,451	-
Interest on long-term debt	6,205,162	-	-	-
Total governmental activities	<u>75,225,970</u>	<u>10,793,543</u>	<u>3,122,221</u>	<u>14,006,108</u>
Business-type activities:				
Water and sewer	33,949,483	40,723,170	-	24,142,657
Total business-type activities	<u>33,949,483</u>	<u>40,723,170</u>	<u>-</u>	<u>24,142,657</u>
Total primary government	<u>109,175,453</u>	<u>51,516,713</u>	<u>3,122,221</u>	<u>38,148,765</u>
Component units:				
Midlothian Economic Development	6,051,477	934,307	-	-
Midlothian Community Development Corporation	4,195,087	1,355,172	-	-
Midlothian Development Authority	6,243,258	2,383,501	-	-
Total component units	<u>\$ 16,489,822</u>	<u>\$ 4,672,980</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:				
Taxes:				
Ad valorem				
Sales				
Franchise				
Other				
Unrestricted investment income				
Miscellaneous				
Transfers				
		Total general revenues and transfers		
		Change in net position		
		Net position - beginning		
		Restatement		
		Net position - beginning restated		
		Net position - ending		

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business- type Activities	Total	
\$ (15,858,526)	\$ -	\$ (15,858,526)	\$ -
(28,465,065)	-	(28,465,065)	-
8,667,175	-	8,667,175	-
(5,442,520)	-	(5,442,520)	-
(6,205,162)	-	(6,205,162)	-
(47,304,098)	-	(47,304,098)	-
-	30,916,344	30,916,344	-
-	30,916,344	30,916,344	-
(47,304,098)	30,916,344	(16,387,754)	-
			(5,117,170)
			(2,839,915)
			(3,859,757)
			(11,816,842)
46,201,301	-	46,201,301	20,373,219
14,734,343	-	14,734,343	15,406,484
4,803,271	-	4,803,271	-
661,195	-	661,195	-
4,624,273	2,984,471	7,608,744	-
225,981	-	225,981	23,197
3,692,768	(3,692,768)	-	-
74,943,132	(708,297)	74,234,835	35,802,900
27,639,034	30,208,047	57,847,081	23,986,058
307,988,100	244,313,877	552,301,977	97,059,952
3,746	-	3,746	-
307,991,846	244,313,877	552,305,723	97,059,952
\$ 335,630,880	\$ 274,521,924	\$ 610,152,804	\$ 121,046,010

THIS PAGE LEFT BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS

Exhibit 3

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 25,147,766	\$ 1,268,391	\$ 55,170,477	\$ 3,032,906	\$ 84,619,540
Investments	18,061,927	496	25,318,388	-	43,380,811
Receivables:					
Taxes, net	121,317	117,084	-	28,163	266,564
Accounts, net	1,326,044	-	-	13,140	1,339,184
Leases	639,750	-	-	-	639,750
Due from other governments	3,247,300	-	-	153,586	3,400,886
Due from other funds	838,488	-	-	-	838,488
Due from component units	239,055	-	-	-	239,055
Note receivable	-	1,281,369	-	-	1,281,369
Prepaid items	23,213	-	-	-	23,213
Total assets	<u>49,644,860</u>	<u>2,667,340</u>	<u>80,488,865</u>	<u>3,227,795</u>	<u>136,028,860</u>
LIABILITIES					
Accounts payable	3,094,838	-	2,932,305	213,064	6,240,207
Accrued liabilities	1,269,372	295,876	-	-	1,565,248
Due to other funds	6,594	-	-	3,413	10,007
Due to other governments	2,474	-	-	-	2,474
Unearned revenue	16,421	96,369	-	-	112,790
Total liabilities	<u>4,389,699</u>	<u>392,245</u>	<u>2,932,305</u>	<u>216,477</u>	<u>7,930,726</u>
DEFERRED INFLOWS OF RESOURCES					
Lease related	587,635	-	-	-	587,635
Unavailable revenue	1,366,589	1,302,084	-	13,015	2,681,688
Total deferred inflows	<u>1,954,224</u>	<u>1,302,084</u>	<u>-</u>	<u>13,015</u>	<u>3,269,323</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	23,213	-	-	-	23,213
Restricted for:					
Law enforcement	467,531	-	-	572,975	1,040,506
Tourism	-	-	-	511,464	511,464
Court	-	-	-	396,397	396,397
City Beautification	-	-	-	162,588	162,588
Grants	-	-	-	1,257,480	1,257,480
Community improvements	-	-	-	97,399	97,399
Capital improvements	-	-	77,556,560	-	77,556,560
Debt service	-	973,011	-	-	973,011
Committed - construction	384,780	-	-	-	384,780
Assigned for:					
Community improvements	30,667	-	-	-	30,667
Conference center	125,506	-	-	-	125,506
Subsequent year's budget	3,715,533	-	-	-	3,715,533
Unassigned	38,553,707	-	-	-	38,553,707
Total fund balances	<u>43,300,937</u>	<u>973,011</u>	<u>77,556,560</u>	<u>2,998,303</u>	<u>124,828,811</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 49,644,860</u>	<u>\$ 2,667,340</u>	<u>\$ 80,488,865</u>	<u>\$ 3,227,795</u>	<u>\$ 136,028,860</u>

CITY OF MIDLOTHIAN- TEXAS

Exhibit 4

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

SEPTEMBER 30, 2025

Total fund balances - governmental funds	\$ 124,828,811
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.	8,062,465
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	387,399,101
Deferred losses on refundings of debt are not recognized on the balance sheet for governmental funds.	97,226
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.	(850,088)
Revenues earned but not available within sixty days of the fiscal year-end are not recognized as revenue in the fund financial statements.	2,681,688
Deferred inflows and outflows related to pensions and OPEB are not recognized on the governmental funds balance sheet.	4,327,127
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	(11,210,635)
Total OPEB liability	(2,526,352)
Compensated absences	(5,362,321)
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.	(171,816,142)
Net position of governmental activities	<u>\$ 335,630,880</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 5

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 43,198,990	\$ 20,952,531	\$ -	\$ 513,505	\$ 64,665,026
Licenses and permits	2,568,048	-	-	-	2,568,048
Intergovernmental	7,232,188	-	2,404,161	704,977	10,341,326
Assessments	-	-	-	88,610	88,610
Charges for services	2,998,641	-	-	124,654	3,123,295
Fines	939,982	-	-	-	939,982
Investment income	1,703,293	679,514	2,524,709	36,632	4,944,148
Contributions and donations	306,988	-	-	454,739	761,727
Miscellaneous	289,193	-	-	33,428	322,621
Total revenues	<u>59,237,323</u>	<u>21,632,045</u>	<u>4,928,870</u>	<u>1,956,545</u>	<u>87,754,783</u>
EXPENDITURES					
Current:					
General government	11,860,031	-	821,949	1,241,755	13,923,735
Public safety	32,928,217	-	-	340,249	33,268,466
Public works	5,662,017	-	-	-	5,662,017
Culture and recreation	3,992,180	-	-	-	3,992,180
Intergovernmental:					
Payment to TIRZ	2,591,982	841,799	-	-	3,433,781
Capital outlay	127,581	-	35,550,100	-	35,677,681
Debt service:					
Principal retirement	880,859	14,131,432	-	-	15,012,291
Interest charges	87,870	6,946,372	-	-	7,034,242
Fiscal agent's fees and debt issuance costs	-	18,035	548,430	-	566,465
Total expenditures	<u>58,130,737</u>	<u>21,937,638</u>	<u>36,920,479</u>	<u>1,582,004</u>	<u>118,570,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,106,586</u>	<u>(305,593)</u>	<u>(31,991,609)</u>	<u>374,541</u>	<u>(30,816,075)</u>
OTHER FINANCING SOURCES (USES)					
Bond premiums	-	-	2,138,430	-	2,138,430
Sale of capital assets	56,839	-	-	-	56,839
Issuance of bonds	-	-	33,085,000	-	33,085,000
Issuance of tax notes	-	-	7,425,000	-	7,425,000
Leases issued	789,321	-	-	-	789,321
Transfers in	3,806,282	-	1,325,000	-	5,131,282
Transfers out	(1,325,000)	-	-	(113,514)	(1,438,514)
Total other financing sources (uses)	<u>3,327,442</u>	<u>-</u>	<u>43,973,430</u>	<u>(113,514)</u>	<u>47,187,358</u>
Net change in fund balances	<u>4,434,028</u>	<u>(305,593)</u>	<u>11,981,821</u>	<u>261,027</u>	<u>16,371,283</u>
Fund balances - beginning As previously reported	<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>
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,746</u>	<u>3,746</u>
Fund balances - beginning As restated	<u>38,866,909</u>	<u>1,278,604</u>	<u>65,574,739</u>	<u>2,737,276</u>	<u>108,457,528</u>
Fund balances - ending	<u>\$ 43,300,937</u>	<u>\$ 973,011</u>	<u>\$ 77,556,560</u>	<u>\$ 2,998,303</u>	<u>\$ 124,828,811</u>

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

CITY OF MIDLOTHIAN, TEXAS

Exhibit 6

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds	\$ 16,371,283
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.	39,648,831
Depreciation expense on capital assets is reported in the statement of activities, and does not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in the governmental funds.	(10,301,909)
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.	11,564,134
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.	(306,894)
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	(43,437,751)
Arbitrage liability	(512,536)
Repayment of principal of long-term debt	16,989,470
Amortization of:	
Premium on bond issuance	260,529
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	(1,528,207)
Net pension liability	(442,728)
Total OPEB liability	(188,880)
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.	(221,925)
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.	(146,681)
Change in net position of governmental activities	<u>\$ 27,639,034</u>

THIS PAGE LEFT BLANK INTENTIONALLY

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS

Exhibit 7

STATEMENT OF NET POSITION
PROPRIETARY FUND

SEPTEMBER 30, 2025

	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 14,802,924
Investments	8,415,143
Receivables:	
Accounts, net	5,907,123
Leases	425,870
Other	459,464
Restricted assets:	
Cash and cash equivalents	49,168,618
Investments	11,770,979
Due from other funds	6,594
Total current assets	<u>90,956,715</u>
Noncurrent assets:	
Capital assets:	
Land and land improvements	812,778
Construction in progress	31,428,671
Buildings and improvements	41,695,331
Waterworks and sewer system	145,530,130
Machinery and equipment	10,457,871
Water and wastewater rights	48,001,715
Accumulated depreciation	<u>(75,902,485)</u>
Total capital assets, net of accumulated depreciation	<u>202,024,011</u>
Total noncurrent assets	<u>202,024,011</u>
Total assets	<u>292,980,726</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	643,877
OPEB related	132,446
Deferred loss on refunding	<u>68,471</u>
Total deferred outflows of resources	<u>844,794</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 7

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

SEPTEMBER 30, 2025
(Continued)

	Water and Sewer
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 5,181,512
Accrued liabilities	124,818
Accrued interest payable	35,002
Due to other governments	7,451
Customer deposits	1,602,108
Noncurrent liabilities due within one year:	
Long-term debt	2,138,248
Total OPEB liability	26,197
Total current liabilities	<u>9,950,411</u>
Noncurrent liabilities due in more than one year:	
Long-term debt	6,673,908
Net pension liability	1,248,863
Total OPEB liability	<u>655,784</u>
Total noncurrent liabilities	<u>8,578,555</u>
Total liabilities	<u>18,528,966</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	113,502
OPEB related	251,531
Leases	<u>409,597</u>
Total deferred inflows of resources	<u>774,630</u>
NET POSITION	
Net investment in capital assets	190,472,004
Restricted for:	
Debt service	1,181,715
Capital improvements	49,663,776
Unrestricted	<u>33,204,429</u>
Total net position	<u>\$ 274,521,924</u>

CITY OF MIDLOTHIAN, TEXAS**Exhibit 8****STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND****FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Water and Sewer
OPERATING REVENUES	
Water sales	\$ 21,995,916
Sewer sales	17,513,150
Tap fees, penalties and other	<u>1,214,104</u>
Total operating revenues	<u>40,723,170</u>
OPERATING EXPENSES	
Cost of sales and services	22,621,706
Administrative	4,551,507
Depreciation	<u>6,532,819</u>
Total operating expenses	<u>33,706,032</u>
Operating income	7,017,138
NONOPERATING REVENUES (EXPENSES)	
Investment income	2,984,471
Interest expense and agent fees	<u>(243,451)</u>
Total nonoperating revenues (expenses)	<u>2,741,020</u>
Income before contributions and transfers	9,758,158
Capital contributions	24,142,657
Transfers out	<u>(3,692,768)</u>
Change in net position	30,208,047
NET POSITION - BEGINNING	<u>244,313,877</u>
NET POSITION - ENDING	<u>\$ 274,521,924</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 9

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 40,470,120
Cash paid to employees	(4,543,366)
Cash paid to suppliers	(20,590,869)
	<u>15,335,885</u>
Net cash provided by operating activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(3,692,768)
	<u>(3,692,768)</u>
Net cash used by noncapital financing activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	18,858,048
Principal paid on debt	(1,990,000)
Interest and fees paid on debt	(129,968)
Acquisition and construction of capital assets	(12,059,002)
	<u>4,679,078</u>
Net cash used by capital and related financing activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of investments	(4,405,980)
Interest on investments	2,984,471
	<u>(1,421,509)</u>
Net cash provided by investing activities	
Net change in cash	14,900,686
Cash and cash equivalents, beginning of year	<u>49,070,856</u>
Cash and cash equivalents, end of year	<u>\$ 63,971,542</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 9

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDFOR THE YEAR ENDED SEPTEMBER 30, 2025
(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	\$ 15,262,368	\$ 33,808,488	\$ 49,070,856
Net change	(459,444)	15,360,130	14,900,686
Cash and cash equivalents - ending	\$ 14,802,924	\$ 49,168,618	\$ 63,971,542
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income			\$ 7,017,138
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation			6,532,819
Change in assets and liabilities:			
Decrease (increase) in customer receivables			(167,637)
Decrease (increase) in other receivables			(178,693)
Increase (decrease) in accounts payable			1,093,699
Increase (decrease) in customer deposits			93,280
Increase (decrease) in unearned revenue			36,068
Increase (decrease) in interfund payables			835,075
Increase (decrease) in net pension liability			87,603
Increase (decrease) in total OPEB liability			65,002
Net cash provided by operating activities			\$ 15,335,885
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of capital assets			\$ 5,284,609
Capital-related accounts payable and retainage payable			3,181,314

FIDUCIARY FUND FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS

SEPTEMBER 30, 2025

	Total Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 92,902
Total assets	<u>92,902</u>
LIABILITIES	
Accounts payable	43,470
Total liabilities	<u>43,470</u>
NET POSITION	
Restricted for:	
Individuals and organizations	49,432
Total net position	<u>\$ 49,432</u>

CITY OF MIDLOTHIAN, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION
CUSTODIAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Total Custodial Funds
ADDITIONS	
Special assessments	\$ 3,594,838
Investment earnings	<u>8,883</u>
Total additions	<u>3,603,721</u>
DEDUCTIONS	
Distributions to trustee	<u>3,550,543</u>
Total deductions	<u>3,550,543</u>
NET INCREASE IN FIDUCIARY NET POSITION	53,178
NET POSITION - BEGINNING AS PREVIOUSLY REPORTED	-
RESTATEMENT	<u>(3,746)</u>
NET POSITION - BEGINNING AS RESTATED	<u>(3,746)</u>
NET POSITION - ENDING	<u>\$ 49,432</u>

THIS PAGE LEFT BLANK INTENTIONALLY

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF MIDLOTHIAN, TEXAS

Exhibit 12

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS

SEPTEMBER 30, 2025

	Midlothian Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
ASSETS				
Cash and cash equivalents	\$ 20,206,787	\$ 16,840,090	\$ 42,086,964	\$ 79,133,841
Investments	486,463	1,012,477	17,732,211	19,231,151
Receivables, net of allowance:				
Interest receivable	-	-	280,473	280,473
Due from other governments	1,430,552	1,430,552	-	2,861,104
Restricted assets:				
Cash and cash equivalents, restricted	-	-	4,329,371	4,329,371
Capital assets:				
Land	1,481,095	2,492,311	-	3,973,406
Construction in progress	-	-	25,823,411	25,823,411
Buildings and improvements	7,540	-	-	7,540
Furniture and fixtures	21,588	-	-	21,588
Infrastructure	-	-	7,693,429	7,693,429
Accumulated depreciation	(24,307)	-	(4,486,850)	(4,511,157)
Total assets	<u>23,609,718</u>	<u>21,775,430</u>	<u>93,459,009</u>	<u>138,844,157</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	73,791	32,651	-	106,442
OPEB related	1,761	779	-	2,540
Deferred loss on refunding	-	-	1,663,374	1,663,374
Total deferred outflows of resources	<u>75,552</u>	<u>33,430</u>	<u>1,663,374</u>	<u>1,772,356</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit 12

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
(Continued)

SEPTEMBER 30, 2025

	Midlothian Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
LIABILITIES				
Accounts payable and accrued liabilities	\$ 76,811	\$ 36,007	\$ 2,130,642	\$ 2,243,460
Accrued interest payable	-	19,979	139,679	159,658
Due to primary government	104,975	133,542	538	239,055
Noncurrent liabilities:				
Due within one year:				
Long-term debt	10,872	421,943	2,675,000	3,107,815
Total OPEB liability	201	89	-	290
Due in more than one year				
Long-term debt	32,615	6,218,676	7,330,000	13,581,291
Net pension liability	143,125	63,330	-	206,455
Total OPEB liability	6,690	2,960	-	9,650
Total liabilities	<u>375,289</u>	<u>6,896,526</u>	<u>12,275,859</u>	<u>19,547,674</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related	13,007	5,755	-	18,762
OPEB related	2,819	1,248	-	4,067
Total deferred inflows of resources	<u>15,826</u>	<u>7,003</u>	<u>-</u>	<u>22,829</u>
NET POSITION				
Net investment in capital assets	1,485,916	2,492,311	26,903,223	30,881,450
Restricted for:				
Debt service	-	-	4,189,692	4,189,692
Economic development	21,808,239	-	-	21,808,239
Community development	-	12,413,020	-	12,413,020
Tax increment reinvestment zone	-	-	51,753,609	51,753,609
Total net position	<u>\$ 23,294,155</u>	<u>\$ 14,905,331</u>	<u>\$ 82,846,524</u>	<u>\$121,046,010</u>

CITY OF MIDLOTHIAN, TEXAS

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Midlothian Economic Development			
General government	\$ 746,465	\$ -	\$ -
Economic development	<u>5,305,012</u>	<u>934,307</u>	<u>-</u>
Total Midlothian Economic Development	<u>6,051,477</u>	<u>934,307</u>	<u>-</u>
Midlothian Community Development Corporation			
Community development	3,975,103	1,355,172	-
Interest on long-term debt	<u>219,984</u>	<u>-</u>	<u>-</u>
Total Midlothian Community Development Corporation	<u>4,195,087</u>	<u>1,355,172</u>	<u>-</u>
Midlothian Development Authority			
General government	5,806,456	2,383,501	-
Interest on long-term debt	<u>436,802</u>	<u>-</u>	<u>-</u>
Total Midlothian Development Authority	<u>6,243,258</u>	<u>2,383,501</u>	<u>-</u>
Total component units	<u>\$ 16,489,822</u>	<u>\$ 4,672,980</u>	<u>\$ -</u>

General revenues:

Ad valorem taxes
Sales taxes
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
\$ (746,465)	\$ -	\$ -	\$ (746,465)
(4,370,705)	-	-	(4,370,705)
(5,117,170)	-	-	(5,117,170)
-	(2,619,931)	-	(2,619,931)
-	(219,984)	-	(219,984)
-	(2,839,915)	-	(2,839,915)
-	-	(3,422,955)	(3,422,955)
-	-	(436,802)	(436,802)
-	-	(3,859,757)	(3,859,757)
<u>\$ (5,117,170)</u>	<u>\$ (2,839,915)</u>	<u>\$ (3,859,757)</u>	<u>\$ (11,816,842)</u>
\$ -	\$ -	\$ 20,373,219	\$ 20,373,219
7,703,242	7,703,242	-	15,406,484
-	-	23,197	23,197
<u>7,703,242</u>	<u>7,703,242</u>	<u>20,396,416</u>	<u>35,802,900</u>
2,586,072	4,863,327	16,536,659	23,986,058
<u>20,708,083</u>	<u>10,042,004</u>	<u>66,309,865</u>	<u>97,059,952</u>
<u>\$ 23,294,155</u>	<u>\$ 14,905,331</u>	<u>\$ 82,846,524</u>	<u>\$ 121,046,010</u>

THIS PAGE LEFT BLANK INTENTIONALLY

NOTES TO FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the City

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

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

B. Financial Reporting Entity

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

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

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

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. Complete financial statements for the individual component units may be obtained at the City's office; 215 N. 8th Street, Midlothian, TX 76065.

Discretely Presented Component Units

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

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

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

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

C. Government-Wide and Fund Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

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

General Fund

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

Debt Service Fund

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

Capital Projects Fund

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

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

Police Imprest Fund

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

Hotel/Motel Tax Fund

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

City Beautification Fund

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

MidTowne PID Fund

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

Bridgewater TIRZ 3 Fund

This fund was established to account for activity associated with the Bridgewater Tax Increment Reinvestment Zone (TIRZ) to fund public improvements within the Bridgewater area.

Escrow PID Fund

This fund was 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.

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.

Custodial Funds

Custodial funds are used to report resources the government holds in a fiduciary capacity for others and that are not available to support the City's own programs. The City's role is limited to collecting, holding, and disbursing the resources in accordance with legal or contractual requirements. Assets reported in custodial funds are not owned by the government and therefore are excluded from governmental activities and proprietary funds. The City utilizes the following custodial funds:

Redden Farms PID Fund

Established to account for Public Improvement District (PID) assessment collections associated with the Redden Farms Public Improvement District (PID). The City is not obligated for the repayment of the PID debt beyond the collection and remittance of assessments to the trustee.

Westside Preserve PID Fund

Established to account for Public Improvement District (PID) assessment collections associated with the Westside Preserve Public Improvement District (PID). The City is not obligated for the repayment of the PID debt beyond the collection and remittance of assessments to the trustee.

D. Measurement Focus and Basis of Accounting

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources, and liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are

recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

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

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

E. Cash and Investments

The City's cash and cash equivalents 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 and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Interfund Receivables and Payables

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

H. Capital Assets

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

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

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

I. Accrued Compensated Absences

During fiscal year 2025, the City adopted GASB Statement 101, *Compensated Absences*. A liability is now recorded for leave that has been earned and is attributable to services already rendered, and for which it is more likely than not that the City will make payments or otherwise settle the obligation through cash payments, paid leave, or other means. The liability includes salary-related payments, where applicable. The adoption of this standard did not result in a material change to these balances.

All full-time employees are granted vacation and other leave time benefits, and non-exempt (hourly) employees earn compensatory time for overtime worked in varying amounts. In the event of termination, an employee may be entitled to receive accumulated vacation and compensatory pay in accordance with established policies.

Compensated absences expected to be liquidated with expendable available financial resources are reported in the governmental fund financial statements. In the government-wide financial statements and proprietary funds, compensated absences are reported as a long-term liability as the benefits are earned.

J. Net Position

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

K. Joint Venture

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

L. Fund Equity

The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory or prepaids) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority (i.e., resolution). To be reported as committed, 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*.

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 2024 levy was based was approximately \$6,841,730,539. 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, 2025, 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 2025 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2025 and those considered “available” at year-end are recognized as revenues in 2025. The City considers property taxes available if they are collected within 60 days after year-end. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred inflows of resources in the fund financial statements.

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

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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).
- 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.

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, 2025, are classified in the accompanying financial statements as follows:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	3 years	80%	None
U.S. Agencies and Instrumentalities	3 years	75%	None
Fully Insured or collateralized Certificates of Deposits	2 years	40%	None
Repurchase Agreements	180 days	10%	None
Money Market Funds	None	40%	None
Local Government Investment Pools	2 years	100%	10% of Pool
State and Local government GO debt	3 years	40%	None
Commercial Paper	180 days	15%	None

Cash and investments as of September 30, 2025, consist of the following:

Primary Government:	
Cash and cash equivalents	\$ 99,422,464
Investments	51,795,954
Restricted cash and cash equivalents	49,168,618
Restricted investments	<u>11,770,979</u>
Total primary government	<u>\$ 212,158,015</u>
Component Units:	
Cash and cash equivalents	\$ 79,133,841
Investments	19,231,151
Restricted cash and cash equivalents	<u>4,329,371</u>
Total component units	<u>\$ 102,694,363</u>
Primary Government:	
Deposits with financial institutions	\$ 4,928,708
Texpool	92,265,734
TexSTAR	56,549,421
U.S. Treasury Bonds	14,517,975
U.S. GSE (United States Government Sponsored Enterprise)	7,540,704
US Agency Bonds	5,052,300
Money Markets, Commercial Paper, and CDs	<u>31,303,173</u>
Total cash and investments	<u>\$ 212,158,015</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 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, 2025, the City had the following cash and investments:

	9/30/2025	Fair Value Measurement Using		Weighted Average Maturity (Days)
		Level 1	Level 2	
Cash and cash equivalents:				
Deposits with financial institutions	\$ 4,928,708			
Total cash and cash equivalents	<u>\$ 4,928,708</u>			
Investments measured at net asset value:				
Investment pools:				
Texpool	\$ 92,265,734			44
TexSTAR	<u>56,549,421</u>			49
Total investments measured at net asset value	<u>\$ 148,815,155</u>			
Investments by fair value level:				
U.S. Treasury Bonds	\$ 14,517,975	\$ 14,517,975	\$ -	1224
U.S. GSE (Government Sponsored)	7,540,704	-	7,540,704	532
US Agency Bonds	5,052,300	5,052,300	-	1004
Money Markets, Commercial Paper, and CDs	<u>31,303,173</u>	<u>26,463,482</u>	<u>4,839,691</u>	153
Total investments by fair value	<u>\$ 58,414,152</u>	<u>\$ 46,033,757</u>	<u>\$ 12,380,395</u>	
Total cash and investments	<u>\$ 212,158,015</u>	<u>\$ 46,033,757</u>	<u>\$ 12,380,395</u>	
Portfolio weighted average maturity				186

Of the investments categorized by fair value level, \$19,561,292 were valued using documented trade history in exact security and \$38,852,860 were valued using present value of expected future cash flow model.

As of September 30, 2025, 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.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
Texpool	\$ 92,265,734	N/A	AAAm
TexSTAR	56,549,421	N/A	AAAm
U.S. Treasury Bonds	14,517,975	N/A	AA+
U.S. GSE (Government Sponsored)	7,540,704	A1/P1	AA+
US Agency Bonds	5,052,300	N/A	AA+
Money Markets, Commercial Paper, and CDs	31,303,173	N/A	N/A
Total	<u>\$ 207,229,307</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, 2025, the certificates of deposit exceed 5% of total investments and are held by more than one issuer. Each issuer holds amounts exceeding 5% of total investments. In addition, the funds in external investment pools, government agency notes, and commercial paper also represent over 5% of investments held by one issuer.

Custodial Credit Risk

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

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

Investment in State Investment Pools

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

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

NOTE 3. RESTRICTED ASSETS

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

Debt Service - Interest and Sinking Fund	\$ 1,216,717
Construction	58,120,772
Refundable water and sewer deposits	<u>1,602,108</u>
Total	<u>\$ 60,939,597</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, 2025:

Year Ending September 30,	Principal	Interest	Total
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>\$ 1,185,000</u>	<u>\$ 96,369</u>	<u>\$ 1,281,369</u>

Accounts Receivable

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

	General	Debt Service	Nonmajor Governmental	Water and Sewer	Total
Taxes	\$ 207,989	\$ 194,238	\$ 41,178	\$ -	\$ 443,405
Accounts	3,393,532	-	125	6,481,745	9,875,402
Leases	639,750	-	-	425,870	1,065,620
Other	4,944	-	-	459,464	464,408
	<u>4,246,215</u>	<u>194,238</u>	<u>41,303</u>	<u>7,367,079</u>	<u>11,848,835</u>
Less: allowance for uncollectibles	(2,159,104)	(77,154)	-	(574,622)	(2,810,880)
Totals	<u>\$ 2,087,111</u>	<u>\$ 117,084</u>	<u>\$ 41,303</u>	<u>\$ 6,792,457</u>	<u>\$ 9,037,955</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, 2025, the value of the lease receivable is \$352,550 and the value of the short-term lease receivable is \$20,837. 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, 2025, was \$322,734, and the City recognized lease revenue of \$19,754 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, 2025, the value of the lease receivable is \$287,200 and the value of the short-term lease receivable is \$29,141. 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, 2025, was \$264,901, and the City recognized lease revenue of \$31,165 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, 2025, the value of the lease receivable is \$425,870 and the value of the short-term lease receivable is \$10,917. 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, 2025, was \$409,597, and the City recognized lease revenue of \$22,140 during the fiscal year in the Utility Fund. The lessee has 3 extension options, each for 60 months.

The annual amounts due for lease receivable are as follows as of September 30, 2025:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
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	61,472	6,085	67,557
2031-2035	278,099	16,485	294,584
2036-2038	88,328	1,831	90,159
Total	<u>\$ 639,750</u>	<u>\$ 57,062</u>	<u>\$ 696,812</u>

Year Ending September 30,	Business - Type Activities		
	Principal	Interest	Total
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	16,350	12,400	28,750
2031-2035	97,095	53,124	150,219
2036-2040	139,179	33,572	172,751
2041-2044	125,414	7,662	133,076
	<u>\$ 425,870</u>	<u>\$ 160,801</u>	<u>\$ 586,671</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	\$ 122,165	\$ 117,084	\$ 13,015	\$ 252,264
Franchise fees	120,437	-	-	120,437
Ambulance fees	964,792	-	-	964,792
Court fines	156,908	-	-	156,908
Grants	2,287	-	-	2,287
Leases	587,635	-	-	587,635
Notes receivable	-	1,185,000	-	1,185,000
Totals	<u>\$ 1,954,224</u>	<u>\$ 1,302,084</u>	<u>\$ 13,015</u>	<u>\$ 3,269,323</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity for the governmental and business-type activities for the year ended September 30, 2025, was as follows:

	Beginning Balance	Transfers/ Increases	Transfers/ Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 40,199,928	\$ 1,051,754	\$ -	\$ 41,251,682
Construction in progress	85,934,936	35,343,117	(15,298,128)	105,979,925
	<u>126,134,864</u>	<u>36,394,871</u>	<u>(15,298,128)</u>	<u>147,231,607</u>
Capital assets being depreciated:				
Buildings	29,894,348	-	-	29,894,348
Improvements other than buildings	58,867,779	-	-	58,867,779
Infrastructure	258,944,785	26,999,300	-	285,944,085
Machinery and equipment	24,098,483	2,027,345	(705,338)	25,420,490
Right-to-use equipment	961,453	1,089,577	(597,955)	1,453,075
SBITAs	2,199,906	-	-	2,199,906
	<u>374,966,754</u>	<u>30,116,222</u>	<u>(1,303,293)</u>	<u>403,779,683</u>
Accumulated depreciation:				
Buildings	(10,549,466)	(492,494)	-	(11,041,960)
Improvements other than buildings	(23,834,216)	(2,580,977)	-	(26,415,193)
Infrastructure	(104,098,817)	(3,925,669)	-	(108,024,486)
Machinery and equipment	(15,168,517)	(2,062,525)	705,338	(16,525,704)
Right-to-use equipment	(535,829)	(781,037)	597,955	(718,911)
SBITAs	(426,728)	(459,207)	-	(885,935)
	<u>(154,613,573)</u>	<u>(10,301,909)</u>	<u>1,303,293</u>	<u>(163,612,189)</u>
Capital assets being depreciated, net	<u>220,353,181</u>	<u>19,814,313</u>	<u>-</u>	<u>240,167,494</u>
Governmental activities capital assets, net	<u>\$ 346,488,045</u>	<u>\$ 56,209,184</u>	<u>\$ (15,298,128)</u>	<u>\$ 387,399,101</u>

	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	23,090,749	9,448,097	(1,110,175)	31,428,671
	<u>53,853,320</u>	<u>9,448,097</u>	<u>(1,110,175)</u>	<u>62,191,242</u>
Capital assets being depreciated:				
Buildings	41,695,331	-	-	41,695,331
Machinery and equipment	9,419,466	1,154,523	(116,118)	10,457,871
Wastewater rights	18,051,922	-	-	18,051,922
Water and sewer system	137,678,964	6,740,992	1,110,174	145,530,130
	<u>206,845,683</u>	<u>7,895,515</u>	<u>994,056</u>	<u>215,735,254</u>
Accumulated depreciation:				
Buildings	(18,621,845)	(1,032,375)	-	(19,654,220)
Machinery and equipment	(4,221,072)	(721,714)	116,119	(4,826,667)
Wastewater rights	(8,469,479)	(451,298)	-	(8,920,777)
Water and sewer system	(38,173,388)	(4,327,433)	-	(42,500,821)
	<u>(69,485,784)</u>	<u>(6,532,820)</u>	<u>116,119</u>	<u>(75,902,485)</u>
Capital assets being depreciated, net	<u>137,359,899</u>	<u>1,362,695</u>	<u>1,110,175</u>	<u>139,832,769</u>
Business-type activities capital assets, net	<u>\$ 191,213,219</u>	<u>\$ 10,810,792</u>	<u>\$ -</u>	<u>\$ 202,024,011</u>

Capital asset activity for the component units for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Transfers Decreases	Ending Balance
Component Units:				
Capital assets not being depreciated:				
Land	\$ 2,019,004	\$ 1,954,402	\$ -	\$ 3,973,406
Construction in progress	12,860,140	12,963,271	-	25,823,411
	<u>14,879,144</u>	<u>14,917,673</u>	<u>-</u>	<u>29,796,817</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	(13,552)	(3,215)	-	(16,767)
Infrastructure	(4,338,714)	(148,136)	-	(4,486,850)
	<u>(4,359,806)</u>	<u>(151,351)</u>	<u>-</u>	<u>(4,511,157)</u>
Capital assets being depreciated, net	<u>3,362,751</u>	<u>(151,351)</u>	<u>-</u>	<u>3,211,400</u>
Component unit capital assets, net	<u>\$ 18,241,895</u>	<u>\$ 14,766,322</u>	<u>\$ -</u>	<u>\$ 33,008,217</u>

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

Governmental activities:	
General government	\$ 1,252,925
Public safety	2,393,941
Public works	4,263,991
Culture and recreation	<u>2,391,052</u>
Total depreciation expense - governmental activities	<u>\$ 10,301,909</u>
Business-type activities:	
Water and sewer	<u>\$ 6,532,820</u>
Component units:	
Midlothian Economic Development	\$ 3,215
Midlothian Development Authority	<u>148,136</u>
Total depreciation expense - component units	<u>\$ 151,351</u>

Construction Commitments

The City has active construction projects as of September 30, 2025. Total accumulated commitments for ongoing capital projects are composed of the following:

Fund	Amount
General Fund	\$ 384,780
Capital Projects Fund	3,268,265
Nonmajor Governmental Funds	1,109,162
Enterprise Fund	<u>8,360,282</u>
Total	<u>\$ 13,122,489</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	\$ 384,780
Capital Projects Fund	3,268,265
Nonmajor Governmental Funds	<u>1,109,162</u>
Total	<u>\$ 4,762,207</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.

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, 2025, the City's bonds payable (including accreted interest) 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.	\$ 1,908,574	\$ -
\$7,800,000 General Obligation Bonds Series 2013, 1.50-3.00%, final installment due Feb. 2033	3,560,000	-
\$3,530,000 General Obligation Refunding Bonds, Series 2014, 2.0%-3.125%, final installment due August 2029.	1,185,000	-
\$15,015,000 General Obligation Refunding Bonds Series 2014, 2.00-4.00%, final installment due Aug. 2029	-	1,480,000
\$9,895,000 General Obligation Bonds Series 2015, 2.00-3.00%, final installment due Aug. 2034	5,230,000	-
\$8,465,000 General Obligation Refunding Bonds Series 2016, 2.00%, final installment due Sept. 2027	1,130,000	-
\$6,040,000 General Obligation Refunding Bonds Series 2017, 2.00%-5.00%, final installment due Sept. 2033	-	1,985,000
\$13,630,000 General Obligation Refunding Bonds Series 2018, 3%-4%, final installment due February 2028	-	4,575,000
\$18,315,000 General Obligation Bonds Series 2018, 3%-5%, final installment due February 2038	7,730,000	-
\$20,220,000 General Obligation Bonds Series 2019, 2%-5%, final installment due February 2039	13,795,000	-
\$13,480,000 General Obligation Bonds Series 2021, 2%-5%, final installment due September 2041	10,405,000	-
\$68,090,000 General Obligation Bonds Series 2022, 4%-5%, final installment due August 2042	55,465,000	-
\$11,665,000 General Obligation Bonds Series 2023, 4%-5%, final installment due August 2040	10,715,000	-
\$18,310,000 General Obligation Bonds Series 2025, 4%-5%, final installment due August 2045	18,310,000	-
Total General Obligation Bonds	<u>\$ 129,433,574</u>	<u>\$ 8,040,000</u>

	Governmental	Business-type
Certificate of Obligation:		
\$4,655,000 Combination Tax & Rev CO Series 2021, 2.00%-5.00% final installment September 2041.	\$ 3,965,000	\$ -
\$14,775,000 Combination Tax & Rev CO Series 2025, 5.00% final installment September 2045.	14,775,000	-
Total Certificates of Obligation	<u>\$ 18,740,000</u>	<u>\$ -</u>
Tax Notes Private Placement:		
\$6,000,000 Tax Notes Series 2024, 3.60%-3.95% final installment September 2027.	\$ 3,000,000	\$ -
\$7,425,000 Tax Notes Series 2025, 5.00% final installment September 2025.	7,425,000	-
Total Tax Notes Private Placement	<u>\$ 10,425,000</u>	<u>\$ -</u>

The annual requirements to amortize all debts outstanding as of September 30, 2025, are as follows:

General Obligation Bonds:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2026	\$ 8,756,590	\$ 5,142,645	\$ 2,045,000	\$ 270,013	\$ 16,214,248
2027	6,945,000	4,753,499	2,130,000	189,025	14,017,524
2028	6,670,000	4,478,174	2,185,000	124,213	13,457,387
2029	6,965,000	4,188,768	640,000	57,256	11,851,024
2030	6,950,000	3,876,106	1,040,000	92,313	11,958,419
2031-2035	37,670,000	14,800,579	-	-	52,470,579
2036-2040	38,595,000	7,065,339	-	-	45,660,339
2041-2045	15,410,000	1,263,794	-	-	16,673,794
Total	<u>\$ 127,961,590</u>	<u>\$ 45,568,904</u>	<u>\$ 8,040,000</u>	<u>\$ 732,820</u>	<u>\$ 182,303,314</u>
Remaining interest accretion	1,471,984				
Total	<u>\$ 129,433,574</u>				

Certificates of Obligation:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2026	\$ 605,000	\$ 885,223	\$ 1,490,223
2027	660,000	828,894	1,488,894
2028	695,000	795,644	1,490,644
2029	730,000	760,644	1,490,644
2030	770,000	723,769	1,493,769
2031-2035	4,400,000	3,052,769	7,452,769
2036-2040	5,440,000	2,014,334	7,454,334
2041-2045	5,440,000	798,688	6,238,688
Total	<u>\$ 18,740,000</u>	<u>\$ 9,859,965</u>	<u>\$ 28,599,965</u>

Tax Notes Private Placement:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2026	\$ 6,350,000	\$ 495,894	\$ 6,845,894
2027	2,335,000	182,330	2,517,330
2028	850,000	87,000	937,000
2029	890,000	44,500	934,500
Total	<u>\$ 10,425,000</u>	<u>\$ 809,724</u>	<u>\$ 11,234,724</u>

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2025:

	Beginning Balance	Increases	Adjustments Decreases	Ending Balance	Amount Due Within One Year
Governmental activities:					
General obligation bonds	\$ 117,518,021	\$ 18,310,000	\$ (7,866,431)	\$ 127,961,590	\$ 8,756,590
Certificates of obligation	4,145,000	14,775,000	(180,000)	18,740,000	605,000
Tax notes private placement	9,085,000	7,425,000	(6,085,000)	10,425,000	6,350,000
Leases	368,498	789,321	(466,930)	690,889	310,340
SBITAs	1,668,535	-	(413,929)	1,254,606	376,863
Accreted interest	3,192,033	257,130	(1,977,179)	1,471,984	-
Bond premium	7,027,862	2,138,430	(517,660)	8,648,632	-
Arbitrage	2,110,905	512,536	-	2,623,441	-
Compensated absences	3,834,114	1,528,207	-	5,362,321	1,340,580
Total governmental activities	<u>\$ 148,949,968</u>	<u>\$ 45,735,624</u>	<u>\$ (17,507,129)</u>	<u>\$ 177,178,463</u>	<u>\$ 17,739,373</u>
Business-type activities:					
General obligation bonds	\$ 10,030,000	\$ -	\$ (1,990,000)	\$ 8,040,000	\$ 2,045,000
Bond premium	514,580	-	(115,416)	399,164	-
Compensated absences	258,044	114,948	-	372,992	93,248
Total business-type activities	<u>\$ 10,802,624</u>	<u>\$ 114,948</u>	<u>\$ (2,105,416)</u>	<u>\$ 8,812,156</u>	<u>\$ 2,138,248</u>
Component units:					
Sales tax bonds	\$ 19,240,000	\$ -	\$ (3,005,000)	\$ 16,235,000	\$ 3,095,000
Compensated absences	41,404	9,854	-	51,258	12,815
Bond premium	432,608	-	(29,760)	402,848	-
Total component units	<u>\$ 19,714,012</u>	<u>\$ 9,854</u>	<u>\$ (3,034,760)</u>	<u>\$ 16,689,106</u>	<u>\$ 3,107,815</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 17, 2025, the City issued \$7,425,000 in Tax Notes, Series 2025. This debt will be used to improve streets and parks, purchase equipment and software, and other small projects, with an interest rate of 5.0%.

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.

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%	\$ 354,684	\$ 182,353
Postage Meter	10/1/2021	9/30/2026	60	0.632%	19,883	4,026
UBEO	10/1/2024	9/30/2029	60	2.331%	36,848	29,779
Police vehicles 21	12/17/2021	12/16/2026	60	3.750%	118,192	24,491
Police vehicles 22	4/20/2023	4/20/2027	60	6.250%	184,524	75,837
Police vehicles 23	7/18/2023	7/18/2027	60	7.990%	212,820	88,008
Police vehicles 24	10/1/2024	9/30/2029	60	2.323%	362,200	286,395
						<u>\$ 690,889</u>

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

Leases:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2026	\$ 310,340	\$ 24,284	\$ 334,624
2027	218,836	12,901	231,737
2028	79,932	3,693	83,625
2029	81,781	1,834	83,615
Total	<u>\$ 690,889</u>	<u>\$ 42,712</u>	<u>\$ 733,601</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	\$ 14,169
Evidence.com	11/1/2023	10/31/2028	60	3.511%	911,090	546,221
Taser 10 Bundle	1/1/2024	12/31/2028	60	3.511%	387,713	257,023
Perry Weather	10/1/2022	5/17/2027	55	3.305%	52,826	15,392
Webex	10/1/2022	1/31/2027	52	3.269%	59,519	13,694
Fleet 3	4/1/2024	3/31/2029	60	3.511%	619,959	408,107
						<u>\$ 1,254,606</u>

The future principal and interest payments as of September 30, 2025, are as follows:

SBITAs:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
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>\$ 1,254,606</u>	<u>\$ 99,605</u>	<u>\$ 1,354,211</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.tmr.com.

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

Benefits Provided

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

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

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

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that considers salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

Additionally, initiated in 2010, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

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

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

Employees covered by benefit terms

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	140
Inactive employees entitled to but not yet receiving benefits	174
Active employees	<u>347</u>
Total	<u><u>661</u></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.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 16.48% and 15.48% in calendar year 2025 and 2024, respectively, of which, 15.23%, respectively, represented the retirement portion of the contribution. The City's contributions to TMRS for the year ended 2025, were \$5,071,619, and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024, 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.

The target allocation and best estimates of arithmetic real rates return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.1%
Core Fixed Income	6%	5.0%
Non-Core Fixed Income	6%	6.8%
Hedge Funds	5%	6.4%
Private Equity	13%	8.5%
Private Debt	13%	8.2%
Real Estate	12%	6.7%
Infrastructure	6%	6.0%
Other Private Markets	4%	7.3%
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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2023	\$ 83,621,143	\$ 70,200,664	\$ 13,420,479
Changes for the year:			
Service cost	5,516,837	-	5,516,837
Interest	5,745,821	-	5,745,821
Difference between expected and actual experience	1,382,498	-	1,382,498
Contributions - employer	-	4,360,937	(4,360,937)
Contributions - employee	-	1,972,001	(1,972,001)
Change in Assumptions	-	-	-
Net investment income	-	7,321,074	(7,321,074)
Benefit payments, including refunds of employee contributions	(2,512,564)	(2,512,564)	-
Administrative expense	-	(46,781)	46,781
Other changes	-	(1,094)	1,094
Net changes	10,132,592	11,093,573	(960,981)
Balance at 12/31/2024	\$ 93,753,735	\$ 81,294,237	\$ 12,459,498

	MED		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2023	\$ 960,576	\$ 806,412	\$ 154,164
Changes for the year:			
Service cost	63,373	-	63,373
Interest	66,004	-	66,004
Difference between expected and actual experience	15,881	-	15,881
Contributions - employer	-	50,095	(50,095)
Contributions - employee	-	22,653	(22,653)
Net investment income	-	84,099	(84,099)
Change in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(28,862)	(28,862)	-
Administrative expense	-	(537)	537
Other changes	-	(13)	13
Net changes	116,396	127,435	(11,039)
Balance at 12/31/2024	<u>\$ 1,076,972</u>	<u>\$ 933,847</u>	<u>\$ 143,125</u>

	MCDC		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2023	\$ 425,034	\$ 356,819	\$ 68,215
Changes for the year:			
Service cost	28,041	-	28,041
Interest	29,205	-	29,205
Difference between expected and actual experience	7,027	-	7,027
Contributions - employer	-	22,166	(22,166)
Contributions - employee	-	10,023	(10,023)
Net investment income	-	37,212	(37,212)
Change in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(12,771)	(12,771)	-
Administrative expense	-	(237)	237
Other changes	-	(6)	6
Net changes	51,502	56,387	(4,885)
Balance at 12/31/2024	<u>\$ 476,536</u>	<u>\$ 413,206</u>	<u>\$ 63,330</u>

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

The following presents the net pension liability of the City and the discretely presented component unit, calculated using the discount rate of 6.75%, as well as what the City's and component unit's net

pension liability would be if they were calculated using a discount rate that is 1-percentage-point lower (4.75%) 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	\$ 27,770,360	\$ 12,459,498	\$ 71,112
MED	319,005	143,125	817
MCDC	141,153	63,330	361
Total	<u>\$ 28,230,518</u>	<u>\$ 12,665,953</u>	<u>\$ 72,290</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, 2025, the City recognized pension expense of \$5,650,930 (\$5,558,820 for the primary government). As of September 30, 2025, 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	\$ 2,691,623	\$ -
Changes in actuarial assumptions	-	145,857
Difference between projected and actual investment earnings	-	986,512
Contributions subsequent to the measurement date	3,732,119	-
Total	<u>\$ 6,423,742</u>	<u>\$ 1,132,369</u>

For the year ended September 30, 2025, the MED recognized pension expense of \$28,255. For the year ended September 30, 2025, the MCDC recognized pension expense of \$63,856 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	\$ 30,919	\$ -
Changes in actuarial assumptions	-	1,675
Difference between projected and actual investment earnings	-	11,332
Contributions subsequent to the measurement date	42,872	-
Total	<u>\$ 73,791</u>	<u>\$ 13,007</u>

MCDC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 13,681	\$ -
Changes in actuarial assumptions	-	740
Difference between projected and actual investment earnings	-	5,015
Contributions subsequent to the measurement date	18,970	-
Total	<u>\$ 32,651</u>	<u>\$ 5,755</u>

For the primary government, MED, and MCDC, respectively, \$3,732,119, \$42,872, and \$18,970 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, 2026. 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
2026	\$ 928,381	\$ 10,664	\$ 4,719
2027	1,467,792	16,861	7,461
2028	(569,714)	(6,544)	(2,896)
2029	(267,205)	(3,069)	(1,358)

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, 2025, totaled \$60,439.

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 0.20% for 2025 and 0.25% for 2024, 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, 2025, were \$51,474, which equaled the required contributions.

Employees covered by benefit terms

As of December 31, 2024, 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	103
Inactive employees entitled to but not yet receiving benefits	-	31
Active employees	340	347
Total	<u>346</u>	<u>481</u>

Total OPEB Liability

The total OPEB liability of \$3,208,333 was comprised of \$2,608,436 and \$609,837 for RHCP and SDBF, respectively, and was measured as of December 31, 2024, as determined by actuarial valuations as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2024, 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	4.08%	4.08%
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 7.20% 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, 2024.

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, 2024, valuation were based on the results of an actuarial experience study for the period December 31, 2014, to December 31, 2018.

Changes in the Total OPEB Liability

	RHCP	SDBF	Total
Service Cost	\$ 256,377	\$ 42,942	\$ 299,319
Interest on the total OPEB liability	94,809	24,067	118,876
Difference between expected and actual experience	(20,855)	(29,090)	(49,945)
Changes in assumptions or other inputs	(78,325)	(34,970)	(113,295)
Benefit Payments	(60,439)	(20,040)	(80,479)
Net Changes	191,567	(17,091)	174,476
Total OPEB liability - as of beginning of the year	2,416,869	626,928	3,043,797
Total OPEB liability - as of end of the year	<u>\$ 2,608,436</u>	<u>\$ 609,837</u>	<u>\$ 3,218,273</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 4.08% as of December 31, 2023, to 4.08% as of December 31, 2024.

Retiree Health Care Plan. The following presents the total OPEB liability of the City calculated using the discount rate of 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate.

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City	\$ 2,870,570	\$ 2,608,436	\$ 2,373,046

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	\$ 2,272,903	\$ 2,608,436	\$ 3,010,744

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 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City	\$ 720,958	\$ 599,897	\$ 506,060
MED	8,282	6,891	5,813
MCDC	3,665	3,049	2,572
Total	\$ 732,904	\$ 609,837	\$ 514,445

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, 2025, the City recognized OPEB expense of \$304,698 for this plan. The total OPEB expense was \$349,119 for both OPEB plans.

As of September 30, 2025, 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	\$ 152,993	\$ 465,877
Changes in actuarial assumptions	293,259	486,005
Contributions subsequent to the measurement date	<u>44,875</u>	<u>-</u>
Total	<u>\$ 491,127</u>	<u>\$ 951,882</u>

For the primary government, \$44,875 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, 2026. 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
2026	\$ (46,486)
2027	(47,333)
2028	(53,573)
2029	(47,671)
2030	(95,572)
Thereafter	(214,995)

Supplemental Death Benefits Fund. For the year ended September 30, 2025, the City recognized OPEB expense of \$44,421 for this plan. The total OPEB expense was \$349,119 for both OPEB plans. As of September 30, 2025, 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	\$ 19,651	\$ 46,961
Changes in actuarial assumptions	88,849	198,490
Contributions subsequent to the measurement date	<u>44,750</u>	<u>-</u>
Total	<u>\$ 153,250</u>	<u>\$ 245,451</u>

For the year ended September 30, 2025, the MED recognized OPEB expense of \$502, and MCDC recognized OPEB expense of \$222 for this plan. As of September 30, 2025, 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	\$ 226	\$ 539
Changes in actuarial assumptions	1,022	2,280
Contributions subsequent to the measurement date	514	-
Total	<u>\$ 1,762</u>	<u>\$ 2,819</u>
MCDC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 100	\$ 239
Changes in actuarial assumptions	452	1,009
Contributions subsequent to the measurement date	226	-
Total	<u>\$ 778</u>	<u>\$ 1,248</u>

For the primary government, MED, and MCDC, respectively, \$44,750, \$514, and \$226 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, 2026. 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
2026	\$ (20,907)	\$ (239)	\$ (106)
2027	(21,184)	(243)	(108)
2028	(35,808)	(411)	(182)
2029	(40,456)	(465)	(206)
2030	(10,536)	(121)	(54)
Thereafter	(8,060)	(92)	(41)

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 2025 transfer activity:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Water and Sewer	\$ 3,692,768
General	Nonmajor Governmental	113,514
Capital Projects	General	1,325,000
Total		<u>\$ 5,131,282</u>

At the end of fiscal year 2025 the City had the following interfund balances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 3,413
General	Water and Sewer	835,075
Water and Sewer	General	<u>6,594</u>
Total		<u>\$ 845,082</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 General Fund also has a receivable in the amount of \$239,055 due from the component units (\$104,975 from MED, \$133,542 from MCDC, and \$538 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.

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, 2025, and for the year then ended:

Statement of Net Position:	
Assets & deferred outflows	\$ 17,009,617
Liabilities & deferred inflows	<u>(884,687)</u>
Net position	<u>\$ 16,124,930</u>
Statement of Activities:	
Revenues	\$ 759,367
Expenses	<u>(1,373,155)</u>
Change in net position	<u>\$ (613,788)</u>

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. PUBLIC IMPROVEMENT DISTRICTS (PIDs) BONDS

The City has established Public Improvement Districts (“PIDs”) pursuant to Chapter 372 of the Texas Local Government Code to finance public infrastructure improvements that provide a special benefit to property within designated development areas. The PIDs were created following receipt of qualifying petitions, provision of statutory notice, and public hearings, and are governed by Service and Assessment Plans approved by the City Council and updated annually. The City administers the PIDs in accordance with state law, including the levy, billing, and collection of special assessments.

Redden Farms Public Improvement District

The Redden Farms Public Improvement District was created in 2020 and includes Improvement Areas No. 1 and No. 2 and a Major Improvement Area. During fiscal year 2021, the City issued \$3,925,000 of Special Assessment Revenue Bonds (Major Improvement Area Project) and \$10,410,000 of Special Assessment Revenue Bonds (Improvement Areas No. 1–2 Project) to finance authorized improvements within the District. The bonds are payable solely from special assessments levied on the benefited property. The City is not obligated for the repayment of the PID debt beyond the collection and remittance of assessments to the trustee.

Westside Preserve Public Improvement District

The Westside Preserve Public Improvement District was created in 2022 and includes Improvement Area No. 1 and a Major Improvement Area. During fiscal year 2022, the City issued \$23,796,000 of Special Assessment Revenue Bonds (Improvement Area No. 1 Project) and \$9,735,000 of Special Assessment Revenue Bonds (Major Improvement Area Project) to finance authorized improvements within the District. The bonds are payable solely from special assessments levied on the benefited property. The City is not obligated for the repayment of the PID debt beyond the collection and remittance of assessments to the trustee.

City Financial Exposure

All PID bonds are special, limited obligations payable solely from District assessment revenues and do not constitute general obligations of the City. Ad valorem taxes and other City revenues are not pledged, and the City has no obligation to pay debt service or advance funds in the event of delinquent assessments. Accordingly, the PID bonds are not reported as liabilities of the City.

NOTE 15. TAX ABATEMENTS

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

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

The City has two categories of economic development:

Tax Abatements – Tax Abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zone and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were \$10,000,877 in fiscal year 2025.

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 2025, the City rebated \$672,410 in taxes.

NOTE 16. RESTATEMENT

During the year ended September 30, 2025, the City determined that the Redden Farms PID Fund and the Westside Preserve PID Fund, previously reported as special revenue funds, met the criteria for a fiduciary activity and should be reported as custodial funds. Accordingly, the financial statements have been restated to reclassify the funds to fiduciary funds. The effect of the restatement was an increase to the beginning fund balance of nonmajor governmental funds of \$3,746.

NOTE 17. SIGNIFICANT FORTHCOMING STANDARDS

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

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 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.

GASB Statement No. 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information need of financial statement users. This Statement will become effective for reporting periods beginning after June 15, 2026, and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

CITY OF MIDLOTHIAN, TEXAS

Exhibit A-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 40,183,792	\$ 40,183,792	\$ 43,198,990	\$ 3,015,198
Licenses and permits	2,505,310	2,505,310	2,568,048	62,738
Intergovernmental	6,959,514	6,959,514	7,232,188	272,674
Charges for services	2,524,031	2,524,031	2,998,641	474,610
Fines	1,006,798	1,006,798	939,982	(66,816)
Investment income	1,009,000	1,009,000	1,703,293	694,293
Contributions and donations	126,000	126,000	306,988	180,988
Miscellaneous	83,185	83,185	289,193	206,008
Total revenues	<u>54,397,630</u>	<u>54,397,630</u>	<u>59,237,323</u>	<u>4,839,693</u>
EXPENDITURES				
Current:				
General government	12,596,988	13,453,120	11,860,031	1,593,089
Public safety	34,414,587	34,477,937	32,928,217	1,549,720
Public works	5,856,256	6,247,432	5,662,017	585,415
Culture and recreation	4,084,134	4,209,834	3,992,180	217,654
Debt service:				
Principal retirement	-	183,328	880,859	(697,531)
Interest charges	-	13,141	87,870	(74,729)
Capital outlay	140,000	140,000	127,581	12,419
Intergovernmental	2,606,248	2,606,248	2,591,982	14,266
Total expenditures	<u>59,698,213</u>	<u>61,331,040</u>	<u>58,130,737</u>	<u>3,200,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,300,583)</u>	<u>(6,933,410)</u>	<u>1,106,586</u>	<u>8,039,996</u>
OTHER FINANCING SOURCES (USES)				
Leases issued	-	-	789,321	789,321
Sale of capital assets	40,000	40,000	56,839	16,839
Transfers in	3,536,320	3,536,320	3,806,282	269,962
Transfers out	(1,270,530)	(1,270,530)	(1,325,000)	(54,470)
Total other financing sources (uses)	<u>2,305,790</u>	<u>2,305,790</u>	<u>3,327,442</u>	<u>1,021,652</u>
Net change in fund balance	(2,994,793)	(4,627,620)	4,434,028	9,061,648
Fund Balance - beginning	<u>38,866,909</u>	<u>38,866,909</u>	<u>38,866,909</u>	<u>-</u>
Fund Balance - ending	<u>\$ 35,872,116</u>	<u>\$ 34,239,289</u>	<u>\$ 43,300,937</u>	<u>\$ 9,061,648</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, 2025

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.

THIS PAGE LEFT BLANK INTENTIONALLY

**REQUIRED PENSION AND OTHER
POST-EMPLOYMENT BENEFIT SCHEDULES**

CITY OF MIDLOTHIAN, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Plan Year December 31,	2015	2016	2017	2018
A. Total pension liability				
Service cost	\$ 1,942,044	\$ 2,200,728	\$ 2,398,347	\$ 2,645,859
Interest (on the total pension liability)	2,441,280	2,593,138	2,836,106	3,099,754
Difference between expected and actual experience	449,448	15,928	(85,922)	634,993
Changes in assumptions	(80,345)	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,393,454)</u>	<u>(1,287,236)</u>	<u>(1,330,913)</u>	<u>(1,401,878)</u>
Net change in total pension liability	3,358,973	3,522,558	3,817,618	4,978,728
Total pension liability - beginning	<u>34,601,140</u>	<u>37,960,113</u>	<u>41,482,671</u>	<u>45,300,289</u>
Total pension liability - ending (a)	<u>\$ 37,960,113</u>	<u>\$ 41,482,671</u>	<u>\$ 45,300,289</u>	<u>\$ 50,279,017</u>
B. Plan fiduciary net position				
Contributions - employer	\$ 1,610,066	\$ 1,724,855	\$ 1,939,729	\$ 2,137,933
Contributions - employee	779,465	859,659	930,622	1,027,803
Net Investment Income	42,673	2,023,811	4,608,375	(1,180,070)
Benefit payments, including refunds of employee contributions	(1,393,454)	(1,287,236)	(1,330,913)	(1,401,878)
Administrative expenses	(25,988)	(22,841)	(23,863)	(22,778)
Other	<u>(1,283)</u>	<u>(1,200)</u>	<u>(1,209)</u>	<u>(1,190)</u>
Net change in plan fiduciary net position	1,011,479	3,297,048	6,122,741	559,820
Plan fiduciary net position - beginning	<u>28,914,796</u>	<u>29,926,275</u>	<u>33,223,322</u>	<u>39,346,063</u>
Plan fiduciary net position - ending (b)	<u>\$ 29,926,275</u>	<u>\$ 33,223,323</u>	<u>\$ 39,346,063</u>	<u>\$ 39,905,883</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 8,033,838</u>	<u>\$ 8,259,348</u>	<u>\$ 5,954,226</u>	<u>\$ 10,373,134</u>
D. Plan fiduciary net position as a percentage of total pension liability	79%	80%	87%	79%
E. Covered payroll	\$ 11,129,194	\$ 12,280,847	\$ 13,294,606	\$ 14,682,905
F. Net pension liability as a percentage of covered payroll	72%	67%	45%	71%

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 3,013,814	\$ 3,481,795	\$ 3,613,150	\$ 3,913,293	\$ 4,722,218	\$ 5,608,251
3,439,509	3,842,187	4,225,211	4,698,792	5,214,474	5,841,030
621,598	97,024	1,134,764	910,140	1,599,603	1,405,406
312,490	-	-	-	(253,433)	-
<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>	<u>(2,554,197)</u>
5,726,947	5,769,867	6,999,736	7,281,259	8,949,927	10,300,490
<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>
<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>	<u>\$ 95,307,243</u>
\$ 2,343,268	\$ 2,787,268	\$ 2,920,740	\$ 3,147,549	\$ 3,831,571	\$ 4,433,198
1,147,182	1,321,723	1,363,453	1,479,107	1,776,224	2,004,677
6,179,663	3,640,935	7,048,957	(4,631,764)	7,091,228	7,442,385
(1,660,464)	(1,651,139)	(1,973,389)	(2,240,966)	(2,332,935)	(2,554,197)
(34,860)	(23,517)	(32,545)	(39,973)	(44,946)	(47,555)
<u>(1,047)</u>	<u>(918)</u>	<u>223</u>	<u>47,699</u>	<u>(314)</u>	<u>(1,112)</u>
7,973,742	6,074,352	9,327,439	(2,238,348)	10,320,828	11,277,396
<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>\$ 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>\$ 82,641,292</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>	<u>\$ 12,665,953</u>
85%	87%	92%	80%	84%	87%
\$ 16,388,311	\$ 18,881,752	\$ 19,477,897	\$ 21,130,094	\$ 25,082,459	\$ 28,628,130
50%	41%	28%	71%	54%	44%

CITY OF MIDLOTHIAN, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 1,758,800	\$ 2,012,422	\$ 2,079,272	\$ 2,202,570
Contributions in relation to the actuarially determined contribution	<u>1,758,800</u>	<u>2,012,422</u>	<u>2,079,272</u>	<u>2,202,570</u>
Contribution deficiency (excess)	-	-	-	-
Covered payroll	12,385,709	13,051,789	14,296,653	15,280,211
Contributions as a percentage of covered payroll	14.2%	15.4%	14.5%	14.4%

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.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 2,633,038	\$ 2,853,834	\$ 3,033,389	\$ 3,640,534	\$ 4,229,298	\$ 5,071,619
<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>	<u>5,071,619</u>
-	-	-	-	-	-
16,388,331	18,881,752	19,477,897	21,130,094	27,316,372	31,293,047
16.1%	15.1%	15.6%	17.2%	15.5%	16.2%

CITY OF MIDLOTHIAN, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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>	<u>2024</u>
\$ 236,000	\$ 304,945	\$ 287,407	\$ 239,352	\$ 256,377
63,797	55,206	51,067	98,539	94,809
(19,112)	(313,200)	2,113	(318,066)	(20,855)
190,594	42,126	(570,578)	135,127	(78,325)
<u>(73,820)</u>	<u>(56,843)</u>	<u>(73,641)</u>	<u>(102,929)</u>	<u>(60,439)</u>
397,459	32,234	(303,632)	52,023	191,567
<u>2,238,785</u>	<u>2,636,244</u>	<u>2,668,478</u>	<u>2,364,846</u>	<u>2,416,869</u>
<u>\$ 2,636,244</u>	<u>\$ 2,668,478</u>	<u>\$ 2,364,846</u>	<u>\$ 2,416,869</u>	<u>\$ 2,608,436</u>
<u>\$ 18,904,663</u>	<u>\$ 19,528,919</u>	<u>\$ 21,040,625</u>	<u>\$ 25,376,452</u>	<u>\$ 28,621,988</u>
13.9%	13.7%	11.2%	9.5%	9.1%

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, 2025**

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>	<u>2024</u>
\$ 43,428	\$ 54,538	\$ 63,390	\$ 38,062	\$ 42,942
16,096	14,425	14,268	21,779	24,067
(22,377)	(31,086)	3,803	25,191	(29,090)
101,953	25,040	(291,249)	32,048	(34,970)
<u>(3,776)</u>	<u>(13,635)</u>	<u>(12,678)</u>	<u>(17,762)</u>	<u>(20,040)</u>
135,324	49,282	(222,466)	99,318	(17,091)
<u>565,470</u>	<u>700,794</u>	<u>750,076</u>	<u>527,610</u>	<u>626,928</u>
<u>\$ 700,794</u>	<u>\$ 750,076</u>	<u>\$ 527,610</u>	<u>\$ 626,928</u>	<u>\$ 609,837</u>
<u>\$ 18,881,752</u>	<u>\$ 19,477,897</u>	<u>\$ 21,130,094</u>	<u>\$ 25,082,459</u>	<u>\$ 28,628,130</u>
3.7%	3.9%	2.5%	2.5%	2.1%

THIS PAGE LEFT BLANK INTENTIONALLY

**COMBINING STATEMENTS AND NONMAJOR
BUDGETARY COMPARISON SCHEDULES**

THIS PAGE LEFT BLANK INTENTIONALLY

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.

Bridgewater TIRZ 3 Fund - Established to account for activity associated with the Bridgewater Tax Increment Reinvestment Zone (TIRZ) to fund public improvements within the Bridgewater area.

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
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2025

	Special Revenue Funds			
	Police Imprest	Hotel Motel Tax	City Beautification	MidTowne PID
ASSETS				
Cash and cash equivalents	\$ 423,251	\$ 483,301	\$ 162,588	\$ 124,007
Taxes receivable	-	28,163	-	-
Accounts receivable, net	-	-	-	13,015
Due from other governments	-	-	-	-
Total assets	<u>423,251</u>	<u>511,464</u>	<u>162,588</u>	<u>137,022</u>
LIABILITIES				
Accounts payable	-	-	-	30,182
Due to other funds	<u>3,413</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,413</u>	<u>-</u>	<u>-</u>	<u>30,182</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,015</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,015</u>
FUND BALANCES				
Restricted for:				
Law enforcement	419,838	-	-	-
Tourism	-	511,464	-	-
Court	-	-	-	-
Grants	-	-	-	-
City beautification	-	-	162,588	-
Community improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,825</u>
Total fund balances	<u>419,838</u>	<u>511,464</u>	<u>162,588</u>	<u>93,825</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 423,251</u>	<u>\$ 511,464</u>	<u>\$ 162,588</u>	<u>\$ 137,022</u>

Special Revenue Funds					Total Nonmajor Governmental Funds
Bridgewater TIRZ 3	Escrow PID	Municipal Court	Police Regional Response	Grant	
\$ 8,970	\$ 89,017	\$ 396,397	\$ 113,232	\$ 1,232,143	\$ 3,032,906
-	-	-	-	-	28,163
-	-	-	-	125	13,140
-	-	-	39,905	113,681	153,586
<u>8,970</u>	<u>89,017</u>	<u>396,397</u>	<u>153,137</u>	<u>1,345,949</u>	<u>3,227,795</u>
6,992	87,421	-	-	88,469	213,064
-	-	-	-	-	3,413
<u>6,992</u>	<u>87,421</u>	<u>-</u>	<u>-</u>	<u>88,469</u>	<u>216,477</u>
-	-	-	-	-	13,015
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,015</u>
-	-	-	153,137	-	572,975
-	-	-	-	-	511,464
-	-	396,397	-	-	396,397
-	-	-	-	1,257,480	1,257,480
-	-	-	-	-	162,588
1,978	1,596	-	-	-	97,399
<u>1,978</u>	<u>1,596</u>	<u>396,397</u>	<u>153,137</u>	<u>1,257,480</u>	<u>2,998,303</u>
<u>\$ 8,970</u>	<u>\$ 89,017</u>	<u>\$ 396,397</u>	<u>\$ 153,137</u>	<u>\$ 1,345,949</u>	<u>\$ 3,227,795</u>

CITY OF MIDLOTHIAN, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue Funds				
	Police Imprest	Hotel Motel Tax	City Beautification	MidTowne PID	Redden Farms PID
REVENUES					
Taxes	\$ -	\$ 363,505	\$ -	\$ -	
Special assessments	-	-	-	88,610	
Charges for services	-	-	31,358	-	
Investment income	-	8,808	3,898	5,486	
Intergovernmental	181,580	-	-	-	
Miscellaneous	-	-	-	-	
Contributions and donations	-	-	-	-	
Total revenues	<u>181,580</u>	<u>372,313</u>	<u>35,256</u>	<u>94,096</u>	
EXPENDITURES					
Current:					
General government	280,221	24,500	-	100,996	
Public safety	-	-	-	-	
Total expenditures	<u>280,221</u>	<u>24,500</u>	<u>-</u>	<u>100,996</u>	
Excess (deficiency) of revenues over (under) expenditures	(98,641)	347,813	35,256	(6,900)	
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(20,000)	-	-	
Total other financing sources (uses)	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	
NET CHANGE IN FUND BALANCE	(98,641)	327,813	35,256	(6,900)	
FUND BALANCE - BEGINNING AS PREVIOUSLY REPORTED	<u>518,479</u>	<u>183,651</u>	<u>127,332</u>	<u>100,725</u>	<u>(273)</u>
RESTATEMENT	-	-	-	-	273
FUND BALANCE - BEGINNING AS RESTATED	<u>518,479</u>	<u>183,651</u>	<u>127,332</u>	<u>100,725</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 419,838</u>	<u>\$ 511,464</u>	<u>\$ 162,588</u>	<u>\$ 93,825</u>	<u>\$ -</u>

Special Revenue Funds						Total Nonmajor Governmental Funds
Westside Preserve PID	Bridgewater TIRZ 3	Escrow PID	Municipal Court	Police Regional Response	Grant	
	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 513,505
	-	-	-	-	-	88,610
	-	-	93,296	-	-	124,654
	1,978	1,615	12,322	2,525	-	36,632
	-	-	-	48,480	474,917	704,977
	-	-	-	4,885	28,543	33,428
	-	-	-	-	454,739	454,739
	<u>151,978</u>	<u>1,615</u>	<u>105,618</u>	<u>55,890</u>	<u>958,199</u>	<u>1,956,545</u>
	213,848	-	35,868	4,817	581,505	1,241,755
	-	-	-	-	340,249	340,249
	<u>213,848</u>	<u>-</u>	<u>35,868</u>	<u>4,817</u>	<u>921,754</u>	<u>1,582,004</u>
	(61,870)	1,615	69,750	51,073	36,445	374,541
	-	-	(93,514)	-	-	(113,514)
	-	-	(93,514)	-	-	(113,514)
	(61,870)	1,615	(23,764)	51,073	36,445	261,027
<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>
3,473	-	-	-	-	-	3,746
-	63,848	(19)	420,161	102,064	1,221,035	2,737,276
<u>\$ -</u>	<u>\$ 1,978</u>	<u>\$ 1,596</u>	<u>\$ 396,397</u>	<u>\$ 153,137</u>	<u>\$ 1,257,480</u>	<u>\$ 2,998,303</u>

CITY OF MIDLOTHIAN, TEXAS

Exhibit B-3

MIDTOWNE PID
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Assessments	\$ 93,093	\$ 93,093	\$ 88,610	\$ (4,483)
Investment income	<u>4,600</u>	<u>4,600</u>	<u>5,486</u>	<u>886</u>
Total revenues	<u>97,693</u>	<u>97,693</u>	<u>94,096</u>	<u>(3,597)</u>
Expenditures:				
Current:				
General government	<u>122,693</u>	<u>122,693</u>	<u>100,996</u>	<u>21,697</u>
Total expenditures	<u>122,693</u>	<u>122,693</u>	<u>100,996</u>	<u>21,697</u>
NET CHANGE IN FUND BALANCE	(25,000)	(25,000)	(6,900)	18,100
FUND BALANCE - BEGINNING	<u>100,725</u>	<u>100,725</u>	<u>100,725</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 75,725</u>	<u>\$ 75,725</u>	<u>\$ 93,825</u>	<u>\$ 18,100</u>

The custodial funds account for monies held for public improvement districts in a fiduciary capacity, none of which are held in trust.

Redden Farms PID Fund – Established to account for Public Improvement District (PID) assessment collections associated with the Redden Farms Public Improvement District (PID). The City is not obligated for the repayment of the PID debt beyond the collection and remittance of assessments to the trustee.

Westside Preserve PID Fund – Established to account for Public Improvement District (PID) assessment collections associated with the Westside Preserve Public Improvement District (PID). The City is not obligated for the repayment of the PID debt beyond the collection and remittance of assessments to the trustee.

CITY OF MIDLOTHIAN, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS

SEPTEMBER 30, 2025

	Custodial Funds		
	Redden Farms	Westside	Total
	PID	Preserve	Custodial
	PID	PID	Funds
ASSETS			
Cash and cash equivalents	\$ 34,206	\$ 58,696	\$ 92,902
Total assets	<u>34,206</u>	<u>58,696</u>	<u>92,902</u>
LIABILITIES			
Accounts payable	6,441	37,029	43,470
Total liabilities	<u>6,441</u>	<u>37,029</u>	<u>43,470</u>
NET POSITION			
Restricted for:			
Individuals and organizations	27,765	21,667	49,432
Total net position	<u>\$ 27,765</u>	<u>\$ 21,667</u>	<u>\$ 49,432</u>

CITY OF MIDLOTHIAN, TEXAS

COMBINING STATEMENT OF CHANGES IN
FIDUCIARY NET POSITION
CUSTODIAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Custodial Funds		Total Custodial Funds
	Redden Farms PID	Westside Preserve PID	
ADDITIONS			
Special assessments	\$ 1,033,301	\$ 2,561,537	\$ 3,594,838
Investment earnings	3,665	5,218	8,883
Total additions	<u>1,036,966</u>	<u>2,566,755</u>	<u>3,603,721</u>
DEDUCTIONS			
Distributions to trustee	<u>1,008,928</u>	<u>2,541,615</u>	<u>3,550,543</u>
Total deductions	<u>1,008,928</u>	<u>2,541,615</u>	<u>3,550,543</u>
NET INCREASE IN FIDUCIARY NET POSITION	28,038	25,140	53,178
NET POSITION - BEGINNING AS PREVIOUSLY REPORTED	<u>-</u>	<u>-</u>	<u>-</u>
RESTATEMENT	<u>(273)</u>	<u>(3,473)</u>	<u>(3,746)</u>
NET POSITION - BEGINNING AS RESTATED	<u>(273)</u>	<u>(3,473)</u>	<u>(3,746)</u>
NET POSITION - ENDING	<u>\$ 27,765</u>	<u>\$ 21,667</u>	<u>\$ 49,432</u>

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

This part of the City of Midlothian's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents

Table #s

Financial Trends

1, 2, 3 & 4

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

5, 6, 7 & 8

These tables contain information to help the reader assess the City's most significant local revenue source, property taxes.

Debt Capacity

9, 10, 11 & 12

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Information

13 & 14

These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

15, 16 & 17

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.

Source: Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.

CITY OF MIDLOTHIAN, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

	2016	2017	2018	2019
<u>Governmental activities:</u>				
Net investment in capital assets	\$ 68,672,276	\$ 74,735,271	\$ 103,682,036	\$ 114,682,283
Restricted for:				
Debt service	748,173	592,496	3,477,907	3,358,995
Other	721,056	798,525	668,437	768,268
Unrestricted	23,977,224	40,284,210	29,674,196	25,283,856
Total governmental activities net position	<u>\$ 94,118,729</u>	<u>\$ 116,410,502</u>	<u>\$ 137,502,576</u>	<u>\$ 144,093,402</u>
<u>Business-type activities:</u>				
Net investment in capital assets	\$ 78,774,995	\$ 86,781,144	\$ 91,436,058	\$ 104,180,382
Restricted for:				
Debt service	1,652,334	1,659,724	1,693,017	713,187
Capital improvements	4,870,365	7,486,142	9,569,184	12,414,828
Unrestricted	15,681,051	17,349,220	19,033,867	24,041,023
Total business-type activities net position	<u>\$ 100,978,745</u>	<u>\$ 113,276,230</u>	<u>\$ 121,732,126</u>	<u>\$ 141,349,420</u>
<u>Primary government:</u>				
Net investment in capital assets	\$ 147,447,271	\$ 161,516,415	\$ 195,118,094	\$ 218,862,665
Restricted for:				
Debt service	2,400,507	2,252,220	5,170,924	4,072,182
Capital improvements	4,870,365	7,486,142	9,569,184	12,414,828
Other	721,056	798,525	668,437	768,268
Unrestricted	39,658,275	57,633,430	48,708,063	49,324,879
Total primary government net position	<u>\$ 195,097,474</u>	<u>\$ 229,686,732</u>	<u>\$ 259,234,702</u>	<u>\$ 285,442,822</u>

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 foot.

TABLE 1

2020	2021	2022	2023	2024	2025
\$ 118,580,655	\$ 162,149,676	\$ 176,367,108	\$ 244,175,256	\$ 271,365,434	\$ 295,823,265
3,232,296	2,938,571	1,784,031	1,596,966	2,233,389	1,425,007
2,797,390	1,509,065	2,095,013	2,345,268	3,201,813	3,478,849
34,681,261	16,804,174	24,078,068	25,049,842	31,187,464	34,903,759
<u>\$ 159,291,602</u>	<u>\$ 183,401,486</u>	<u>\$ 204,324,220</u>	<u>\$ 273,167,332</u>	<u>\$ 307,988,100</u>	<u>\$ 335,630,880</u>
\$ 111,800,122	\$ 120,520,097	\$ 126,518,979	\$ 155,742,567	\$ 190,472,004	\$ 190,472,004
1,693,017	728,076	802,955	1,073,012	1,106,083	1,181,715
13,421,324	13,150,679	15,808,124	30,500,814	39,864,775	49,663,776
25,048,205	28,001,726	37,097,237	24,805,138	25,140,023	33,204,429
<u>\$ 151,962,668</u>	<u>\$ 162,400,578</u>	<u>\$ 180,227,295</u>	<u>\$ 212,121,531</u>	<u>\$ 256,582,885</u>	<u>\$ 274,521,924</u>
\$ 230,380,777	\$ 278,917,980	\$ 300,677,155	\$ 398,272,795	\$ 448,545,408	\$ 486,295,269
4,925,313	3,666,647	2,586,986	2,669,978	3,339,472	2,606,722
13,421,324	13,150,679	15,808,124	30,500,814	39,864,775	49,663,776
2,797,390	1,509,065	2,095,013	2,345,268	3,201,813	3,478,849
59,729,466	48,557,693	63,384,237	51,500,008	57,350,509	68,108,188
<u>\$ 311,254,270</u>	<u>\$ 345,802,064</u>	<u>\$ 384,551,515</u>	<u>\$ 485,288,863</u>	<u>\$ 552,301,977</u>	<u>\$ 610,152,804</u>

CITY OF MIDLOTHIAN, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

	2016	2017	2018	2019
Expenses				
<u>Governmental activities:</u>				
General government	\$ 9,119,270	\$ 9,869,378	\$ 8,265,542	\$ 20,548,620
Public safety	13,160,048	14,218,800	13,494,731	16,932,290
Public works	6,742,355	7,444,881	10,642,230	10,023,500
Culture and recreation	1,514,694	1,436,441	2,210,187	2,521,015
Interest on long-term debt	2,437,581	2,263,827	2,272,564	2,628,010
Total governmental activities expenses	<u>32,973,948</u>	<u>35,233,327</u>	<u>36,885,254</u>	<u>52,653,435</u>
<u>Business-type activities:</u>				
Water and sewer	11,618,051	11,953,415	13,527,539	14,454,794
Total business-type activities expenses	<u>11,618,051</u>	<u>11,953,415</u>	<u>13,527,539</u>	<u>14,454,794</u>
Total primary government expenses	<u>44,591,999</u>	<u>47,186,742</u>	<u>50,412,793</u>	<u>67,108,229</u>
Program Revenues				
<u>Governmental activities:</u>				
Charges for services:				
General government	1,496,141	1,603,973	1,964,540	2,897,180
Public safety	2,063,755	2,012,644	2,169,471	2,489,630
Public works	1,161,622	1,131,041	1,457,961	2,927,256
Culture and recreation	146,198	133,252	161,387	146,713
Operating grants and contributions	969,325	1,943,548	2,024,787	962,653
Capital grants and contributions	5,903,501	17,260,549	15,814,767	9,803,361
Total governmental activities program revenues	<u>11,740,542</u>	<u>24,085,007</u>	<u>23,592,913</u>	<u>19,226,793</u>
<u>Business-type activities:</u>				
Charges for services:				
Water and sewer	13,558,845	17,126,074	17,976,259	19,039,623
Operating Grants and Contributions				
Operating grants and contributions				
Capital grants and contributions	6,539,858	10,211,564	6,473,658	16,807,888
Total business-type activities program revenues	<u>20,098,703</u>	<u>27,337,638</u>	<u>24,449,917</u>	<u>35,847,511</u>
Total primary government program revenues	<u>31,839,245</u>	<u>51,422,645</u>	<u>48,042,830</u>	<u>55,074,304</u>
Net (Expenses) Revenue				
Governmental activities	(21,233,406)	(11,148,320)	(13,292,341)	(33,426,642)
Business-type activities	8,480,652	15,384,223	10,922,378	21,392,717
Total primary government net expenses	<u>\$ (12,752,754)</u>	<u>\$ 4,235,903</u>	<u>\$ (2,369,963)</u>	<u>\$ (12,033,925)</u>

TABLE 2

2020	2021	2022	2023	2024	2025
\$ 10,323,257	\$ 11,977,296	\$ 11,946,696	\$ 14,687,695	\$ 18,812,711	\$ 18,585,411
20,127,297	23,349,765	24,126,863	28,297,030	32,538,057	36,004,291
9,955,877	10,704,504	7,694,848	15,149,489	13,355,778	7,961,481
2,519,129	2,428,000	3,235,333	5,476,034	6,103,507	6,469,625
4,584,684	4,221,977	3,984,844	5,203,561	4,645,701	6,205,162
47,510,244	52,681,542	50,988,584	68,813,809	75,455,754	75,225,970
15,450,370	20,729,378	21,347,532	26,805,868	30,681,087	33,949,483
15,450,370	20,729,378	21,347,532	26,805,868	30,681,087	33,949,483
62,960,614	73,410,920	72,336,116	95,619,677	106,136,841	109,175,453
1,896,952	2,264,277	2,370,004	2,478,378	6,744,721	2,619,649
2,637,234	3,131,320	4,287,876	3,881,571	4,327,742	5,169,879
2,011,051	3,006,175	3,129,870	2,748,410	3,202,795	2,660,361
95,378	118,752	74,923	126,859	199,445	343,654
2,518,184	3,027,733	4,405,744	10,274,042	3,680,693	3,122,221
10,860,410	18,325,284	7,156,124	45,955,603	18,117,174	14,006,108
20,019,209	29,873,541	21,424,541	65,464,863	36,272,570	27,921,872
21,186,292	24,354,942	29,538,352	32,912,960	37,161,818	40,723,170
6,783,088	9,578,159	12,149,648	29,474,622	26,911,949	24,142,657
27,969,380	33,933,101	41,688,000	62,387,582	64,073,767	64,865,827
47,988,589	63,806,642	63,112,541	127,852,445	100,346,337	92,787,699
(27,491,035)	(22,808,001)	(29,564,043)	(3,348,946)	(39,183,184)	(47,304,098)
12,519,010	13,203,723	20,340,468	35,581,714	33,392,680	30,916,344
\$ (14,972,025)	\$ (9,604,278)	\$ (9,223,575)	\$ 32,232,768	\$ (5,790,504)	\$ (16,387,754)

CITY OF MIDLOTHIAN, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2016	2017	2018	2019
General Revenues				
and Other Changes in Net Position				
<u>Governmental activities:</u>				
Taxes:				
Property	\$ 19,138,572	\$ 20,313,875	\$ 22,713,070	\$ 27,778,205
Sales	3,428,987	3,755,683	4,243,989	4,766,454
Franchise fees	2,826,939	2,740,697	2,952,747	3,172,602
Penalties and interest	40,544	-	-	-
Unrestricted grants and contributions	-	-	-	-
Other	142,392	198,756	215,154	233,472
Interest on investments	131,844	216,440	539,448	1,258,741
Miscellaneous	259,892	2,988,084	439,006	423,194
Transfers	(16,418,289)	3,226,558	2,995,393	2,595,224
Total governmental activities	9,550,881	33,440,093	34,098,807	40,227,892
<u>Business-type activities:</u>				
Interest on investments	86,295	139,820	452,247	819,801
Gain on sale	-	-	-	-
Transfers	16,418,289	(3,226,558)	(2,995,393)	(2,595,224)
Total business-type activities	16,504,584	(3,086,738)	(2,543,146)	(1,775,423)
Total primary government	26,055,465	30,353,355	31,555,661	38,452,469
 Change in Net Position				
Governmental activities	(11,682,525)	22,291,773	20,806,460	18,145,761
Business-type activities	24,985,236	12,297,485	8,379,232	19,617,294
Total primary government	\$ 13,302,711	\$ 34,589,258	\$ 29,185,692	\$ 37,763,055

TABLE 2

2020	2021	2022	2023	2024	2025
\$ 29,652,464	\$ 33,650,878	\$ 33,997,560	\$ 42,071,738	\$ 45,182,372	\$ 46,201,301
5,953,281	6,585,356	8,701,046	9,948,894	11,782,037	14,734,343
3,070,260	3,270,143	3,887,111	4,071,225	4,399,251	4,803,271
-	-	-	-	-	-
-	-	-	-	3,925,839	-
211,231	228,780	240,090	331,404	543,293	661,195
979,441	26,186	502,746	5,746,591	4,647,758	4,624,273
411,125	398,125	323,951	177,104	116,145	225,981
2,411,433	2,848,417	2,834,273	5,867,545	3,407,257	3,692,768
42,689,235	47,007,885	50,486,777	68,214,501	74,003,952	74,943,132
505,852	82,604	320,522	2,138,622	2,206,923	2,984,471
-	-	-	41,445	-	-
(2,411,433)	(2,848,417)	(2,834,273)	(5,867,545)	(3,407,257)	(3,692,768)
(1,905,581)	(2,765,813)	(2,513,751)	(3,687,478)	(1,200,334)	(708,297)
40,783,654	44,242,072	47,973,026	64,527,023	72,803,618	74,234,835
15,198,200	24,199,884	20,922,734	64,865,555	34,820,768	27,639,034
10,613,429	10,437,910	17,826,117	31,894,236	32,192,346	30,208,047
\$ 25,811,629	\$ 34,637,794	\$ 38,748,851	\$ 96,759,791	\$ 67,013,114	\$ 57,847,081

CITY OF MIDLOTHIAN, TEXAS

FUND BALANCES GOVERNMENTAL FUNDS

**LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	2016	2017	2018	2019
General Fund:				
Nonspendable	\$ 304,450	\$ 10,165	\$ 8,241	\$ 7,040
Restricted	-	-	-	-
Committed	35,643	49,560	431,156	676,759
Assigned	1,148,986	1,553,128	1,714,156	1,302,584
Unassigned	<u>12,949,496</u>	<u>15,542,864</u>	<u>15,478,793</u>	<u>20,070,909</u>
 Total General Fund	 <u>\$ 14,438,575</u>	 <u>\$ 17,155,717</u>	 <u>\$ 17,632,346</u>	 <u>\$ 22,057,292</u>
 All Other Governmental Funds:				
<u>Fund Balances:</u>				
Restricted for:				
Special revenue	\$ 721,056	\$ 797,865	\$ 667,899	\$ 768,154
Debt service	876,116	660,177	821,888	959,357
Capital projects	7,516,092	3,038,289	19,927,760	31,928,611
Assigned for:				
Capital improvements	<u>2,703,307</u>	<u>7,576,459</u>	<u>5,750,107</u>	<u>6,200,287</u>
 Total all other governmental funds	 <u>\$ 11,816,571</u>	 <u>\$ 12,072,790</u>	 <u>\$ 27,167,654</u>	 <u>\$ 39,856,409</u>

TABLE 3

2020	2021	2022	2023	2024	2025
\$ 14,727	\$ 13,192	\$ 15,185	\$ 33,921	\$ 28,986	\$ 23,213
-	60,446	104,058	330,874	462,231	467,531
871,563	324,965	220,745	248,056	248,056	384,780
904,382	1,655,793	3,505,706	1,733,983	3,190,896	3,871,706
<u>20,507,591</u>	<u>20,992,429</u>	<u>26,804,699</u>	<u>31,701,309</u>	<u>34,936,740</u>	<u>38,553,707</u>
<u>\$ 22,298,263</u>	<u>\$ 23,046,825</u>	<u>\$ 30,650,393</u>	<u>\$ 34,048,143</u>	<u>\$ 38,866,909</u>	<u>\$ 43,300,937</u>
\$ 1,240,709	\$ 1,437,183	\$ 1,988,668	\$ 2,008,618	\$ 2,733,530	\$ 2,998,303
1,066,750	1,007,716	405,478	954,487	1,278,604	973,011
24,297,522	35,990,444	91,302,526	108,445,180	65,574,739	77,556,560
<u>9,662,941</u>	<u>4,682,480</u>	<u>5,631,958</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 36,267,922</u>	<u>\$ 43,117,823</u>	<u>\$ 99,328,630</u>	<u>\$ 111,408,285</u>	<u>\$ 69,586,873</u>	<u>\$ 81,527,874</u>

CITY OF MIDLOTHIAN, TEXAS

FUND BALANCES GOVERNMENTAL FUNDS

**LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	2016	2017	2018	2019
REVENUES				
Taxes	\$ 24,333,167	\$ 25,789,093	\$ 28,932,922	\$ 34,580,906
Licenses, permits and fees	884,715	1,119,635	1,671,771	3,956,922
Intergovernmental	4,158,885	4,967,664	5,190,708	12,342,665
Assessments	-	-	-	-
Charges for services	1,943,122	1,961,752	1,770,192	1,793,481
Fines	383,397	377,053	438,938	644,708
Investment income	131,841	216,445	539,349	1,258,751
Contributions and donations	429,919	1,177,651	525,173	879,870
Note receivable	291,675	297,875	298,875	299,775
Miscellaneous	151,754	2,742,138	339,206	175,661
Total revenues	<u>32,708,475</u>	<u>38,649,306</u>	<u>39,707,134</u>	<u>55,932,739</u>
EXPENDITURES				
General government	6,055,113	6,825,138	6,882,803	15,233,030
Public safety	11,982,639	13,125,829	14,720,807	17,130,165
Public works	2,638,676	2,579,875	3,523,576	4,155,998
Culture and recreation	2,726,652	1,549,853	1,703,920	1,648,188
Intergovernmental - TIRZ	2,512,454	2,499,699	2,565,664	2,636,642
Capital outlay	8,669,566	5,490,186	7,038,502	10,897,558
Debt service:				
Principal retirement	6,494,660	7,339,896	8,462,704	9,841,885
Interest and fiscal charges	1,731,495	1,525,970	1,292,527	1,764,069
Bond issuance costs	166,820	66,057	272,488	410,296
Total expenditures	<u>42,978,075</u>	<u>41,002,503</u>	<u>46,462,991</u>	<u>63,717,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,269,600)</u>	<u>(2,353,197)</u>	<u>(6,755,857)</u>	<u>(7,785,092)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Issuance of bonds	7,940,000	2,100,000	18,315,000	20,220,000
Issuance of tax notes	-	-	-	-
Leases issued	-	-	-	-
SBITAs	-	-	-	-
Bond premium	306,014	-	962,665	612,881
Payment to refund bond escrow agent	(8,288,333)	-	-	1,456,936
Insurance recoveries	-	-	54,292	13,752
Transfer from other funds	4,385,562	5,163,509	4,919,105	3,786,730
Transfer to other funds	(1,014,640)	(1,936,951)	(1,923,712)	(1,191,506)
Total other financing sources (uses)	<u>3,328,603</u>	<u>5,326,558</u>	<u>22,327,350</u>	<u>24,898,793</u>
NET CHANGE IN FUND BALANCES	<u>\$ (6,940,997)</u>	<u>\$ 2,973,361</u>	<u>\$ 15,571,493</u>	<u>\$ 17,113,701</u>
Debt service as a percentage of noncapital expenditures	18.8%	27.1%	26.2%	26.5%

Table 4

2020	2021	2022	2023	2024	2025
\$ 37,473,531	\$ 41,886,987	\$ 45,127,584	\$ 54,777,316	\$ 60,329,508	\$ 64,665,026
2,055,559	2,550,411	2,753,359	3,178,960	3,413,804	2,568,048
4,320,263	7,132,306	6,148,338	13,573,062	7,458,974	10,341,326
-	-	-	-	3,608,548	88,610
1,705,225	2,645,915	2,873,141	2,224,945	2,966,332	3,123,295
700,802	772,678	776,090	721,964	1,140,062	939,982
979,441	26,186	513,724	6,056,466	7,071,188	4,944,148
5,545,374	1,281,172	3,205,228	1,030,658	1,055,220	761,727
305,575	308,975	312,075	-	-	-
315,194	390,100	159,145	183,227	4,048,733	322,621
53,400,964	56,994,730	61,868,684	81,746,598	91,092,369	87,754,783
6,679,808	11,090,415	9,995,660	13,179,076	14,788,319	13,923,735
19,356,526	20,745,887	22,643,691	25,417,006	30,927,286	33,268,466
5,745,341	5,900,350	5,423,837	4,564,838	6,078,938	5,662,017
1,881,964	1,876,927	2,988,794	3,039,977	3,684,525	3,992,180
2,787,560	3,767,468	2,955,956	3,044,207	3,061,021	3,433,781
12,206,626	14,462,350	16,941,163	22,860,741	59,239,405	35,677,681
8,099,612	9,915,932	12,095,942	13,382,854	14,690,609	15,012,291
3,891,406	3,743,822	2,088,364	4,376,761	7,128,151	7,034,242
43,630	311,088	700,913	271,176	48,112	566,465
60,692,473	71,814,239	75,834,320	90,136,636	139,646,366	118,570,858
(7,291,509)	(14,819,509)	(13,965,636)	(8,390,038)	(48,553,997)	(30,816,075)
-	-	3,086,978	-	42,498	56,839
1,500,000	18,135,000	68,090,000	11,665,000	-	33,085,000
-	-	-	5,000,000	6,100,000	7,425,000
-	-	122,712	533,216	-	789,321
-	-	-	101,924	1,918,762	-
-	1,338,341	3,599,505	554,052	-	2,138,430
-	-	-	-	-	-
32,560	96,214	46,543	145,706	82,834	-
4,096,586	4,366,560	4,302,192	16,184,105	5,016,342	5,131,282
(1,685,153)	(1,518,143)	(1,467,919)	(10,316,560)	(1,609,085)	(1,438,514)
3,943,993	22,417,972	77,780,011	23,867,443	11,551,351	47,187,358
\$ (3,347,516)	\$ 7,598,463	\$ 63,814,375	\$ 15,477,405	\$ (37,002,646)	\$ 16,371,283

27.3%

27.3%

27.6%

27.9%

29.2%

27.9%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2016	\$ 2,425,076,804	\$ 552,604,119	\$ 468,126,420	\$ 2,509,554,503	0.70824
2017	2,659,674,733	577,859,863	504,050,185	2,733,484,411	0.70824
2018	2,937,858,099	574,546,349	487,889,963	3,024,514,485	0.70824
2019	3,753,719,439	545,614,970	604,522,219	3,694,812,190	0.70824
2020	4,176,251,226	574,423,540	617,570,716	4,133,104,050	0.68500
2021	4,896,503,327	575,063,697	753,140,314	4,718,426,710	0.67500
2022	5,683,116,792	760,313,364	1,458,372,897	4,985,057,259	0.67500
2023	7,108,792,152	988,491,240	2,238,470,232	5,858,813,160	0.65000
2024	8,898,550,210	1,519,707,963	3,505,155,131	6,913,103,042	0.65000
2025	9,206,067,232	1,728,836,125	4,006,639,491	6,928,263,866	0.65000

Source: City of Midlothian Budget Document
Ellis Central Appraisal District

CITY OF MIDLOTHIAN, TEXAS

Table 6

DIRECT AND OVERLAPPING
PROPERTY TAX RATESLAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	City Direct Rates			Overlapping Rates		
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Midlothian Independent School District	Ellis County	Waxahachie School District
2016	0.354757	0.353487	0.708244	1.540000	0.413599	1.553900
2017	0.365641	0.342603	0.708244	1.540000	0.413599	1.553900
2018	0.367873	0.340371	0.708244	1.540000	0.370533	1.553900
2019	0.381223	0.327021	0.708244	1.540000	0.370533	1.553900
2020	0.383540	0.301460	0.685000	1.470000	0.360533	1.452200
2021	0.373975	0.301025	0.675000	1.379800	0.350276	1.365400
2022	0.380002	0.294998	0.675000	1.352000	0.339338	1.344200
2023	0.340590	0.309410	0.650000	1.294600	0.295867	1.326800
2024	0.329455	0.320545	0.650000	1.109200	0.272532	1.170400
2025	0.343882	0.306118	0.650000	1.106900	0.273992	1.168100

Source: Ellis Central Appraisal District - website elliscad.com
City of Midlothian Budget Document

CITY OF MIDLOTHIAN, TEXAS

Table 7

Principal Property Taxpayers Less T.I.R.Z.
Taxable Real Property

**LAST TEN FISCAL YEARS
(UNAUDITED)**

2025			2016		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value ^a	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value ^b
Midlothian Energy Limited	\$ 320,819,800	4.89%	Holcim (US) Inc.	\$ 159,878,305	7.05%
Chaparral Steel Midlothian (Gerdau)	212,576,766	3.24%	Chaparral Steel Midlothian (Gerdau)	143,832,089	6.34%
Sharka LLC	133,911,239	2.04%	TXI Operations LP	90,952,325	4.01%
Holcim (US) Inc	87,986,900	1.34%	Ash Grove/North Texas Cement	68,562,406	3.02%
Target Corporation	82,248,815	1.25%	Target Corporation	60,052,550	2.65%
MPI Group LLC	53,193,732	0.81%	Midlothian Energy Limited	43,146,059	1.90%
Oncor Electric Delivery	50,171,520	0.76%	Toys R Us	29,706,719	1.31%
Martin Marietta North Texas	45,944,090	0.70%	Wal Mart Real Estate	20,864,410	0.92%
TXI Operations LP	44,958,400	0.68%	Midlothian Timber Oaks LP	17,480,000	0.77%
The Mark At Walter Stephenson	43,729,938	0.67%	Quick N Tasty Foods Inc.	15,966,019	0.70%
Top Ten Tax Payers Total	<u>\$ 1,075,541,200</u>	<u>16.38%</u>	Top Ten Tax Payers Total	<u>\$ 650,440,882</u>	<u>28.67%</u>
All Other Tax Payers	<u>\$ 5,489,382,370</u>	<u>83.62%</u>	All Other Tax Payers	<u>\$ 1,618,607,453</u>	<u>71.33%</u>
Total Assessed Valuation	<u><u>\$ 6,564,923,570</u></u>	<u><u>100.00%</u></u>	Total Assessed Valuation	<u><u>\$ 2,269,048,335</u></u>	<u><u>100.00%</u></u>

Source: Budget Document/Ellis Central Appraisal Office

Notes:

^a Taxpayers are assessed on January 1, 2024 (2024 tax year) for the 2025 fiscal year, these values exclude the TIRZ.

^b Taxpayers are assessed on January 1, 2015 (2015 tax year) for the 2016 fiscal year; these values exclude the TIRZ.

AD VALOREM TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
		Amount	Percentage of levy		Amount	Percentage of levy
2016	\$ 17,778,047	\$ 17,731,153	99.74	\$ 41,510	\$ 17,772,663	99.97
2017	19,376,285	19,320,945	99.71	53,084	19,374,029	99.99
2018	21,448,519	21,337,399	99.48	64,683	21,402,082	99.78
2019	26,245,503	26,174,246	99.73	45,128	26,219,374	99.90
2020	28,231,847	28,072,379	99.44	98,044	28,170,423	99.78
2021	31,674,755	31,485,111	99.40	8,358	31,493,469	99.43
2022	33,031,927	32,897,926	99.59	(4,939)	32,892,987	99.58
2023	36,533,947	35,420,827	96.95	228,914	35,649,741	97.58
2024	43,753,409	43,577,419	99.60	(24,181)	43,577,419	99.60
2025	44,500,325	44,302,915	99.56	-	44,302,915	99.56

Source: Ellis County Tax Assessor

CITY OF MIDLOTHIAN, TEXAS

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS (UNAUDITED)

Governmental Activities						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Leases	Financed Purchases	Tax Notes	SBITAs
2016	\$ 62,997,750	\$ 2,765,598	\$ -	\$ 58,211	\$ 840,000	\$ -
2017	57,402,669	2,453,309	-	29,559	2,070,000	-
2018	70,927,707	2,131,021	-	-	285,000	-
2019	83,944,411	1,803,732	-	612,881	-	-
2020	76,966,729	1,355,000	-	476,717	1,500,000	-
2021	68,507,062	5,690,000	-	334,256	485,000	-
2022	135,238,830	5,185,000	426,741	126,503	-	-
2023	141,265,955	4,675,000	629,440	-	5,000,000	197,428
2024	127,737,916	4,145,000	368,498	-	9,085,000	1,668,535
2025	138,082,206	18,740,000	690,889	-	10,425,000	1,254,606

Note:

Details regarding the City's outstanding debt can be found in the notes to the financial statements. See Table 13 for personal income and population data.

Source:

Note 7 Basic Financial Statements

Table 9

Business-Type Activities				
Water and Sewer Revenue Bonds	General Obligation Bonds	Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
\$ 22,886,464	\$ 7,081,132	\$ 96,629,155	8.38%	\$ 4,207
15,250,000	11,901,229	89,106,766	6.32%	3,592
14,045,000	10,554,087	97,942,815	7.16%	3,185
-	22,117,553	108,478,577	7.89%	3,235
-	19,510,715	99,809,161	7.26%	2,842
-	16,887,290	91,903,608	6.68%	2,547
-	14,785,613	155,762,687	11.32%	4,145
-	12,559,996	164,327,819	9.68%	4,163
-	10,544,580	153,549,529	7.80%	3,725
-	8,439,164	177,631,865	8.32%	4,082

CITY OF MIDLOTHIAN, TEXAS

RATIO OF GENERAL BONDED DEBT OUTSTANDING

**LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Governmental Activities					
	General Obligation Bonds	Tax Notes	Certificates of Obligation	Accumulated Accretion	Net Issuance Premiums/(Disc)	Total
2016	\$ 54,129,655	\$ 840,000	\$ 2,765,598	\$ 7,220,425	\$ 1,647,670	\$ 66,603,348
2017	48,000,700	2,070,000	2,453,309	7,926,223	1,475,746	61,925,978
2018	59,989,843	285,000	2,131,021	8,674,361	2,263,503	73,343,728
2019	71,113,980	-	1,670,000	9,467,343	3,496,820	85,748,143
2020	63,465,531	1,500,000	1,355,000	10,295,815	3,205,383	79,821,729
2021	68,507,062	485,000	5,690,000	10,947,193	4,249,499	89,878,754
2022	127,573,937	-	5,185,000	10,204,127	7,516,733	150,479,797
2023	128,955,027	5,000,000	4,675,000	4,743,117	7,567,811	150,940,955
2024	117,518,021	9,085,000	4,145,000	3,192,033	7,027,862	140,967,916
2025	127,961,590	10,425,000	18,740,000	1,471,984	8,648,632	167,247,206

	Percentage of Actual Taxable			
	Funds Available for Debt Service	Net Bonded Debt	Value of Property ^a	Per Capita ^b
2016	\$ 748,173	\$ 73,227,771	0.29%	\$ 336
2017	748,173	73,674,351	0.46%	544
2018	844,194	83,593,651	0.37%	447
2019	959,357	107,947,950	0.63%	753
2020	1,066,750	99,190,144	0.49%	609
2021	1,735,792	105,030,252	0.36%	481
2022	2,586,986	162,678,424	0.30%	410
2023	2,669,978	160,830,973	0.21%	393
2024	3,339,472	148,173,024	0.15%	256
2025	2,606,722	173,079,648	0.12%	194

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a See Table 5 for property value data

^b See Table 13 for population data

Table 10

Business-type Activities		
General Obligation	Net Issuance	
Bonds	Premiums/ (Disc)	Total
\$ 7,081,132	\$ 291,464	\$ 7,372,596
11,901,229	595,317	12,496,546
10,554,087	540,030	11,094,117
22,117,553	1,041,611	23,159,164
19,510,715	924,450	20,435,165
16,080,000	807,290	16,887,290
14,040,000	745,613	14,785,613
11,930,000	629,996	12,559,996
10,030,000	514,580	10,544,580
8,040,000	399,164	8,439,164

DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT

LAST TEN FISCAL YEARS
(UNAUDITED)

Governmental Unit	Debt Outstanding	Percentage of Total Debt	Midlothian Share of Overlapping Debt
Debt repaid with property taxes			
Midlothian I.S.D.	\$ 364,510,000	76.45%	\$ 278,667,895
Ellis County	21,260,000	26.54%	5,642,404
Waxahachie I.S.D.	592,221,701	0.47%	2,783,442
Subtotal, overlapping debt	<u>\$ 977,991,701</u>		<u>\$ 287,093,741</u>
City of Midlothian direct debt:			
City of Midlothian direct debt	<u>169,192,701</u>	100.00%	<u>169,192,701</u>
Total direct and overlapping debt	<u><u>\$ 1,147,184,402</u></u>		<u><u>\$ 456,286,442</u></u>

Source:

Municipal Advisory Council of Texas as of September 30, 2025

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and the businesses of Midlothian. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS
(UNAUDITED)

Water and Sewer System Revenue Bonds										
Fiscal Year	Total Revenues ^a		Less: Operating Expenses ^b		Net Available Revenue	Annual Requirement ^c	Times Coverage			
2016	\$	14,326,396	\$	11,137,562	\$	3,188,834	\$	2,496,526	\$	1.28
2017		18,010,894		11,435,759		6,575,135		2,496,855		2.63
2018		19,176,337		11,391,710		7,784,627		2,563,115		3.04
2019		-		-		-		-		-
2020		-		-		-		-		-
2021		-		-		-		-		-
2022		-		-		-		-		-
2023		-		-		-		-		-
2024		-		-		-		-		-
2025		-		-		-		-		-

Notes: ^a Includes operating revenues plus investment income from operating account, plus impact fees to pay debt

^b Includes operating expenses minus depreciation plus transfers out, less Water District Transfer

^c Includes only debt required to be paid from system revenues

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS
(UNAUDITED)

Year	Estimated Population ^a	Personal Income	Average Household Income ^b	School Enrollment ^c	Unemployment Rate ^d
2016	22,970	\$ 905,909,236	\$ 98,597	8,443	3.60
2017	24,810	1,014,520,596	102,229	8,874	3.40
2018	30,750	1,152,977,400	93,738	9,369	3.30
2019	33,532	1,409,859,646	105,113	9,794	2.80
2020	35,125	1,367,739,400	97,348	9,855	5.70
2021	36,087	1,375,723,049	95,306	10,396	3.60
2022	37,580	1,437,104,296	95,603	11,015	4.00
2023	39,475	1,697,930,280	107,532	10,990	3.30
2024	41,219	1,967,349,895	119,323	11,315	3.90
2025	43,516	2,134,773,115	122,643	11,457	4.10

Source:^a North Central Texas Council of Governments, as of January 1, 2025^b Midlothian Economic Development Corporation and US Census Bureau QuickFacts^c Midlothian Independent School District^d Texas Workforce Commission (TWC) Local Area Unemployment Statistics (LAUS) Report

CITY OF MIDLOTHIAN, TEXAS

Table 14

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

2025			2016		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Target Distribution Center	1,250	6%	Gerdau	500	11%
Gerdau	1,075	5%	Midlothian ISD	500	11%
Methodist Midlothian	500	3%	Target Distribution Center	500	11%
Ash Grove Texas Cement	250	1%	Walmart Stores	200	4%
Lafarge Holcim Texas	250	1%	City of Midlothian	200	4%
Martin Marietta Materials	250	1%	Martin Marietta	100	2%
QuikTrip Distribution	250	1%	Holcim, Inc.	100	2%
SunOpta Grains and Foods	210	1%	Methodist Medical Center	100	2%
Sunrider Manufacturing	205	1%	Ash Grove Texas Cement	100	2%
Home Zone	200	1%	Brookshire's	100	2%
Oncor Distribution	150	1%			
Aurorium (formerly Chemtrade)	100	1%			
MidTexas International Center	100	1%			
Vistra Energy	100	1%			
Narstco	100	1%			
Western Power Sports	100	1%			
Qualico Steel Company	100	1%			
Niagara LaSalle	100	1%			
Ennis, Inc.	100	1%			
Google Midlothian	85	0.4%			
Total	5,475	28%		2,400	53%
Total Employees 2025	<u>19,800</u>				

Source: Budget Document/Midlothian Economic Development Corporation

CITY OF MIDLOTHIAN, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	2016	2017	2018	2019	2020	2021
General Government and Administration	25.50	25.50	25.50	26.50	29.50	29.50
Public Safety	133.75	145.75	145.75	161.75	171.25	173.25
Public Works	18.50	19.50	19.50	20.50	21.50	21.50
Culture and Recreational	13.75	12.75	12.75	12.75	12.75	12.75
Water and Sewer	41.00	35.25	35.25	35.25	39.25	39.25
Other Component Units:						
Ellis County Radio	-	-	-	-	-	-
Senior Citizens	2.50	4.00	4.00	4.50	4.50	4.50
Economic Development	3.00	3.00	3.00	3.00	3.00	3.00
MCDC	-	-	-	-	-	-
Conference Center	3.50	4.50	4.50	4.50	4.50	4.50
Total	241.50	250.25	250.25	268.75	286.25	288.25

Source: City Budget

Table 15

<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
29.00	35.50	43.50	49.00
182.25	197.75	209.00	221.25
21.50	23.00	23.00	24.12
12.75	18.75	19.62	20.13
39.25	41.00	43.00	50.25
1.50	1.50	1.50	1.50
4.50	5.50	5.50	6.50
3.00	3.00	3.00	3.00
-	1.00	1.00	2.00
<u>4.50</u>	<u>4.50</u>	<u>4.50</u>	<u>4.00</u>
<u><u>298.25</u></u>	<u><u>331.50</u></u>	<u><u>353.62</u></u>	<u><u>381.75</u></u>

CITY OF MIDLOTHIAN, TEXAS

OPERATING INDICATORS BY FUNCTION /PROGRAM

**LAST TEN FISCAL YEARS
(UNAUDITED)**

Function/Program		2016	2017	2018	2019	2020	2021
Public Safety							
Police & Animal Control							
Number of Employees	a	51.75	77.75	83.75	95.75	105.25	107.25
Number of Violations (Citations)		9,687	9,492	10,190	8,990	7,295	5,994
Fire							
Number of Employees	a	53	56	62	66	66	66
Number of Fire runs		807	1,010	946	704	1,165	1,170
Number of EMS runs		2,737	2,581	3,083	3,288	3,202	3,510
Development Services							
Streets constructed (miles)		0	10.84	2.67	7.15	3.05	10.19
# of Plats		40	46	54	54	59	70
Acreage Re-Zoned		480	5,290	7,537	1,055	1,580	334
Building Permits Issued		405	542	500	467	496	611
Cultural and Recreational							
Parks and Recreation							
Parks Maintained		13	14	14	14	14	14
Total Parks Acreage		457	457	457	457	457	457
Total Acreage of Parks Maintained		282	282	286	286	286	286
Participants in Athletic Programs		2,792	3,518	3,460	4,297	2,416	4,277
Library							
Volumes in Collection	b	49,464	46,797	36,183	31,429	30,535	30,601
Water							
Number of Water Consumers		6,019	6,326	6,532	6,721	7,277	7,767
Annual Water Consumption (million gal.)		1,916	2,465	2,508	2,564	2,795	2,890
Maximum Storage Capacity (million gal.)		10	10	10	10	10	13
Wastewater							
Number of Sewer Consumers		7,462	8,020	8,883	8,865	9,320	9,867
Wastewater Treated Annually (million gal.)		656	535	608	818	684	778

Source: City Departments

Notes: a Full-Time Equivalent

b City/School Librarian

Table 16

2022	2023	2024	2025
113.25	125.75	130.25	141.25
4,500	4,668	10,197	6,087
69	72	76	80
1,167	1,225	1,352	1,411
3,952	4,149	4,298	4,357
6.10	25.62	10.94	10.94
75	43	67	67
984	503	174	174
522	703	855	855
14	14	15	15
457	457	457	457
286	286	286	286
4,430	4,430	6,198	7,321
31,770	31,770	21,621	21,621
8,336	10,514	12,977	14,209
2,801	2,977	3,718	3,872
13	13	13	13
10,436	11,247	12,262	13,486
657	807	986	1,050

CITY OF MIDLOTHIAN, TEXAS

CAPITAL ASSEST STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCALYEARS (UNAUDITED)

Function/Program	2016	2017	2018	2019
Public Safety				
Police Stations	1	1	1	1
Police Patrol Units	13	14	16	21
Police Patrol Units	-	-	-	-
Police Motorcycle Units	-	-	-	-
School Resource Officer Units	4	5	6	6
Sergeant Units	2	1	1	2
Fire Stations	3	3	3	3
Medic Units	4	4	4	4
Development Services				
Streets-Paved (miles)	152	163	194	201
Cultural and Recreational				
Parks-Developed (acres)	184	184	188	188
Parks-Undeveloped (acres)	273	273	269	269
Playgrounds	8	8	9	9
Softball/Baseball Game Fields	9	9	10	10
Softball/Baseball Practice Fields	4	4	4	4
Basketball Half Courts	3	3	3	3
Irrigated Soccer Fields	14	28	28	28
Tennis Courts	8	8	8	8
Volleyball Courts	4	4	4	4
Senior Center	1	1	1	1
Water and Sewer				
Water Mains (miles)	191	196	197	199
Fire Hydrants	1,092	1,112	1,117	1,169
Sanitary Sewers (miles)	143	153	156	162

Source: City Departments

Table 17

2020	2021	2022	2023	2024	2025
1	1	1	1	1	1
24	24	28	26	21	20
-	-	-	-	-	6
2	2	2	2	6	2
9	10	11	11	2	18
3	3	2	2	16	3
3	3	3	3	3	3
4	4	4	4	3	5
205	215	221	221	258	263
188	253	252	304	338	338
269	204	206	154	119	119
9	9	9	9	9	9
10	10	10	10	10	10
4	4	4	4	4	4
3	3	3	3	3	3
28	28	28	32	32	32
8	8	9	9	9	9
4	4	8	8	8	8
1	1	1	1	1	1
202	207	210	228	192	211
1,208	1,299	1,299	1,525	1,646	1,775
164	172	176	195	212	215

THIS PAGE LEFT BLANK INTENTIONALLY

Financial Advisory Services
Provided By:

