



(See "Continuing Disclosure of Information" herein)

NEW ISSUE - Book-Entry-Only

**PRELIMINARY OFFICIAL STATEMENT
Dated December 4, 2015**

Ratings:
Moody's: "Aa2"
S&P: "AA+"
Fitch: "AA+"
See ("Other Information-Ratings" herein)

In the opinion of Bond Counsel, under existing law interest on the 2016 Tax-Exempt Bonds is excludable from gross income for federal income tax purposes and the Tax-Exempt Bonds are not private activity bonds. See "Tax Matters – The 2016 Tax-Exempt Bonds and Certificates" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

**THE 2016 TAX-EXEMPT BONDS WILL NOT BE DESIGNATED AS
"QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS**

\$16,520,000*
CITY OF MANSFIELD, TEXAS
(Tarrant, Johnson and Ellis Counties, Texas)
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2016

Dated Date: December 1, 2015

Due: February 15, as shown on Page 2

Interest to accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$16,520,000* City of Mansfield, Texas, General Obligation Refunding and Improvement Bonds, Series 2016 (the "2016 Tax-Exempt Bonds") will accrue from the date of their delivery to the Underwriters (the "Date of Delivery") and will be payable February 15 and August 15 of each year commencing August 15, 2016, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive 2016 Tax-Exempt Bonds 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 2016 Tax-Exempt Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the 2016 Tax-Exempt Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the 2016 Tax-Exempt Bonds 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 2016 Tax-Exempt Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The 2016 Tax-Exempt Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State") including particularly, Texas Government Code, Chapters 1207 and 1331, as amended, and Section 9.13 of the City's Home Rule Charter and are direct obligations of the City of Mansfield, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the 2016 Tax-Exempt Bonds (the "2016 Tax-Exempt Bond Ordinance" and together with the 2016 Taxable Bond Ordinance and the Certificate Ordinance, collectively the "Ordinances") (see "The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the 2016 Tax-Exempt Bonds will be used for (i) refunding a portion of the City's outstanding debt in order to lower the overall debt service requirements of the City, (ii) expanding, improving, constructing and equipping the municipal library, and (iii) paying the costs associated with the issuance of the 2016 Tax-Exempt Bonds. (See "Schedule I – Schedule of Refunded Obligations – Tax-Exempt Refunded Obligations").

CUSIP PREFIX: 564377

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

SEPARATE ISSUES . . . The 2016 Tax-Exempt Bonds are being offered by the City concurrently with the "City of Mansfield, Texas General Obligation Refunding Bonds, Taxable Series 2016" (the "2016 Taxable Bonds" and together with the 2016 Tax-Exempt Bonds, the "Bonds") and the "City of Mansfield, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2016" (the "Certificates"), under a common Official Statement, and the Bonds and the Certificates are hereinafter sometimes referred to as the "Obligations". The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

LEGALITY . . . The 2016 Tax-Exempt Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell & Giuliani LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Locke Lord LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the 2016 Tax-Exempt Bonds will be available for delivery through DTC on January 13, 2016 (the "Date of Delivery").

BOSC, Inc.
A SUBSIDIARY OF BOK FINANCIAL CORPORATION

RAYMOND JAMES

STEPHENS INC.

* Preliminary, subject to change.

MATURITY SCHEDULE*

15-Feb Year	Principal Amount	Rate	Price or Yield	CUSIP Suffix
2017	\$ 250,000			
2018	570,000			
2019	1,295,000			
2020	1,315,000			
2021	1,335,000			
2022	1,375,000			
2023	1,405,000			
2024	1,440,000			
2025	1,345,000			
2026	1,400,000			
2027	1,470,000			
2028	1,540,000			
2029	1,115,000			
2030	85,000			
2031	90,000			
2032	90,000			
2033	95,000			
2034	100,000			
2035	100,000			
2036	105,000			

(Interest to accrue from the Date of Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the 2016 Tax-Exempt Bonds having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

* Preliminary, subject to change



(See "Continuing Disclosure of Information" herein)

NEW ISSUE - Book-Entry-Only

Interest on the 2016 Taxable Bonds is not excludable from gross income for federal income tax purposes under existing law. See "Tax Matters – The 2016 Taxable Bonds" herein.

PRELIMINARY OFFICIAL STATEMENT
Dated December 4, 2015

Ratings:
Moody's: "Aa2"
S&P: "AA+"
Fitch: "AA+"
See ("Other Information-Ratings" herein)

\$4,430,000*
CITY OF MANSFIELD, TEXAS
(Tarrant, Johnson and Ellis Counties, Texas)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2016

Dated Date: December 1, 2015

Due: February 15, as shown on Page 4

Interest to accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$4,430,000* City of Mansfield, Texas, General Obligation Refunding Bonds, Taxable Series 2016 (the "2016 Taxable Bonds") will accrue from the date of their delivery to the Underwriters (the "Date of Delivery") and will be payable February 15 and August 15 of each year commencing August 15, 2016, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive 2016 Taxable Bonds 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 2016 Taxable Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the 2016 Taxable Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the 2016 Taxable Bonds 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 2016 Taxable Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The 2016 Taxable Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State") including particularly, Texas Government Code, Chapter 1207, as amended, and Section 9.13 of the City's Home Rule Charter and are direct obligations of the City of Mansfield, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the 2016 Taxable Bonds (the "2016 Taxable Bond Ordinance" and together with the 2016 Tax-Exempt Bond Ordinance and the Certificate Ordinance, collectively the "Ordinances") (see "The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the 2016 Taxable Bonds will be used to (i) refund a portion of the City's outstanding debt in order to lower the overall debt service requirements of the City, and (ii) pay the costs associated with the issuance of the 2016 Taxable Bonds. (See "Schedule I – Schedule of Refunded Obligations – Taxable Refunded Obligations").

CUSIP PREFIX: 564377

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 4

SEPARATE ISSUES . . . The 2016 Taxable Bonds are being offered by the City concurrently with the "City of Mansfield, Texas General Obligation Refunding Bonds, Series 2016" (the "2016 Tax-Exempt Bonds" and together with the 2016 Taxable Bonds, the "Bonds") and the "City of Mansfield, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2016" (the "Certificates"), under a common Official Statement, and the Bonds and the Certificates are hereinafter sometimes referred to as the "Obligations". The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

LEGALITY . . . The 2016 Taxable Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell & Giuliani LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Locke Lord LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the 2016 Taxable Bonds will be available for delivery through DTC on January 13, 2016 (the "Date of Delivery").

BOSC, INC.
A SUBSIDIARY OF BOK FINANCIAL CORPORATION

RAYMOND JAMES

STEPHENS INC.

* Preliminary, subject to change.

MATURITY SCHEDULE*

15-Feb Year	Principal Amount	Rate	Price or Yield	CUSIP Suffix
2017	\$ 80,000			
2018	345,000			
2019	350,000			
2020	355,000			
2021	365,000			
2022	375,000			
2023	390,000			
2024	400,000			
2025	415,000			
2026	435,000			
2027	450,000			
2028	470,000			

(Interest to accrue from the Date of Delivery)

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OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the 2016 Taxable Bonds having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

* Preliminary, subject to change



(See "Continuing Disclosure of Information" herein)

NEW ISSUE - Book-Entry-Only

PRELIMINARY OFFICIAL STATEMENT
Dated December 4, 2015

Ratings:
Moody's: "Aa2"
S&P: "AA+"
Fitch: "AA+"
See ("Other Information-Ratings" herein)

In the opinion of Bond Counsel, under existing law interest on the Certificates is excludable from gross income for federal income tax purposes and the Certificates are not private activity bonds. See "Tax Matters – The 2016 Tax-Exempt Bonds and the Certificates" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

THE CERTIFICATES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS

\$15,835,000*
CITY OF MANSFIELD, TEXAS
(Tarrant, Johnson and Ellis Counties, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2016

Dated Date: December 1, 2015

Due: February 15, as shown on Page 6

Interest to accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$15,835,000* City of Mansfield, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2016 (the "Certificates") will accrue from the date of their delivery to the Underwriters (the "Date of Delivery") and will be payable February 15 and August 15 of each year commencing August 15, 2016, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates constitute direct obligations of the City of Mansfield, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied on all taxable property in the City, within the limits prescribed by law, and (ii) surplus revenues (not to exceed \$1,000) of the City's Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with any of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance" and together with the 2016 Tax-Exempt Bond Ordinance and the 2016 Taxable Bond Ordinance, collectively the "Ordinances") (see "The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of (i) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the City, including streetscaping, streetlighting, right-of-way protection, utility relocation, and related storm drainage improvements; and acquiring rights-of-way in connection therewith; (ii) designing, constructing, improving and expanding storm drainage and flood control facilities; (iii) designing, constructing, improving and expanding water and sewer facilities; and (iv) designing, constructing and installing public parking lot and parking improvements ((i) through (iv) collectively, the "Project"), and (v) paying the costs of the issuance of the Certificates.

CUSIP PREFIX: 564377

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 6

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the "City of Mansfield, Texas, General Obligation Refunding and Improvement Bonds, Series 2016" (the "2016 Tax-Exempt Bonds") and the "City of Mansfield, Texas, General Obligation Refunding Bonds, Taxable Series 2016" (the "2016 Taxable Bonds") and together with the 2016 Tax-Exempt Bonds, the "Bonds"), under a common Preliminary Official Statement, and such Certificates and Bonds are hereinafter sometimes referred to as the "Obligations". The Certificates and the Bonds are separate and distinct securities offerings being issued and sold independently except for the common Preliminary Official Statement, and while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell & Giuliani LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Locke Lord LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on January 13, 2016 (the "Date of Delivery").

BOSC, INC.
A SUBSIDIARY OF BOK FINANCIAL CORPORATION

RAYMOND JAMES

STEPHENS INC.

* Preliminary, subject to change.

CERTIFICATE MATURITY SCHEDULE*

15-Feb Year	Principal Amount	Rate	Price or Yield	CUSIP Suffix
2017	\$ 540,000			
2018	560,000			
2019	585,000			
2020	605,000			
2021	630,000			
2022	655,000			
2023	680,000			
2024	705,000			
2025	730,000			
2026	760,000			
2027	790,000			
2028	820,000			
2029	850,000			
2030	880,000			
2031	915,000			
2032	950,000			
2033	985,000			
2034	1,025,000			
2035	1,065,000			
2036	1,105,000			

(Interest to accrue from the Date of Delivery)

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OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Obligations that has been or will be "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

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

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell Obligations in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

The 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 the 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.

Neither the City, its Financial Advisor nor the Underwriters make 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 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 jurisdiction in which these securities have been registered or exempted should not be regarded as a recommendation thereof.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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 RESPECTIVE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY..... The City of Mansfield, Texas (the "City") is a political subdivision and municipal corporation of the State, located in Tarrant, Johnson and Ellis Counties, Texas. The City covers approximately 38.6 square miles (see "Introduction – Description of City").

THE 2016 TAX-EXEMPT BONDS..... The 2016 Tax-Exempt Bonds will be issued as \$16,520,000* General Obligation Refunding and Improvement Bonds, Series 2016. The 2016 Tax-Exempt Bonds are issued as serial bonds maturing on February 15 in the years 2017 through 2036 (see "The Obligations - Description of the Obligations").

THE 2016 TAXABLE BONDS..... The 2016 Taxable Bonds will be issued as \$4,430,000* General Obligation Refunding Bonds, Taxable Series 2016. The 2016 Taxable Bonds are issued as serial bonds maturing on February 15 in the years 2017 through 2028 (see "The Obligations – Description of the Obligations").

THE CERTIFICATES..... The Certificates will be issued as \$15,835,000* Combination Tax and Revenue Certificates of Obligation, Series 2016. The Certificates are issued as serial certificates maturing on February 15 in the years 2017 through 2036 (see "The Obligations – Description of the Obligations").

PAYMENT OF INTEREST..... Interest on the Obligations accrues from the Date of Delivery and is payable August 15, 2016, and each February 15 and August 15 thereafter until maturity or prior redemption (see "The Obligations – Description of the Obligations" and "The Obligations – Optional Redemption").

AUTHORITY FOR ISSUANCE..... The 2016 Tax-Exempt Bonds are issued pursuant to the general laws of the State, including particularly Texas Government Code, Chapters 1207 and 1331, as amended, Section 9.13 of the City's Home Rule Charter, and an ordinance passed by the City Council of the City (the "2016 Tax-Exempt Bond Ordinance") (see "The Obligations - Authority for Issuance").

The 2016 Taxable Bonds are issued pursuant to the general laws of the State, including particularly Texas Government Code, Chapter 1207, as amended, Section 9.13 of the City's Home Rule Charter, and an ordinance passed by the City Council of the City (the "2016 Taxable Bond Ordinance") (see "The Obligations – Authority for Issuance").

The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Section 9.13 of the City's Home Rule Charter, and an ordinance passed by the City Council of the City (the "Certificate Ordinance" and together with the 2016 Tax-Exempt Bond Ordinance and 2016 Taxable Bond Ordinance, the "Ordinances") (see "The Obligations – Authority for Issuance").

SECURITY FOR THE 2016

TAX-EXEMPT BONDS..... The 2016 Tax-Exempt Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see "The Obligations - Security and Source of Payment").

SECURITY FOR THE 2016

TAXABLE BONDS..... The 2016 Taxable Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see "The Obligations - Security and Source of Payment").

* Preliminary, subject to change.

SECURITY FOR THE

CERTIFICATES..... The Certificates constitute direct obligations of the City payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property in the City and (ii) revenues (not to exceed \$1,000) of the City's Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with any of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (see "The Obligations – Authority for Issuance").

REDEMPTION The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

TAX MATTERS..... In the opinions of Bond Counsel, under existing law interest on the 2016 Tax-Exempt Bonds and the Certificates are excludable from gross income for federal income tax purposes and the 2016 Tax-Exempt Bonds and the Certificates are not private activity bonds. See "Tax Matters - 2016 Tax-Exempt Bonds and Certificates" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

Interest on the 2016 Taxable Bonds is not excludable from gross income for federal tax purposes under existing law. See "Tax Matters – The 2016 Taxable Bonds herein."

USE OF PROCEEDS Proceeds from the sale of the 2016 Tax-Exempt Bonds will be used for (i) refunding a portion of the City's outstanding debt in order to lower the overall debt service requirements of the City, (ii) expanding, improving, constructing and equipping the municipal library, and (iii) paying the costs associated with the issuance of the 2016 Tax-Exempt Bonds. (See "Schedule I – Schedule of Refunded Obligations Tax-Exempt Refunded Obligations").

Proceeds from the sale of the 2016 Taxable Bonds will be used to (i) refund a portion of the City's outstanding debt in order to lower the overall debt service requirements of the City, and (ii) pay the costs associated with the issuance of the 2016 Taxable Bonds. (See "Schedule I – Schedule of Refunded Obligations").

Proceeds from the sale of the Certificates will be used for the purpose of (i) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the City, including streetscaping, streetlighting, right-of-way protection, utility relocation, and related storm drainage improvements; and acquiring rights-of-way in connection therewith; (ii) designing, constructing, improving and expanding storm drainage and flood control facilities; (iii) designing, constructing, improving and expanding water and sewer facilities; and (iv) designing, constructing and installing public parking lot and parking improvements ((i) through (iv) collectively, the "Project"), and (v) paying the costs of the issuance of the Certificates.

RATINGS The Obligations and the presently outstanding tax-supported debt of the City are rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"), "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Service LLC business ("S&P") and "AA+" by Fitch Ratings ("Fitch"), without regard to credit enhancement (see "Other Information - Ratings").

BOOK-ENTRY-ONLY

SYSTEM The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "The Obligations - Book-Entry-Only System").

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Total Tax Supported Debt Outstanding at End of Year	Per Capita Tax Debt	Ratio: Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2012	57,494	\$ 4,396,696,698	\$ 76,472	\$ 95,290,000	\$ 1,657	2.17%	98.90%
2013	58,106	4,489,615,347	77,266	92,695,000	1,595	2.06%	99.30%
2014	59,230	4,650,415,934	78,515	102,165,000	1,725	2.20%	99.40%
2015	60,180	4,957,521,003	82,378	108,830,000	1,808	2.20%	99.20% ⁽⁵⁾
2016	63,248	5,286,927,095	83,590	118,620,000 ⁽³⁾	1,875 ⁽³⁾	2.24% ⁽³⁾	In process of collection ⁽⁴⁾

(1) Source: City Planning Department.

(2) As reported by the Tarrant Appraisal District, Johnson County Central Appraisal District and Ellis Central Appraisal District on City's annual State Property Tax Board Reports; subject to change during ensuing year.

(3) Projected. Excludes the Refunded Obligations; includes the Obligations. Preliminary, subject to change.

(4) Tax bills for Tax Year 2015 were mailed in October 2015 and become delinquent on February 1, 2016.

(5) Unaudited. Collections through September 30, 2015.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2015 ⁽¹⁾	2014	2013	2012	2011
Beginning Fund Balance	\$ 11,657,018	\$ 10,604,212	\$ 10,571,459	\$ 9,032,717	\$ 7,982,940
Total Revenue	45,651,057	42,374,837	39,381,185	38,011,971	36,807,434
Total Expenditures	45,140,875	45,696,585	39,367,874	36,797,730	34,673,419
Total Other Sources (Uses)	(146,818)	4,374,554	19,442	324,501	(1,084,238)
Net Funds Available	363,364	1,052,806	32,753	1,538,742	1,049,777
Ending Fund Balance	\$ 12,020,382	\$ 11,657,018	\$ 10,604,212	\$ 10,571,459	\$ 9,032,717

(1) Unaudited.

For additional information regarding the City, please contact:

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City of Mansfield
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or
W. Boyd London, Jr.
First Southwest Company, LLC
325 North Saint Paul
Suite 800
Dallas, Texas 75201
(214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Elected	Term Expires	Occupation
David L. Cook Mayor, Place 1	Re-elected May, 2013	May-16	Attorney
Brent Newsom Councilmember Place 2	Re-elected May, 2013	May-16	Bank Manager
Stephen Lindsey Councilmember Place 3	Re-elected May, 2015	May-18	Gas Industry Consultant
Darryl Haynes Councilmember Place 4	Re-elected May, 2015	May-18	Corporate Risk Manager
Cory Hoffman Councilmember Place 5	Re-elected May, 2015	May-18	CPA
Wendy Burgess Councilmember Place 6	Re-elected May, 2014	May-17	Business Owner
Larry Broseh Councilmember Place 7	Re-elected May, 2014	May-17	President, Cam Tech Inc.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City	Total Length of Governmental Service
Clayton W. Chandler, MPA, ABJ Regional Entrepreneur of the Year June 1992, INC. Magazine	City Manager	30 Years	40 Years
Chris Burkett, PE	Assistant City Manager	31 Years	38 Years
Peter K. Phillis, CPA	Deputy City Manager	17 Years	23 Years
Shelly Lanners	Deputy City Manager	15 Years	15 Years
Joe Smolinski	Deputy City Manager	14 Year	14 Years
Susana Marin	Interim City Secretary	9 Years	9 Years
E. Allen Taylor, Jr.	City Attorney	18 Years	27 Years
Steve Freeman	Director of Public Works	20 Years	20 Years

CONSULTANTS AND ADVISORS

Auditors	KPMG LLP Dallas, Texas
Bond Counsel	Bracewell & Giuliani LLP Dallas, Texas
Financial Advisor.....	First Southwest Company, LLC Dallas, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$16,520,000*

CITY OF MANSFIELD, TEXAS

GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2016

AND

\$4,430,000

CITY OF MANSFIELD, TEXAS

GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2016

AND

\$15,835,000*

CITY OF MANSFIELD, TEXAS

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2016

INTRODUCTION

This Official Statement, which includes the Appendices and Schedule hereto, provides certain information regarding the issuance of \$16,520,000* City of Mansfield, Texas General Obligation Refunding and Improvement Bonds, Series 2016 (the "2016 Tax-Exempt Bonds"), the City of Mansfield, Texas General Obligation Refunding Bonds, Taxable Series 2016 (the "2016 Taxable Bonds" and with the 2016 Tax-Exempt Bonds, the "Bonds") and \$15,835,000* City of Mansfield, Texas Combination Tax and Revenue Certificates of Obligation, Series 2016 (the "Certificates" and together with the Bonds, the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances to be adopted on the date of sale of the Obligations which will authorize the issuance of the Obligations (the "2016 Tax-Exempt Bond Ordinance", the "2016 Taxable Ordinance" and the "Certificate Ordinance", respectively, and collectively, the "Ordinances").

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, LLC, Dallas, Texas.

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 the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "Other Information - Forward-Looking Statements").

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1890, and first adopted its Home Rule Charter in 1975 and amended its Home Rule Charter on May 7, 1988. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. The term of office is a staggered three-year term. The City Manager is the chief executive officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 56,368, while the estimated 2016 population is 63,248. The City covers approximately 38.6 square miles.

* Preliminary, subject to change.

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PLAN OF FINANCING

PURPOSE . . . The 2016 Tax-Exempt Bonds are being issued for the purposes of (i) refunding a portion of the City's outstanding debt (the "Tax-Exempt Refunded Obligations") in order to lower the overall annual debt service requirements of the City, (ii) expanding, improving, constructing and equipping the municipal library, and (iii) paying the costs of issuance of the 2016 Tax-Exempt Bonds. See Schedule I for a detailed listing of the Tax-Exempt Refunded Obligations and their respective call dates at par.

The 2016 Taxable Bonds are being issued for the purposes of (i) refunding a portion of the City's outstanding debt (the "Taxable Refunded Obligations" and together with the Tax-Exempt Refunded Obligations, the "Refunded Obligations") in order to lower the overall annual debt service requirements of the City, and (ii) paying the cost of issuance of the 2016 Taxable Bonds. See Schedule I for a detailed listing of the Taxable Refunded Obligations and their respective call dates at par.

The Certificates are being issued for the purposes of (i) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the City, including streetscaping, streetlighting, right-of-way protection, utility relocation, and related storm drainage improvements; and acquiring rights-of-way in connection therewith; (ii) designing, constructing, improving and expanding storm drainage and flood control facilities; (iii) designing, constructing, improving and expanding water and sewer facilities; and (iv) designing, constructing and installing public parking lot and parking improvements ((i) through (iv) collectively, the "Project"), and (v) paying the costs of the issuance of the Certificates.

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Obligations, from funds to be deposited pursuant to separate Escrow Agreements (the "Escrow Agreements") between the City and Bank of Texas, N.A., Dallas, Texas (the "Escrow Agent"). The 2016 Tax-Exempt Bond Ordinance and the 2016 Taxable Bond Ordinance provide that from the proceeds of the sale of the Bonds received from the Underwriters, plus available funds of the City, if any, the City will deposit into separate Escrow Funds with the Escrow Agent the amounts necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in special escrow accounts (the "Escrow Funds") and a portion of such funds shall be used to purchase securities authorized under Chapter 1207, Government Code, as amended (the "Securities"). Under the Escrow Agreements, the Escrow Funds are irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Grant Thornton, LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters, the mathematical accuracy of the schedules that demonstrate the Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Funds, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. **Such maturing principal of and interest on the Securities will not be available to pay the Bonds** (see "Other Information - Verification of Arithmetical and Mathematical Computations").

By the deposit of the Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreements, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law and the ordinances authorizing the Refunded Obligations. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Grant Thornton, LLP, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Securities and the cash, if any, held in the Escrow Funds for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

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USE OF PROCEEDS . . . The proceeds from the sale of the Obligations will be applied approximately as follows:

<u>Sources:</u>	The 2016 Tax-Exempt Bonds	The 2016 Taxable Bonds	The Certificates
Par Amount			
Reoffering Premium			
Transfers from Prior Issue Debt Service Funds			
TOTAL SOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Uses:</u>			
Deposit to Project Construction Fund			
Deposit to Escrow Fund for Taxable Refunded Obligations			
Deposit to Escrow Fund for Tax-Exempt Refunded Obligations			
Underwriters' Discount			
Costs of Issuance			
Deposit to Debt Service Fund			
TOTAL USES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated December 1, 2015, and mature on February 15 in each of the years and in the amounts shown on pages 2, 4 and 6 hereof. Interest on the Obligations will accrue from the Date of Delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing August 15, 2016 . The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity of a series and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The 2016 Tax-Exempt Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly, Texas Government Code, Chapters 1207 and 1331, as amended, Section 9.13 of the City's Home Rule Charter, and by the 2016 Tax-Exempt Bond Ordinance to be adopted by the City Council.

The 2016 Taxable Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly, Texas Government Code, Chapter 1207, as amended, Section 9.13 of the City's Home Rule Charter, and by the 2016 Taxable Bond Ordinance to be adopted by the City Council.

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971) as amended, Section 9.13 of the City's Home Rule Charter, and the Certificate Ordinance to be adopted by the City Council.

SECURITY AND SOURCE OF PAYMENT

The 2016 Tax-Exempt Bonds . . . The 2016 Tax-Exempt Bonds constitute direct obligations of the City, the principal thereof and interest thereon are payable from a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on all Bonds.

The 2016 Taxable Bonds . . . The 2016 Taxable Bonds constitute direct obligations of the City, the principal thereof and interest thereon are payable from a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on all Bonds.

The Certificates . . . The Certificates constitute direct obligations of the City and the principal thereof and interest thereon are payable from an annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City, and are additionally secured by and payable from a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations (now or hereafter outstanding) that are payable from all or part of said revenues, all as provided in the Certificate Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 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, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all tax-supported debt service, as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations of a series are to be redeemed, the City may select the maturities of Obligations to be redeemed. If less than all the Obligations of any maturity of a series are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity and series to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, 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 Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Obligations conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Holders. Any Obligations subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default by the City.

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 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 Obligations called for redemption or any other action premised on any such notice.

Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Obligations held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Obligations from the beneficial owners. Any such selection of Obligations to be redeemed will not be governed by the Obligation Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Obligations or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Obligations for redemption. See "The Obligations - Book-Entry-Only System" herein.

DEFEASANCE . . . The Ordinances provide that the City may discharge its obligations to the registered owners of any or all of the Obligations to pay principal, interest and redemption price thereon in any manner permitted by law. Under current State law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Obligations to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the City payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Obligations; provided that such deposits may be invested and reinvested only in (a) direct 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, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, 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 issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Obligations. If any of such Obligations are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinances.

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

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 may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

Book-Entry-Only System . . . *This section describes how ownership of the Obligations is 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 ("DTC"), New York, New York, 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the 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 security certificate will be issued for each maturity and series of the Obligations, each in the aggregate principal amount of such maturity, 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"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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 Direct and Indirect 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 Direct or Indirect 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 Direct and Indirect 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the register and request that copies of the notices be provided directly to them.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Obligations of a maturity of a series 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, 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 Direct and Indirect 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 respective Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligations are required to be printed and delivered.

The City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Obligations will be printed and delivered.

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System of the Obligations is discontinued, printed certificates will be issued to the DTC Participants or the holder, as the case may be, and such 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.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. 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 commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event use of the Book-Entry-Only System should be discontinued, interest on the Obligations shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner.

Principal of the Obligations at stated maturity or earlier redemption will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. Interest on the Obligations will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "The Obligations - Record Date for Interest Payment" herein), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Obligations is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment as due. So long as Cede & Co. is the registered owner of the Obligations, payment of principal of and interest on the Obligations will be made as described in "The Obligations - Book-Entry-Only System" above.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the owners of the Obligations and thereafter, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender 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. 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 office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new 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 his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount and series 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. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

REPLACEMENT OBLIGATIONS . . . If any Obligation is mutilated, destroyed, stolen or lost, a new Obligation in the same principal amount and series as the Obligation so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Obligation, such new Obligation will be delivered only upon surrender and cancellation of such mutilated Obligation. In the case of any Obligation issued in lieu of an substitution for an Obligation which has been destroyed, stolen or lost, such new Obligation will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that such Obligation has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Obligation must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Obligation 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.

OBLIGATIONHOLDERS' REMEDIES . . . The Ordinances establish as "events of default" (i) the failure to make payment of principal of or interest on any of the Obligations when due and payable; or (ii) default in the performance of observance of any other covenant, agreement or obligation of the City, which default materially and adversely affects the rights of the related Owners, 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 sixty days after notice of such default is given by any Owner to the City. Under State law, there is no right to the acceleration of maturity of the Obligations upon the failure of the City to observe any covenant under the Ordinances. Although a registered owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of or interest on any such Obligations, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City, to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Obligations as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Moreover, there is no assurance that the remedy of mandamus will be available, as discussed in the next following paragraph.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Chapter 1371, Texas Government Code ("Chapter 1371"), 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 bonds, but in connection with the issuance of the Obligations, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Obligations.

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 Ordinances, or upon any other condition. 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 taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that the rights of holders of the Obligations are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Tarrant Appraisal District, Johnson County Central Appraisal District and Ellis Central Appraisal District (the "Appraisal Districts"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal Districts are required under the Property Tax Code to appraise all property within the Appraisal Districts on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property in the most recent tax year, or (2) 110% of the appraised value of the residence homestead for the preceding tax year plus the market value of all new improvements to the property. The value placed upon property within the Appraisal Districts is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the respective Appraisal District. The Appraisal Districts are required to review the value of property within the Appraisal Districts at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

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

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

Under Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value. Senate Joint Resolution 1 ("SJRI"), passed during the 84th Texas Legislature, proposed a constitutional amendment that allows the Legislature to prohibit a municipality that adopts an optional homestead exemption from reducing or repealing the amount of the exemption. Since SJRI was approved by the voters in the November 2015 Constitutional election, Senate Bill 1 prohibits municipalities from reducing or repealing the amount of their optional homestead exemption that was in place for the 2014 tax year for a period running through December 31, 2019.

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

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

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

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

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children. Notwithstanding the

foregoing, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. House Joint Resolution 75 ("HJR75"), passed during the 84th Texas legislature, proposes a constitutional amendment that allows the Legislature to provide for an exemption from ad valorem taxation of all or part of the market value of the residence homestead of the surviving spouse of a 100 percent or totally disabled veteran and who would have had qualified for the full exemption veteran before the law authorizing a residence homestead exemption took effect. Since the proposition authorized by HJR75 was approved by voters in the November 2015 Constitutional election, the surviving spouse of a totally disabled veteran who died on or before January 1, 2010 and who would have qualified for the full exemption on the homestead's entire value if it had been available at that time, will be entitled to an exemption from ad valorem taxation of all or part of the market value of the residence homestead if the spouse has not remarried.

Following the approval by the voters at a November 5, 2013 statewide election, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods in transit." Under Section 11.253 of the Texas Tax Code, "Goods-in-Transit" are exempt from taxation unless a taxing unit opts out of the exemption. Goods-in-Transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone (see "Tax Increment Financing Zone" below). Other overlapping taxing units may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the zone in excess of the "frozen value" to pay or finance the costs of certain public improvements in the zone. Taxes levied by the City against the values of real property in the zone in excess of the "frozen value" are not available for general city use but are restricted to paying or financing "project costs" within the zone. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. (See "Tax Abatement Policy" below).

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public fund for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

Under Article VIII, Section 1-b(h) and State law, the governing body of a county, municipality, or junior college district may provide that the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older will not be increased above the amount of taxes imposed in the year such residence qualified for such limitation. Also, upon receipt of a petition signed by 5% of the registered voters of the county, municipality or junior college district, an election held to determine by majority vote whether to establish such a limitation on taxes paid on residence homestead of persons 65 years of age or older or of persons who are disabled. The above-referenced tax limitation is transferable to (1) a different residence homestead within the city and (2) to a surviving spouse so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is

taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax limitation may not be repealed or rescinded.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per \$100 taxable value for the current year. The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings have been held on the proposed tax rate following notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes, without penalty during the time of ownership.

CITY APPLICATION OF PROPERTY TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$50,000; the disabled are also granted an exemption of \$10,000.

The City has irrevocably established an ad valorem tax freeze on the residence homestead of persons 65 years of age or older.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; with minimum exemption of \$5,000.

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

The City does not tax nonbusiness personal property.

The Tarrant County Tax Assessor and Collector collects taxes for the City.

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

The City does not tax freeport property.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

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

The City does tax goods-in-transit.

The City currently collects 1% sales tax for the general fund, and the Mansfield Park Facilities Development Corporation and the Mansfield Economic Development Corporation each collect ½ cent sales tax.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for a tax abatement of up to 50% for a period of 10 years. The value of property subject to abatement is shown in Table 1.

TAX INCREMENT FINANCING ZONES . . . Reinvestment Zone Number One, City of Mansfield (the “Zone”) was created in January 2006, by the City with the consent of other taxing units overlapping the Zone. The 3,100-acre zone encompasses undeveloped agricultural and existing residential land. Ad valorem taxes on incremental growth in real property values (levied at the tax rates of each taxing unit assessing real property in the Zone) within the Zone from a base value established on January 1, 2006, are used to contribute to development of the Zone; these tax funds can be used only for public improvements in the Zone or for payment of debt service on bonds issued to provide funds for public improvements. The Zone terminates December 31, 2030, or at an earlier time designated by subsequent ordinance of the City Council, or at such time, subsequent to the issuance of any tax increment bonds, if any, that tax increment bonds, notes, or other obligations of the Zone, and the interest thereon, have been paid in full. The base taxable assessed value of real property within the Zone is \$81,419,297; the 2015 assessed value is \$171,882,795, representing \$90,463,498 of taxable incremental value. The City participates at 65% of its tax rate.

Reinvestment Zone Number Two (“Zone Two”), was created in calendar 2012 by the City with the participation of another taxing authority overlapping Zone Two. Zone Two encompasses the City downtown area and is 317 acres of land. This land is mostly developed but includes some undeveloped vacant land. The purpose of Zone Two is to revitalize the area by using the new funds or ad valorem taxes generated from the incremental property value growth within the Zone Two. Zone Two’s incremental value is measured by comparing the base year’s taxable property values or the value of the taxable property the year Zone Two was established, January 1, 2012, to the most current year’s taxable property values. The base year’s taxable assessed valuation of property within Zone Two is \$29,117,741; the 2015 taxable assessed value of the property in Zone Two is \$29,261,736, representing \$143,995 in taxable incremental value. The City contributes 100% incremental taxable property value to Zone Two at 100% of its tax rate.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2015/16 Market Valuation Established by the Appraisal Districts (excluding totally exempt property and property in arbitration)		\$ 5,700,332,103
Less Exemptions/Reductions at 100% Market Value:		
Over 65 Exemptions	\$ 115,665,790	
Disability	2,037,500	
Veterans	31,108,740	
Homestead Cap	20,705	
Agricultural Use Reductions	57,306,148	
Freeport Exemption	194,311,690	
Pro-rate Absolute	-	
Pollution Control	229,186	
Tax Abatement Reductions	12,287,299	
Other Exemptions	437,950	413,405,008
2015/16 Taxable Assessed Valuation		\$ 5,286,927,095
Tax Supported Debt Payable from Ad Valorem Taxes		
Tax Supported Debt (as of 9/30/15) ⁽¹⁾	\$ 90,250,000	
The 2016 Tax-Exempt Bonds ⁽²⁾	16,520,000	
The 2016 Taxable Bonds ⁽²⁾	4,430,000	
The Certificates ⁽²⁾	15,835,000	
Tax-Supported Debt Payable from Ad Valorem Taxes		\$ 127,035,000
Interest and Sinking Fund (as of 9/30/15) ⁽³⁾		\$ 727,456
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		2.40%

2016 Estimated Population - 63,248

Per Capita Taxable Assessed Valuation - \$83,590

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$2,009

(1) Excludes the Refunded Obligations.

(2) Preliminary, subject to change.

(3) Unaudited.

TABLE 1(a) - ADDITIONAL DEBT LIABILITIES

Please refer to "Pension Fund", beginning on page 29, for a complete description of the City's pension plan liability. Additional information with regard to the City's pension plan liability is also available via the TMRS website at www.tmrs.org.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year September 30,					
	2016		2015		2014	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 3,393,181,190	59.15%	\$ 3,207,262,179	58.26%	\$ 3,115,931,508	60.25%
Real, Residential, Multi-Family	342,666,283	5.97%	268,092,284	4.87%	213,722,525	4.13%
Real, Vacant Lots/Tracts	131,641,569	2.29%	139,575,229	2.54%	93,499,567	1.81%
Real, Acreage (Land Only)	60,132,149	1.05%	133,719,915	2.43%	179,159,446	3.46%
Real, Farm and Ranch Improvements	7,036,424	0.12%	4,926,849	0.09%	4,016,084	0.08%
Real, Commercial	731,976,741	12.76%	734,823,164	13.35%	675,494,983	13.06%
Real, Industrial	123,155,500	2.15%	99,688,939	1.81%	93,565,831	1.81%
Real and Tangible Personal, Utilities	75,197,762	1.31%	79,879,059	1.45%	63,495,925	1.23%
Tangible Personal, Commercial	513,420,906	8.95%	532,435,638	9.67%	462,604,516	8.94%
Tangible Personal, Industrial	193,225,492	3.37%	185,985,518	3.38%	160,774,588	3.11%
Tangible Personal, Mobile Homes	15,406,388	0.27%	14,997,127	0.27%	8,968,172	0.17%
Real Property, Inventory	25,296,086	0.44%	14,221,756	0.26%	23,310,426	0.45%
Mineral Lease Properties	124,684,471	2.17%	89,839,023	1.63%	77,161,981	1.49%
Total Appraised Value Before Exemptions	\$ 5,737,020,961	100.00%	\$ 5,505,446,680	100.00%	\$ 5,171,705,552	100.00%
Less: Property in Arbitration	36,688,858		5,636,649		26,375,729	
Less: Total Exemptions/Reductions	413,405,008		542,289,028		494,913,889	
Taxable Assessed Value	<u>\$ 5,286,927,095</u>		<u>\$ 4,957,521,003</u>		<u>\$ 4,650,415,934</u>	

Category	Taxable Appraised Value for Fiscal Year September 30,			
	2013		2012	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 2,936,585,549	58.05%	\$ 2,880,405,357	58.91%
Real, Residential, Multi-Family	200,042,046	3.95%	180,417,444	3.69%
Real, Vacant Lots/Tracts	103,095,072	2.04%	105,339,141	2.15%
Real, Acreage (Land Only)	184,419,062	3.65%	195,440,377	4.00%
Real, Farm and Ranch Improvements	4,615,029	0.09%	6,861,465	0.14%
Real, Commercial	655,221,427	12.95%	613,981,728	12.56%
Real, Industrial	88,935,435	1.76%	90,957,708	1.86%
Real and Tangible Personal, Utilities	79,971,523	1.58%	69,184,601	1.42%
Tangible Personal, Commercial	430,638,737	8.51%	317,372,055	6.49%
Tangible Personal, Industrial	201,258,032	3.98%	180,797,678	3.70%
Tangible Personal, Mobile Homes	8,798,919	0.17%	12,344,420	0.25%
Real Property, Inventory	28,643,875	0.57%	29,681,392	0.61%
Mineral Lease Properties	136,067,818	2.69%	206,583,443	4.23%
Total Appraised Value Before Exemptions	\$ 5,058,292,524	100.00%	\$ 4,889,366,809	100.00%
Less: Property in Arbitration	13,234,841		12,216,025	
Less: Total Exemptions/Reductions	555,442,336		480,454,086	
Taxable Assessed Value	<u>\$ 4,489,615,347</u>		<u>\$ 4,396,696,698</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Tarrant Appraisal District, Johnson County Central Appraisal District and Ellis Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Total Tax Supported Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2012	57,494	\$ 4,396,696,698	\$ 76,472	\$ 95,290,000	2.17%	\$ 1,657
2013	58,106	4,489,615,347	77,266	92,695,000	2.06%	1,595
2014	59,230	4,650,415,934	78,515	102,165,000	2.20%	1,725
2015	60,180	4,957,521,003	82,378	108,830,000	2.20%	1,808
2016	63,248	5,286,927,095	83,590	118,620,000 ⁽³⁾	2.24% ⁽³⁾	1,875 ⁽³⁾

(1) Source: City Planning Department.

(2) As reported by the Tarrant Appraisal District, Johnson County Central Appraisal District and Ellis Central Appraisal District on City's annual State Property Tax Board Reports; subject to change during ensuing year.

(3) Projected. Excludes the Refunded Obligations; includes the Obligations. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Total Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% of Total Collections
2012	\$ 0.7100	\$ 0.4543	\$ 0.2557	\$ 31,216,546	98.90%	98.90%
2013	0.7100	0.4511	0.2589	31,876,269	99.29%	99.30%
2014	0.7100	0.4625	0.2475	33,017,953	99.36%	99.40%
2015	0.7100	0.4710	0.2390	35,198,399	99.73% ⁽¹⁾	99.20% ⁽¹⁾
2016	0.7100	0.4683	0.2417	37,537,182	in process of collection ⁽²⁾	

(1) Unaudited. Collections through September 30, 2015.

(2) Tax bills for Tax Year 2015 were mailed in October 2015 and become delinquent on February 1, 2016.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	FYE 2016 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Mouser Electronics	Manufacturing	\$ 222,103,205	4.20%
Mansfield KDC II & III LP Etal	Real Estate	65,196,357	1.23%
Klein Tools, Inc	Manufacturing	56,712,066	1.07%
Mid-America Apartments Lp	Apartments	55,480,000	1.05%
Advenir @ Mansfield LLC	Apartments	37,476,000	0.71%
Wal-Mart Stores Inc.	Retail	36,285,764	0.69%
Oncor Electric Delivery	Utilities	34,596,412	0.65%
Sir Mansfield Landing LLC	Apartments	32,350,000	0.61%
T Villas Di Lucca TX LLC	Apartments	29,429,325	0.56%
Advenir @ Walnut Creek LLC	Apartments	26,174,518	0.50%
		<u>\$ 595,803,647</u>	<u>11.27%</u>

NOTE: Valuations shown are certified taxable assessed values reported by the Tarrant Appraisal District, Johnson County Central Appraisal District and Ellis Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts updates records.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter. For information on the City's tax rate limitation, see "The Obligations - Tax Rate Limitation".

TABLE 6 - TAX ADEQUACY⁽¹⁾

2016 Principal and Interest Requirements	\$	12,550,513
\$0.2398 Tax Rate at 99% Collection Produces	\$	12,551,271
Average Annual Principal and Interest Requirements, 2016 - 2036	\$	8,012,194
\$0.1531 Tax Rate at 99% Collection Produces	\$	8,013,343
Maximum Principal and Interest Requirements, 2017	\$	13,471,742
\$0.2574 Tax Rate at 99% Collection Produces	\$	13,472,465

(1) Excludes the Refunded Obligations; includes the Obligations. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

<u>Taxing Jurisdiction</u>	<u>2015/16 Taxable Assessed Value</u>	<u>2015/16 Tax Rate</u>	<u>Total G.O. Tax Debt (9/30/15)</u>	<u>Estimated % Applicable</u>	<u>City's Overlapping G.O. Tax Debt (9/30/15)</u>	<u>Authorized But Unissued Debt As Of (9/30/15)</u>
City of Mansfield	\$ 5,286,927,095	\$ 0.71000	\$ 127,035,000 ⁽¹⁾	100.00%	\$ 127,035,000 ⁽¹⁾	\$ -
Ellis County	12,028,867,796	0.38009	45,821,262	0.14%	64,150	-
Johnson County	10,941,282,750	0.40770	12,815,898	1.93%	247,347	-
Mansfield Independent School District	9,963,555,668	1.51000	788,320,000	46.43%	366,016,976	-
Midlothian Independent School District	3,545,710,454	1.54000	238,328,978	9.58%	22,831,916	-
Tarrant County	132,397,275,566	0.26400	333,795,000	3.48%	11,616,066	31,100,000
Tarrant County Hospital District	132,397,026,445	0.08000	23,440,000	3.48%	815,712	-
Tarrant County College District	132,593,775,668	0.14950	-	3.48%	-	-
Total Direct and Overlapping G. O. Tax Debt					\$ 528,627,167	
Ratio of Direct and Overlapping G.O. Tax Debt to 2015/16 Taxable Assessed Valuation					10.00%	
Per Capita Overlapping G. O. Tax Debt					\$ 8,358	

(1) Excludes the Refunded Obligations; includes the Obligations. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ended 30-Sep	Outstanding Debt ⁽¹⁾			The 2016 Tax-Exempt Bonds ⁽²⁾		The 2016 Taxable Bonds ⁽³⁾		The Certificates ⁽⁴⁾		Total Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Principal	Interest		
2016	\$ 8,415,000	\$ 3,351,668	\$ 11,766,668	\$ -	\$ 328,273	\$ -	\$ 86,088	\$ -	\$ 369,483	\$ 12,550,513	
2017	8,275,000	3,078,844	11,353,844	250,000	526,407	80,000	137,805	540,000	583,688	13,471,742	
2018	7,500,000	2,810,130	10,310,130	570,000	521,641	345,000	134,148	560,000	563,063	13,003,981	
2019	6,375,000	2,569,089	8,944,089	1,295,000	508,078	350,000	127,193	585,000	541,594	12,350,953	
2020	6,190,000	2,342,680	8,532,680	1,315,000	486,403	355,000	118,994	605,000	519,281	11,932,358	34.33%
2021	5,960,000	2,120,324	8,080,324	1,335,000	460,615	365,000	109,499	630,000	496,125	11,476,563	
2022	5,505,000	1,910,252	7,415,252	1,375,000	430,306	375,000	98,540	655,000	472,031	10,821,129	
2023	4,910,000	1,712,652	6,622,652	1,405,000	396,308	390,000	86,390	680,000	447,000	10,027,349	
2024	5,175,000	1,512,957	6,687,957	1,440,000	359,095	400,000	73,252	705,000	421,031	10,086,335	
2025	4,565,000	1,310,977	5,875,977	1,345,000	320,421	415,000	59,086	730,000	394,125	9,139,609	64.52%
2026	3,605,000	1,130,820	4,735,820	1,400,000	266,188	435,000	43,737	760,000	366,188	8,006,932	
2027	3,240,000	981,758	4,221,758	1,470,000	194,438	450,000	27,160	790,000	337,125	7,490,481	
2028	2,820,000	852,557	3,672,557	1,540,000	119,188	470,000	9,283	820,000	306,938	6,937,964	
2029	2,950,000	725,728	3,675,728	1,115,000	52,813	-	-	850,000	275,625	5,969,165	
2030	3,080,000	592,478	3,672,478	85,000	23,344	-	-	880,000	243,188	4,904,009	85.59%
2031	3,220,000	452,376	3,672,376	90,000	20,063	-	-	915,000	209,531	4,906,970	
2032	3,130,000	311,776	3,441,776	90,000	16,688	-	-	950,000	174,563	4,673,026	
2033	2,790,000	181,000	2,971,000	95,000	13,219	-	-	985,000	138,281	4,202,500	
2034	2,545,000	59,434	2,604,434	100,000	9,563	-	-	1,025,000	100,594	3,839,591	
2035	-	-	-	100,000	5,813	-	-	1,065,000	61,406	1,232,219	99.05%
2036	-	-	-	105,000	1,969	-	-	1,105,000	20,719	1,232,688	100.00%
	<u>\$ 90,250,000</u>	<u>\$ 28,007,499</u>	<u>\$ 118,257,499</u>	<u>\$ 16,520,000</u>	<u>\$ 5,060,827</u>	<u>\$ 4,430,000</u>	<u>\$ 1,111,172</u>	<u>\$ 15,835,000</u>	<u>\$ 7,041,577</u>	<u>\$ 168,256,075</u>	

(1) Excludes the Refunded Obligations. Preliminary, subject to change.

(2) Average life of the 2016 Tax-Exempt Bonds is 8.201 years. Interest calculated at an average rate of 3.735% for purposes of illustration. Preliminary, subject to change.

(3) Average life of the 2016 Taxable Bonds is 6.984 years. Interest calculated at an average rate of 3.404% for purposes of illustration. Preliminary, subject to change.

(4) Average life of the Certificates is 11.858 years. Interest calculated at an average rate of 3.750% for purposes of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/16 ⁽¹⁾		\$ 13,449,720
Interest and Sinking Fund, September 30, 2015 ⁽²⁾	\$ 727,456	
Prior Year Delinquent Taxes	100,340	
Delinquent Penalty & Interest	68,119	
Interest Earnings	432	
Budgeted Interest and Sinking Fund Tax Levy	<u>12,778,503</u>	<u>13,674,850</u>
Estimated Balance, 9/30/16		\$ 225,130

(1) Excludes the Refunded Obligations; includes the Obligations and a transfer from prior debt service funds to be contributed by the City on the Date of Delivery of the Obligations. Preliminary, subject to change.

(2) Unaudited.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

The City now levies a tax for all General Obligation Debt and does not consider any ad valorem tax debt to be self-supporting.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Being Issued	Unissued Balance
Library	2/7/2004	\$ 1,535,000	\$ 1,535,000	\$ -

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City anticipates issuing \$18,400,000 of additional general obligation debt in the fall of 2016.

TABLE 12 – OTHER OBLIGATIONS

The City has no other unfunded obligations.

PENSION FUND

Plan Description – The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

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

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

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years require for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees covered by benefit terms:

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	132
Inactive employees entitled to but not yet receiving benefits	137
Active employees	496
Total	765

Contributions - The contribution rates for employees in TMRS is 7% of employee gross earnings, and the city matching percentages is 14.49%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Mansfield, Texas, were required to contribute 7% of their gross earnings during the fiscal year. The contribution rates for the City of Mansfield, Texas were 14.84% and 14.49% in calendar years 2014 and 2015 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$4,595,653, and were equal to the required contributions.

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	3.0% per year
Overall payroll growth:	3.0% per year
Investment Rate of Return:	7.0%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.0%. 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 the statute. Based on that assumption, the pension plans' 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 Net Pension Liability:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 111,899,202	\$ 97,979,794	\$ 13,919,408
Changes for the year:			
Service Cost	5,030,515	-	5,030,515
Interest	7,925,143	-	7,925,143
Change in benefit terms	-	-	-
Difference between expected and actual experience	72,552	-	72,552
Changes of assumptions	-	-	-
Contributions - employer	-	4,469,146	(4,469,146)
Contributions - employee	-	2,108,088	(2,108,088)
Net investment income	-	5,606,309	(5,606,309)
Benefit payments, including refunds of employee contributions	(2,396,267)	(2,396,267)	-
Administrative expense	-	(58,519)	58,519
Other changes	-	(4,811)	4,811
Net changes	10,631,943	9,723,946	907,997
Balance at 12/31/2014	\$ 122,531,145	\$ 107,703,740	\$ 14,827,405

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net position liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 35,225,137	\$ 14,827,405	\$ (1,698,467)

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2014, the City recognized expense of \$4,313,284. At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Recognition Period (or Amortized yrs)	Total (Inflow) or Outflow of Resources	(2014) Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience actuarial (gains) or losses	6.9001	\$ 72,552	\$ 10,515	\$ 62,037
Difference in assumption changes actuarial (gains) or losses	6.9001	-	-	-
			<u>\$ 10,515</u>	<u>\$ 62,037</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	5.0000	1,252,277	250,455	1,001,822
			<u>\$ 250,455</u>	<u>\$ 1,001,822</u>
				<u>\$ 1,063,859</u>

\$260,970 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred Outflows/(Inflows) of resources
2015	\$ 260,970
2016	260,970
2017	260,970
2018	260,972
2019	10,515
Threafter	9,462
Total	<u>\$ 1,063,859</u>

SUPPLEMENTAL DEATH BENEFITS

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual earnings (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions - The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal years ended 2015, 2014, and 2013 were \$43,367, \$40,870, and \$36,303, respectively, which equaled the required contributions each year.

OTHER POST-EMPLOYMENT BENEFITS

Plan Description - City employees retiring on TMRS will be provided the opportunity to receive health insurance benefits from the City from the City's existing health care plan. The City established by ordinance a single-employer defined benefit postemployment healthcare plan that covers retired employees of the City. The City established an irrevocable trust and contracted with an administrator as well as a custodial bank to manage the plan's assets or the retiree's medical benefits.

The Plan does issue a stand-alone financial report. For inquiries relating to the plan, please contact The City of Mansfield, Business Services Division, 1200 East Broad Street, Mansfield, Texas 76063.

Measurement Focus and Basis of Accounting - The City of Mansfield, Texas Retiree Health Insurance Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the determination of the employer.

Benefits - City employees will be provided the opportunity to elect employer-subsidized health programs until the age of 65. After the age of 65, the City will pay the following percentage of employer-subsidized premium as a lifetime-only benefit. At the time of the actuarial valuation, the City paid retired employee premiums of \$891.82 for medical coverage and \$38.89 for dental coverage and \$6.65 for monthly vision premium. The City does not subsidize family health coverage. The years of service must be worked for the City, and other creditable years of service are excluded when determining the percentage:

Years of Service with the City	Percentage of Employer- Subsidized Premium
20 and more	100%
19	95%
18	90%
17	85%
16	80%
15	75%
14	70%
13	65%
12	60%
11	55%
10	50%

At the time of the actuarial valuation, the City had 475 active plan members and only 43 retired plan members receiving benefits.

Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the Plan upon retirement. Expenditures for post-retirement healthcare and other benefits are recognized monthly and funded into the irrevocable trust. The City funds 100% of the ARC, which approximates the annual OPEB cost, and totaled \$1,212,510 for the fiscal year ended September 30, 2014. The City also funded 100% of the ARC, which approximates the annual OPEB cost, and totaled \$1,000,959 and \$703,567 for each of the fiscal years ended September 30, 2013 and 2012, respectively. The retirees are responsible for funding approximately 2% of the healthcare and other benefit premiums.

Eligible retired employees participating in the City's Retiree Health Insurance Plan pay their premiums directly to the City. The City paid the ARC, including the employee portions of healthcare premiums directly to the Trust in the amount of \$1,075,045 for fiscal year 2015.

Funding - The City makes an annual contribution to the plan approximately equal to the ARC. The City commissioned an updated actuarial valuation of the plan for October 1, 2015, in fiscal year 2016.

The funded status as of October 1, 2014 (unaudited), the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2014	\$ 5,566,589	\$ 12,524,764	44%	\$ 6,958,175	\$ 30,976,477	22.46%
10/1/2013	4,025,043	13,155,090	31%	9,130,047	28,061,984	32.54%
10/1/2012	3,233,404	10,608,407	30%	7,375,003	27,925,254	26.41%

Note: ARC of \$1,075,045 for fiscal year 2015 as of September 30, 2015 is based on the current practice of funding the plan in a segregated GASB qualified trust.

Actuarial Methods and Assumptions

Actuarial Cost Method - Projected Unit Credit

Actuarial Valuation Date - October 1, 2014

Discount Rate - 7%

Amortization method - 30 years, level dollar open amortization

Open amortization means a fresh-start each year for the cumulative unrecognized amount.

Healthcare Cost Trends Rates 8% initially graded downward 0.05% per year to 5.0% in year 7 and later.

Mortality - IRS 2008 Combined Static Mortality Table

Retirement Rate

Attained Age	Rates per 100 Participants
50	3.00
51	1.50
55	7.50
58	10.00
60	25.00
61	10.00
65	100.00

Withdrawal Rate

Attained Age	Rates per 100 Participants
25	19.50
30	18.80
35	17.68
40	15.90
45	13.42
50	9.74

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

For more information concerning the City's post-employment benefits, see the financial statements of the City, and the notes thereto.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Governmental Activities 2015 ⁽³⁾	Governmental Activities 2014	Governmental Activities 2013	Governmental Activities 2012	Governmental Activities 2011
REVENUES:					
Program Revenues:					
Charges for services	\$ 14,243,888	\$ 14,294,018	\$ 11,549,839	\$ 9,818,836	\$ 8,429,163
Operating grants and contributions	556,952	347,709	187,403	441,893	364,764
Capital grants and contributions	13,380,396	11,962,132	244,787	539,094	1,125,297
General revenues:					
Property taxes	35,306,939	33,243,790	31,389,240	30,823,689	30,513,927
Other taxes	19,275,580	18,063,495	16,331,217	15,845,874	14,947,185
Other	962,859	763,150	1,070,447	592,960	1,288,101
Total Revenues	<u>\$ 83,726,614</u>	<u>\$ 78,674,294</u>	<u>\$ 60,772,933</u>	<u>\$ 58,062,346</u>	<u>\$ 56,668,437</u>
EXPENSES:					
General government	11,738,174	10,759,471	8,397,239	6,685,947	6,196,081
Public safety	28,057,591	26,457,942	24,725,424	22,640,074	21,539,651
Public works	13,765,132	13,681,970	14,851,816	15,114,690	14,578,732
Culture and recreation	8,268,412	8,529,149	8,281,150	8,488,420	7,762,084
Interest on long-term debt	4,843,447	4,504,768	4,316,586	4,461,188	5,137,794
Total Expenses	<u>\$ 66,672,756</u>	<u>\$ 63,933,300</u>	<u>\$ 60,572,215</u>	<u>\$ 57,390,319</u>	<u>\$ 55,214,342</u>
Increase in net assets before transfers	17,053,858	14,740,994	200,718	672,027	1,454,095
Transfers	-	810,532	(226,157)	353,583	(558,323)
Increase in net assets	17,053,858	15,551,526	(25,439)	1,025,610	895,772
Beginning Net assets	240,188,088 ⁽²⁾	232,461,533 ⁽¹⁾	234,782,424	233,756,814	232,861,042
Ending Net assets	<u>\$ 257,241,946</u>	<u>\$ 248,013,059</u>	<u>\$ 234,756,985</u>	<u>\$ 234,782,424</u>	<u>\$ 233,756,814</u>

(1) Beginning Net Assets Restated for GASB No. 65. The City implemented GASB No. 65 which requires a prior period adjustment be made for certain items previously reported as assets and liabilities.

(2) Beginning Net Assets Restated for GASB No. 68 and GASB No. 71. The City implemented GASB No. 68 and GASB No. 71 which requires a prior period adjustment be made for certain items not previously reported as assets and liabilities.

(3) Unaudited.

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TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2015 ⁽¹⁾	2014	2013	2012	2011
<u>Revenues:</u>					
Taxes, Penalties and Interest	\$ 36,588,049	\$ 34,094,167	\$ 31,485,327	\$ 31,113,871	\$ 30,595,174
Licenses and Permits	1,705,391	1,306,622	1,271,850	1,722,936	1,581,082
Intergovernmental	348,172	301,676	131,216	307,549	220,117
Charges for Services	4,030,611	3,900,711	3,526,534	2,896,301	2,659,754
Fine and Forfeitures	2,239,655	2,051,831	2,466,430	1,593,739	1,439,350
Interest	7,696	11,278	11,715	6,976	3,987
Contributions	-	-	14,500	-	5,333
Miscellaneous	731,483	708,552	473,613	370,599	302,637
Total Revenues	<u>\$ 45,651,057</u>	<u>\$ 42,374,837</u>	<u>\$ 39,381,185</u>	<u>\$ 38,011,971</u>	<u>\$ 36,807,434</u>
<u>Expenditures:</u>					
General Government	\$ 10,845,388	\$ 9,731,149	\$ 6,149,829	\$ 5,984,511	\$ 5,518,720
Public Safety	26,766,659	25,208,963	22,892,027	21,836,378	20,352,292
Public Works	3,603,304	3,387,934	4,868,194	5,067,417	4,724,243
Cultural and Recreation	3,552,113	3,490,299	3,936,716	3,893,969	3,958,746
Capital Outlay	373,411	3,878,240	1,521,108	15,455	119,418
Total Expenditures	<u>\$ 45,140,875</u>	<u>\$ 45,696,585</u>	<u>\$ 39,367,874</u>	<u>\$ 36,797,730</u>	<u>\$ 34,673,419</u>
<u>Other Financing Sources (Uses):</u>					
Unreserved, current	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of City Property	66,368	-	259,453	22,317	33,831
Bond Proceeds	-	3,536,555	-	-	-
Premiums/Discounts, net	-	27,467	-	-	-
Transfers In	810,532	810,532	810,532	662,552	662,552
Transfers Out	(1,023,718)	-	(1,050,543)	(360,368)	(1,780,621)
Total Other Sources (Uses)	<u>\$ (146,818)</u>	<u>\$ 4,374,554</u>	<u>\$ 19,442</u>	<u>\$ 324,501</u>	<u>\$ (1,084,238)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 363,364	\$ 1,052,806	\$ 32,753	\$ 1,538,742	\$ 1,049,777
Beginning Fund Balance	11,657,018	10,604,212	10,571,459	9,032,717	7,982,940
Ending Fund Balance	<u>\$ 12,020,382</u>	<u>\$ 11,657,018</u>	<u>\$ 10,604,212</u>	<u>\$ 10,571,459</u>	<u>\$ 9,032,717</u>

(1) Unaudited.

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In addition to the collections below, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2% of 1%) for the purpose of park, downtown and historical improvements and such tax may be pledged to secure payment of sales tax revenue bonds issued by the Mansfield Park Facilities Development Corporation. On January 18, 1997 the voters of the City also approved a sales and use tax of one-half of one percent (1/2% of 1%) solely for the promotion and development of new and expanded business enterprises and such tax may be pledged to the payment of obligations that may be issued by the Mansfield Economic Development Corporation.

In October 1998 Congress passed the Internet Tax Freedom Act. This Act placed a 3-year moratorium on the levy of taxes on internet commerce. The moratorium has been extended several times and on June 9, 2015, the United States House of Representatives voted and approved by voice vote the Permanent Internet Tax Freedom Act which would ban state and local Internet access Taxation. The bill has been sent to the United States Senate. The outcome in the Senate and any additional legislative changes relating to the taxation of Internet sales and services, and any effect of such changes on the Sales Tax received by the City, cannot be predicted at this time.

Fiscal Year Ended 9/30	1% Local Sales Tax Collected For General Fund ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽²⁾
2011	\$ 7,244,020	25.34%	\$ 0.1799	\$ 127.42
2012	7,779,719	24.92%	0.1769	135.31
2013	8,108,315	25.44%	0.1806	139.54
2014	9,061,964	27.45%	0.1949	153.00
2015	9,685,602 ⁽³⁾	27.52%	0.1954	160.94

- (1) Excludes (a) one-half cent sales tax collections for Mansfield Economic Development Corporation, collected for the promotion and development of new and expanded business enterprises and (b) one half-cent sales collections for Mansfield Park Facilities Development Corporation collected for park, downtown and historical improvements.
- (2) Based on population estimates of City Planning Department.
- (3) Collections as of September 2015. Unaudited.

FINANCIAL POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies used by the City are described below. The audited financial statements of the City for the year ended September 30, 2013, prepared in accordance with the GASB Statements, are included in Appendix B hereto.

Government-wide and Fund Financial Statements . . . The government-wide financial statement (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of intergovernmental revenues, which have a one-year period of availability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closure/post closure costs, are recorded only when the liability has matured.

Property taxes, sales taxes, franchise fees and licenses, intergovernmental revenues, certain charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives the cash as the resulting receivables are deemed immaterial.

Fund Balances . . . The City has a written fund balance policy requiring the general fund's balance to be at least 25% of the next fiscal year's budget. It is the City's policy to maintain this percentage to assure adequate funding of the general operating fund.

Use of Bond Proceeds . . . The City's policy is to use bond proceeds for capital expenditures only. Such revenues are never to be used to fund normal City operations.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year, by the middle of June, the departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year. After review by the Finance Department and the City Manager, a budget of estimated revenues and expenditures is submitted to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state statutes. The City Council will adopt a budget prior to September 15. If the Council fails to adopt a budget then the budget proposed by the City Manager is deemed to have been adopted.

During the fiscal year, budgetary control is maintained by the monthly review of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year if no disbursement from or encumbrance of the appropriation has been made.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Available City funds are invested as authorized by State law and in accordance with investment policies approved by the City Council. Both state law and the City's investment policies 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 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 guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities including obligation that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that 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 (6) 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 branch office in this state and is selected from a list adopted by the City; (ii) a depository institution that has a main office or branch office in this state and that is selected by the City; (b) the broker or depository institution selected by the City arranges for the deposit of funds in one or more federally insured depository institutions, wherever located; (c) the certificates of deposit are insured by the United States or an instrumentality of the United States; and (d) the City appoints the depository institution acts as a custodian for the City with respect to the certificates of deposit, an entity described by 2257.041(d) Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R., section 240.15c3-3); (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) 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 (6) above, clauses (11) through (13) 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 governmental body or a third party designated by the governmental body; (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, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. 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 in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City 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 investment officers of the City shall submit an investment report 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 fully accrued interest during the reporting period of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the

investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (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.

TABLE 15 - CURRENT INVESTMENTS

As of September 30, 2015, the City's invested funds were invested in the following categories:

Description of Investment	Percent of Portfolio	Total Investment ⁽¹⁾
AIM Money Market Fund	0.67%	\$ 446,327
Bank of America Money Market Rerserves Capital, CI	36.02%	23,858,363
TEXSTAR (investment pool)	63.31%	41,933,256
	100.00%	\$ 66,237,946

(1) Pooled funds that include the City's funds and the funds of component units of the City.

TAX MATTERS – THE 2016 TAX-EXEMPT BONDS AND CERTIFICATES

TAX EXEMPTION . . . In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law (i) interest on the 2016 Tax-Exempt Bonds and Certificates is excludable from gross income for federal income tax purposes and (ii) the 2016 Tax-Exempt Bonds and Certificates are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the 2016 Tax-Exempt Bonds and Certificates is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the 2016 Tax-Exempt Bonds and Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the 2016 Tax-Exempt Bond Ordinance and Certificate Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the 2016 Tax-Exempt Bond Ordinance and Certificate Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the 2016 Tax-Exempt Bonds and Certificates for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Underwriters of the 2016 Tax-Exempt Bonds and Certificates with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Underwriters of the 2016 Tax-Exempt Bonds and Certificates, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report (the "Report") of Grant Thornton, LLP certified public accountants regarding the mathematical accuracy of certain computations. If the City fails to comply with the covenants in the 2016 Tax-Exempt Bond Ordinance and Certificate Ordinance or if the foregoing representations or the Report are determined to be inaccurate or incomplete, interest on the 2016 Tax-Exempt Bonds and Certificates could become includable in gross income from the date of delivery of the 2016 Tax-Exempt Bonds and Certificates, regardless of the date on which the event causing such inclusion occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the 2016 Tax-Exempt Bonds and Certificates, is included in a corporation's "adjusted current earnings," ownership of the 2016 Tax-Exempt Bonds and Certificates could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of the 2016 Tax-Exempt Bonds and Certificates.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to whether or not the Service will commence an audit of the 2016 Tax-Exempt Bonds and Certificates. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the 2016 Tax-Exempt Bonds and Certificates could adversely affect the value and liquidity of the 2016 Tax-Exempt Bonds and Certificates regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the 2016 Tax-Exempt Bonds and Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium credit, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the 2016 Tax-Exempt Bonds and Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the 2016 Tax-Exempt Bonds and Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the 2016 Tax-Exempt Bonds and Certificates, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM . . . The issue price of all or a portion of the 2016 Tax-Exempt Bonds and Certificates may exceed the stated redemption price payable at maturity of such 2016 Tax-Exempt Bonds and Certificates. Such 2016 Tax-Exempt Bonds and Certificates (the "Premium Obligations") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Obligation in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Obligation in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Obligation by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Obligation that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Obligation) is determined using the yield to maturity on the Premium Obligation based on the initial offering price of such 2016 Tax-Exempt Bond and Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Obligations that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Obligations should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Obligation and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Obligations.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT OBLIGATIONS . . . The issue price of all or a portion of the 2016 Tax-Exempt Bonds and Certificates may be less than the stated redemption price payable at maturity of such 2016 Tax-Exempt Bonds and Certificates (the "Original Issue Discount Obligations"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation constitutes original issue discount with respect to such Original Issue Discount Obligation in the hands of any owner who has purchased such Original Issue Discount Obligation in the initial public offering of the Obligations. Generally, such initial owner 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 period that such Original Issue Discount Obligation continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Obligations under the caption "Tax Matters - 2016 Tax-Exempt Bonds and Certificates - Tax Exemption" and "Tax Matters - 2016 Tax-Exempt Bonds and Certificates — Additional Federal Income Tax Considerations - Collateral Tax Consequences" generally apply, and should be considered in connection with the discussion in this portion of the Official Statement.

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.

The foregoing discussion assumes that (i) the Underwriters for the 2016 Tax-Exempt Bonds and Certificates have purchased the 2016 Tax-Exempt Bonds and Certificates for contemporaneous sale to the public and (ii) all of the Original Issue Discount Obligations have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Obligations will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Obligation accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the 2016 Tax-Exempt Bonds and Certificates 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such 2016 Tax-Exempt Bond and Certificate.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Obligations that are not purchased in the initial offering at the initial offering price may be determined according to rules that 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 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.

TAX LEGISLATIVE CHANGES . . . Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the 2016 Tax-Exempt Bonds and Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the 2016 Tax-Exempt Bonds and Certificates. Prospective purchasers of the 2016 Tax-Exempt Bonds and Certificates should consult with their own tax advisors with respect to any proposed, pending or future legislation.

TAX MATTERS – THE 2016 TAXABLE BONDS

GENERAL

The following discussion summarizes certain material U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of the 2016 Taxable Bonds by an initial holder (as described below). This discussion is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, judicial authority and administrative interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Neither the Corporation nor Bond Counsel offers any assurance that the Service will not challenge one or more of the tax consequences described in this discussion, and neither of the Corporation nor Bond Counsel has obtained, nor do the Corporation or Bond Counsel intend to obtain, a ruling from the Service or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the 2016 Taxable Bonds.

This discussion is limited to holders who purchase the 2016 Taxable Bonds in this initial offering for a price equal to the issue price of the 2016 Taxable Bonds (i.e., the first price at which a substantial amount of the 2016 Taxable Bonds is sold for cash other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, the "Issue Price") and who hold the 2016 Taxable Bonds as capital assets (generally, property held for investment). This discussion does not address the tax considerations arising under the laws of any foreign, state, local or other jurisdiction or income tax treaties or any U.S. federal estate or gift tax considerations. In addition, this discussion does not address all tax considerations that may be important to a particular holder in light of the holder's circumstances or to certain categories of investors that may be subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that have elected the mark-to-market method of accounting for their securities;
- U.S. Bondholders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the 2016 Taxable Bonds as part of a hedge, straddle, conversion or other "synthetic security" or integrated transaction;
- certain U.S. expatriates;

- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- persons subject to the alternative minimum tax;
- entities that are tax-exempt for U.S. federal income tax purposes; and
- partnerships and other pass-through entities and holders of interests therein.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the 2016 Taxable Bonds, the tax treatment of such partnership or a partner generally will depend upon the status of the partner and the activities of the partnership. Partnerships acquiring 2016 Taxable Bonds and partners of partnerships acquiring the 2016 Taxable Bonds should consult their own tax advisors about the U.S. federal income tax consequences of acquiring, holding and disposing of the 2016 Taxable Bonds.

INVESTORS CONSIDERING THE PURCHASE OF THE 2016 TAXABLE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE 2016 TAXABLE BONDS UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

TAX CONSEQUENCES TO U.S. BONDHOLDERS

As used herein “U.S. Bondholder” means a beneficial owner of a 2016 Taxable Bond and who or that is, for U.S. federal income tax purposes:

- an individual who is a U.S. citizen or U.S. resident alien;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

Interest on the 2016 Taxable Bonds

A U.S. Bondholder will be required to include any stated interest payments in income in accordance with its method of accounting for U.S. federal income tax purposes. If a U.S. Bondholder is a cash method taxpayer, such holder must report interest on the 2016 Taxable Bonds as ordinary income when it is received. If a U.S. Bondholder is an accrual method taxpayer, such holder must report the interest on the 2016 Taxable Bonds as ordinary income as it accrues.

Original Issue Discount

If the Issue Price of the 2016 Taxable Bonds of any stated maturity is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the 2016 Taxable Bonds of such maturity will be treated as being issued with “original issue discount.” The amount of the original issue discount will equal the excess of the principal amount payable on such 2016 Taxable Bonds at maturity over its Issue Price, and the amount of the original issue discount on such 2016 Taxable Bonds will be amortized over the life of the 2016 Taxable Bonds using the “constant yield method” provided in the U.S. Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the 2016 Taxable Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of such 2016 Taxable Bonds that exceeds actual cash interest payments to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on such 2016 Taxable Bonds each taxable year will be reported annually to the Service and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds such 2016 Taxable Bonds will increase the adjusted tax basis of such 2016 Taxable Bonds in the hands of such beneficial owner.

Premium

If the Issue Price of the 2016 Taxable Bonds of any stated maturity is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased such 2016 Taxable Bond with "amortizable Bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of such 2016 Taxable Bond and may offset interest otherwise required to be included in respect of such 2016 Taxable Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on such 2016 Taxable Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of such 2016 Taxable Bond. However, if such 2016 Taxable Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the U.S. Treasury Regulations which could result in a deferral of the amortization of some 2016 Taxable Bond premium until later in the term of such 2016 Taxable Bond. Any election to amortize 2016 Taxable Bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service.

Disposition of the 2016 Taxable Bonds

A U.S. Bondholder will generally recognize capital gain or loss on the sale, redemption, exchange, retirement or other taxable disposition of a 2016 Taxable Bond. This gain or loss will equal the difference between the U.S. Bondholder's adjusted tax basis in the 2016 Taxable Bond and the amount realized (excluding any proceeds attributable to accrued but unpaid stated interest which will be recognized as ordinary interest income to the extent any such Bondholder has not previously included such amounts in income) by the Bondholder. A U.S. Bondholder's adjusted tax basis in the 2016 Taxable Bonds will generally equal the amount the U.S. Bondholder paid for the 2016 Taxable Bonds increased by any original issue discount previously included in the Bondholder's income and decreased by the amount of the 2016 Taxable Bond premium that has been previously amortized. The gain or loss generally will be long-term capital gain or loss if the Bondholder held the 2016 Taxable Bonds for more than one year at the time of the sale, redemption, exchange, retirement or other taxable disposition. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

ADDITIONAL TAX ON INVESTMENT INCOME

An additional 3.8% net investment income tax, or the "NIIT," is imposed on the "net investment income" of certain U.S. Bondholders who are individuals and on the undistributed "net investment income" of certain estates and trusts, to the extent the sum of net investment income and other modified adjusted gross income exceeds specified dollar amounts. Among other items, "net investment income" would generally include interest income and net gain from the disposition of property, such as the 2016 Taxable Bonds, less certain deductions. U.S. Bondholders should consult their tax advisors with respect to the tax consequences of the NIIT.

TAX CONSEQUENCES TO NON-U.S. BONDHOLDERS

As used herein, a "non-U.S. Bondholder" means a beneficial owner of 2016 Taxable Bonds that is an individual, corporation, estate or trust that is not a U.S. Bondholder.

Interest on the 2016 Taxable Bonds-Portfolio Interest

Subject to the discussions below under the headings "Information Reporting and Backup Withholding—Non-U.S. Bondholders" and "Information Reporting and Backup Withholding—Foreign Account Tax Compliance," payments to a non-U.S. Bondholder of interest on the 2016 Taxable Bonds generally will be exempt from withholding of U.S. federal tax under the "portfolio interest" exemption if the non-U.S. Bondholder properly certifies as to the non-U.S. Bondholder's foreign status as described below, and:

- the non-U.S. Bondholder does not own, actually or constructively, 10% or more of the Corporation's voting stock;
- the non-U.S. Bondholder is not a "controlled foreign corporation" for U.S. federal income tax purposes that is related to the Corporation (actually or constructively); and
- the non-U.S. Bondholder is not a bank whose receipt of interest on the 2016 Taxable Bonds is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such Bondholder's trade or business.

The foregoing exemption from withholding tax will not apply unless (i) the non-U.S. Bondholder provides his, her or its name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form), and certifies under penalties of perjury, that such holder is not a U.S. person, (ii) a financial institution holding the 2016 Taxable Bonds on a non-U.S. Bondholder's behalf certifies, under penalties of perjury, that it has received an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) from such holder and provides the Trustee with a copy, or (iii) the non-U.S. Bondholder holds their 2016 Taxable Bonds directly through a "qualified intermediary," and the qualified intermediary has sufficient information in its files indicating that such holder is not a U.S. Bondholder.

If a non-U.S. Bondholder cannot satisfy the requirements described above, payments of principal and interest made to such holder will be subject to the 30% U.S. federal withholding tax, unless such non-U.S. Bondholder provides the Trustee with a properly executed (a) IRS Form W-8BEN or IRS Form W-8BEN-E or successor form claiming an exemption from or a reduction of withholding under an applicable tax treaty or (b) IRS Form W-8ECI (or successor form) stating that interest paid on the 2016 Taxable Bonds is not subject to withholding tax because it is effectively connected with such non-U.S. Bondholder's conduct of a trade or business in the United States.

If a non-U.S. Bondholder is engaged in an active trade or business in the United States and interest on the 2016 Taxable Bonds is effectively connected with the active conduct of that trade or business (and, in the case of an applicable income tax treaty, is attributable to a U.S. permanent establishment maintained by such holder), such non-U.S. Bondholder will be subject to U.S. federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same manner as if such non-U.S. Bondholder were a U.S. person as defined under the Code. In addition, if a non-U.S. Bondholder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the 2016 Taxable Bonds, that is effectively connected with the active conduct by such non-U.S. Bondholder of a trade or business in the United States.

Disposition of the 2016 Taxable Bonds

Subject to the discussions below under the headings "Information Reporting and Backup Withholding-Non-U.S. Bondholders" and "Information Reporting and Backup Withholding-Foreign Account Tax Compliance," a non-U.S. Bondholder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement or other taxable disposition of a 2016 Taxable Bond unless:

- the gain is effectively connected with the conduct by the non-U.S. Bondholder of a U.S. trade or business (and, if required by an applicable income tax treaty, is treated as attributable to a permanent establishment maintained by the Bondholder in the United States);
- the non-U.S. Bondholder is a nonresident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met;
- the gain represents accrued interest, in which case the rules for taxation of interest would apply.

If a non-U.S. Bondholder is described in the first bullet point above, the non-U.S. Bondholder generally will be subject to U.S. federal income tax in the same manner as a U.S. Bondholder. If a non-U.S. Bondholder is described in the second bullet point above, the Bondholder generally will be subject to U.S. federal income tax at a flat rate of 30% or lower applicable treaty rate on the gain derived from the sale or other disposition, which may be offset by U.S. source capital losses.

INFORMATION REPORTING AND BACKUP WITHHOLDING

U.S. Bondholders

Information reporting will apply to payments of principal and interest made by the Corporation on, or the proceeds of the sale or other disposition of, the 2016 Taxable Bonds with respect to U.S. Bondholders (unless such holder is an exempt recipient such as a corporation), and backup withholding, currently at a rate of 28%, may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Non-U.S. Bondholders

Payments to non-U.S. Bondholders of interest on their 2016 Taxable Bonds and any amounts withheld from such payments generally will be reported to the Service and such holder. Backup withholding will not apply to payments of principal and interest on the 2016 Taxable Bonds if the non-U.S. Bondholder certifies as to his, her or its non-U.S. Bondholder status on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) under penalties of perjury or such non-U.S. Bondholder otherwise qualifies for an exemption (provided that neither the Corporation nor its agent, if any, know or have reason to know that such Bondholder is a U.S. person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of 2016 Taxable Bonds to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless a non-U.S. Bondholder provides the certification described above or such Bondholder otherwise qualifies for an exemption. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the non-U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the non-U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Foreign Account Tax Compliance

Pursuant to the Foreign Account Tax Compliance Act ("FATCA"), withholding at a rate of 30% generally will be required in certain circumstances on payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition (including payments of principal) of, 2016 Taxable Bonds held by or through certain foreign financial institutions (including investment funds) that do not qualify for an exemption from these rules, unless the institution either (i) enters into, and complies with, an agreement with the Service to undertake certain diligence and to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold 30% on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, undertakes such diligence and reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the 2016 Taxable Bonds are held will affect the determination of whether such withholding is required. Similarly, in certain circumstances, payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition of, 2016 Taxable Bonds held by or through a non-financial foreign entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (a) certifies that such entity does not have any "substantial United States owners" or (b) provides certain information regarding the entity's "substantial United States owners," which will be provided to the Service, as required. Prospective Bondholders should consult their tax advisors regarding the possible implications of these rules on their investment in the 2016 Taxable Bonds.

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE 2016 TAXABLE BONDS, INCLUDING THE EFFECT AND APPLICABILITY OF (I) U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS, (II) GIFT AND ESTATE TAX LAWS, AND (III) ANY INCOME TAX TREATY.

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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 specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org <<http://www.emma.msrb.org/>>.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The City will update and provide this information in the numbered Tables within six months after the end of each fiscal year ending in or after 2015 and, if then available, audited financial statements of the City. If audited financial statements are not available when the information is provided, the City will provide audited financial statements when and if they become available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall 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 B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-reference Tables must be provided by March 31 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 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Obligations: (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 Tax-Exempt Bonds and the Certificates, or other material events affecting the tax status of the Tax-Exempt Bonds and the Certificates; (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 City¹; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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; and (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION . . . All information and documentation filings required to be made by the City in accordance with its undertaking made for the Obligations will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for

¹ For the purposes of the event identified in (12), the event 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 U.S. 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.

damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell 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 (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax supported debt of the City are rated "Aa2" by Moody's, "AA+" by S&P and "AA+" by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

Mantos v. City of Mansfield. On May 1, 2008, Valerie Mantos, ("Mantos") a resident of the City, filed a lawsuit in the 352nd Judicial District Court in Tarrant County, Texas (the "Court") against the City. Subsequently, on September 22, 2008 and October 21, 2008, Mantos amended her original petition. Plaintiff's complaints allege that the City violated the Texas Open Meetings Act in entering into a property purchase agreement and the subsequent resale of portions of that tract to a commercial developer. The complaint also alleges that the City did not receive adequate compensation for the sale of the property, and that the City's efforts to enter into an Economic Development Agreement with the developer were unlawful.

On May 30, 2008, the City filed its Answer and on August 11, 2008 filed a Motion for Partial Summary Judgment in the Court. On October 2, 2008, a hearing on the City's Motion for Partial Summary Judgment was held. Subsequent to the hearing, the Court allowed Mantos to amend her pleadings to more specifically state her claims against the City. After Mantos amended her pleadings, the Court granted the City's Motion for Partial Summary Judgment, leaving Mantos' challenge to the validity of the Economic Development Agreement as the only remaining issue pending before the trial court. The City and Mantos then entered into a Rule 11 Agreement to allow the issues covered by the City's Motion for Partial Summary Judgment to be severed from the rest of the case and to be disposed of via a final, appealable judgment. On May 22, 2009, the City filed a Motion to Sever and for Final Judgment which was granted by the Court on June 9, 2009. On September 8, 2009, Mantos filed a Notice of Appeal concerning the Final Judgment. On February 10, 2011, the Court of Appeals upheld an overwhelming portion of the City's Motion for Summary Judgment and remanded a few minor claims to the trial court. On October 7, 2011, the City filed a Summary Judgment Motion with respect to a portion of the remanded claims. The Court granted this motion on January 31, 2012. The City filed a second Summary Judgment Motion on all remaining remanded claims on July 27, 2012. This motion is still pending before the Court.

On October 8, 2015, the Court held a hearing on its own Motion to determine whether this cause of action should be dismissed in its entirety due to the Plaintiff's failure to prosecute the action in a timely manner. Plaintiff appeared at the hearing and requested that the case be retained and promised to move forward in a timely fashion. The Court granted the Motion to Retain the case, but set the matter for trial on the week of January 4, 2016.

The City believes it will prevail on this second Summary Judgment Motion and that it will ultimately prevail on all claims filed against the City by Mantos. If the City should not be successful in its defense of this case, the City would only be facing liability for court costs and attorney's fees in an amount less than \$100,000. No other monetary damages are sought.

Savering et al. v. City of Mansfield et al. On August 28, 2014, plaintiffs Josh and Kelli Savering and others filed suit against the City and others to resolve a dispute that has arisen between the plaintiffs and defendants over the construction of a bridge that connects a public park to a walking trail that abuts plaintiffs' property. Plaintiffs alleged causes of action against the City under the Declaratory Judgments Act, and for trespass to try title, trespass, and inverse condemnation under the Texas Constitution. Plaintiffs also sought equitable relief in the form of an injunction to require the City to prohibit members of the public from crossing the bridge. The City timely filed an answer and generally denied the plaintiffs' claims. To date, all of plaintiffs' requests for injunctive relief have been denied by the court. This case is still in the discovery stage and no dispositive motions have been filed with the court.

Plaintiffs' filed their original Motion Requesting a Temporary Injunction which was heard on January 24, 2014, and held a hearing on their Amended Motion on November 17, 2014. After an evidentiary hearing on the matter, the Court denied the Motion and Plaintiffs' gave notice of appeal. The case has been submitted to the Second Court of Appeals for a review of the trial court's decision to deny the Motion for Temporary Injunction. Briefs have been filed and the case was submitted on oral argument on September 1, 2015. The Court of Appeals has not yet returned a ruling on the appeal of the denial of the Temporary Injunction.

Although the plaintiffs are seeking an unspecified amount of damages from the City, the plaintiffs' claims are likely barred by the doctrine of governmental immunity. Such doctrine makes it clear that the City is immune from liability for all alleged torts. Moreover, the plaintiffs have failed to plead a waiver of immunity under the Declaratory Judgments Act. Finally, the plaintiffs have not plead sufficient facts to withstand a motion for summary judgment on the plaintiffs' takings claim. Specifically, plaintiffs have not plead (and cannot reasonably plead) that the City's actions have deprived the plaintiffs of all reasonable use of their property or have resulted in a substantial diminution of over 90% of the value of plaintiffs' property. For these reasons, the City believes that this suit will not have any significant impact on the financial condition of the City.

It is the opinion of the City Attorney and the City Staff that there is no other pending, or to their knowledge, threatened litigation or other proceeding against the City that would have a material adverse financial impact upon the City or its operations.

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). The Obligations have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this Official Statement. The Obligations have not been registered or 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 jurisdiction. The City 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.

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 negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of at least "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 at 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.

LEGAL MATTERS

The City will furnish 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 Bonds and Initial Certificate 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 2016 Tax-Exempt Bonds and the Certificates is excludable from gross income for federal income tax purposes under existing law and the 2016 Tax-Exempt Bonds and the Certificates are not private activity bonds, subject to the matters described under "Tax Matters – The 2016 Tax-Exempt Bonds and Certificates" herein. The forms of such opinions are attached hereto as Appendix C. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement under the captions "Plan of Financing" (except for the subcaption "Use of Proceeds"), "The Obligations" (except for the subcaptions "Book-Entry-Only System" and "Obligationholders Remedies"), "Tax Matters – The 2016 Tax-Exempt Bonds and Certificates," "Tax Matters – The 2016 Taxable Bonds" and "Continuing Disclosure of Information" (except for the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Obligations for Sale," "Legal Investments and Eligibility to Secure Public Fund in Texas", and "Legal Matters" (except for the last two sentences of the first paragraph) under the caption "Other Information" and is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances. The legal fees to be paid Bond 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. Certain legal matters will be passed upon for the Underwriters by Locke Lord LLP, Dallas, Texas, Counsel to the Underwriters. The legal fees to be paid to Underwriter's Counsel for services rendered in connection with the issuance of the Obligations are contingent on the sale and delivery of the Obligations.

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

FINANCIAL ADVISOR

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

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by First Southwest Company, LLC on behalf of the City relating to (a) computation of forecasted receipts of principal and interest on the Securities and the forecasted payments of principal and interest to redeem the Refunded Obligations and (b) computation of the yields of the 2016 Tax-Exempt Bonds and Certificates and the Securities were verified by Grant Thornton, LLP, certified public accountants. Such computations were based solely on assumptions and information supplied by First Southwest Company, LLC on behalf of the City. Grant Thornton, LLP has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the 2016 Tax-Exempt Bonds from the City, at an underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the 2016 Tax-Exempt Bonds if any 2016 Tax-Exempt Bonds are purchased. The 2016 Tax-Exempt Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such 2016 Tax-Exempt Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the 2016 Taxable Bonds from the City, at an underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the 2016 Taxable Bonds if any 2016 Taxable Bonds are purchased. The 2016 Taxable Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2016 Taxable Bonds into investment trusts) at prices lower than the public offering prices of such 2016 Taxable Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at an underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

One of the Underwriters is BOSCO, 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.

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 the 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.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

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

MISCELLANEOUS

KPMG LLP, the City's independent auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in this report. KPMG LLP also has not performed any procedures relating to this Official Statement.

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. 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 authorizing the issuance of the Obligations will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the respective Obligations by the Underwriters.

Mayor
City of Mansfield, Texas

ATTEST:

City Secretary

SCHEDULE OF REFUNDED OBLIGATIONS***TAX-EXEMPT REFUNDED OBLIGATIONS****Combination Tax and Revenue Certificates of Obligation, Series 2007A**

Original Dated Date	Original Maturity Date	Interest Rates	Principal Amount Refunded
12/1/2007	2/15/2018	4.000%	\$ 60,000
	2/15/2019	4.125%	60,000
	2/15/2020	4.200%	65,000
	2/15/2021	4.300%	65,000
	2/15/2022	4.400%	70,000
	2/15/2023	4.500%	75,000
	2/15/2024	4.500%	75,000
	2/15/2025	4.600%	80,000
	2/15/2026	4.625%	85,000
	2/15/2027	4.625%	90,000
	2/15/2028	4.625%	90,000
			<u>\$ 815,000</u>

The 2018 – 2028 maturities will be redeemed prior to original maturity on February 15, 2017 at par.

General Obligation Bonds, Series 2007B

Original Dated Date	Original Maturity Date	Interest Rates	Principal Amount Refunded
12/1/2007	2/15/2018	4.000%	\$ 255,000
	2/15/2019	4.125%	265,000
	2/15/2020	4.200%	275,000
	2/15/2021	4.300%	285,000
	2/15/2022	4.400%	300,000
	2/15/2023	4.500%	315,000
	2/15/2024	4.500%	325,000
	2/15/2025	4.600%	345,000
	2/15/2026	4.625%	360,000
	2/15/2027	4.625%	375,000
	2/15/2028	4.625%	395,000
			<u>\$ 3,495,000</u>

The 2018 – 2028 maturities will be redeemed prior to original maturity on February 15, 2017 at par.

* Preliminary, subject to change.

**Combination Tax and Revenue Certificates of Obligation, Series
2008**

<u>Original Dated Date</u>	<u>Original Maturity Date</u>	<u>Interest Rates</u>	<u>Principal Amount Refunded</u>
12/1/2008	2/15/2019	5.250%	\$ 590,000
	2/15/2020	5.375%	625,000
	2/15/2021	5.500%	660,000
	2/15/2022	5.750%	700,000
	2/15/2023	5.750%	735,000
	2/15/2026 ⁽¹⁾	6.125%	2,210,000
	2/15/2029 ⁽²⁾	6.250%	2,495,000
			<u>\$ 8,015,000</u>

- (1) Represents a Term Certificate with mandatory sinking fund payments on February 15 in the years 2024, 2025 and final maturity on February 15, 2026.
- (2) Represents a Term Certificate with mandatory sinking fund payments on February 15 in the years 2027, 2028 and final maturity on February 15, 2029.

The 2019 – 2023, 2026 and 2029 maturities will be redeemed prior to original maturity on February 15, 2018 at par.

General Obligation Bonds, Series 2008

<u>Original Dated Date</u>	<u>Original Maturity Date</u>	<u>Interest Rates</u>	<u>Principal Amount Refunded</u>
12/1/2008	2/15/2019	5.250%	\$ 145,000
	2/15/2020	5.375%	150,000
	2/15/2021	5.500%	160,000
	2/15/2022	5.750%	170,000
	2/15/2023	5.750%	180,000
	2/15/2026 ⁽¹⁾	6.125%	610,000
	2/15/2029 ⁽²⁾	6.250%	735,000
			<u>\$ 2,150,000</u>

- (1) Represents a Term Certificate with mandatory sinking fund payments on February 15 in the years 2024, 2025 and final maturity on February 15, 2026.
- (2) Represents a Term Certificate with mandatory sinking fund payments on February 15 in the years 2027, 2028 and final maturity on February 15, 2029.

The 2019 – 2023, 2026 and 2029 maturities will be redeemed prior to original maturity on February 15, 2018 at par.

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TAXABLE REFUNDED OBLIGATIONS

General Obligation Bonds, Taxable Series 2007A

Original Dated Date	Original Maturity Date	Interest Rates	Principal Amount Refunded
12/1/2007	2/15/2018 ⁽¹⁾	5.895%	\$ 230,000
	2/15/2028 ⁽²⁾	6.513%	3,320,000
			<u>\$ 3,550,000</u>

(1) Represents a Term Certificate with mandatory sinking fund payments on February 15, 2018.

(2) Represents a Term Certificate with mandatory sinking fund payments on February 15 in the years 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027 and final maturity on February 15, 2028.

The 2018 and 2028 maturities will be redeemed prior to original maturity on February 15, 2017 at par.

Combination Tax and Revenue Certificates of Obligation, Taxable Series 2007B

Original Dated Date	Original Maturity Date	Interest Rates	Principal Amount Refunded
12/1/2007	2/15/2028 ⁽¹⁾	6.450%	\$ 555,000
			<u>\$ 555,000</u>

(1) Represents a Term Certificate with mandatory sinking fund payments on February 15 in the years 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027 and final maturity on February 15, 2028.

The 2028 maturity will be redeemed prior to original maturity on February 15, 2017 at par.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY . . . The City of Mansfield encompasses 38.6 square miles and is located in the southeastern portion of Tarrant County with small areas of the City extending into Johnson and Ellis Counties. The City is bounded by the cities of Arlington on the north, Grand Prairie on the east and Fort Worth on the west. Farm Road 157 is a direct route between the City and Arlington. U.S. Highway 287 passes directly through the City from east to west. Dallas is approximately 25 miles to the northeast via U.S. Highway 287 and U.S. Highway 67 or I-20. Downtown Fort Worth is approximately 20 miles to the northwest via U.S. Highway 287 and I-20. Highway 360 provides direct connection to the cities of Arlington and Grand Prairie and to the Dallas-Fort Worth International Airport.

POPULATION . . . The City's 2010 Census population was 56,368, increasing 101.09% since 2000. The City Planning Department estimates the 2016 population at 63,248 reflecting a 125.64% increase since 2000.

INDUSTRY . . . The City of Mansfield has five major industrial parks with over 150 businesses and a significant amount of developable land remaining. There are significant water and transportation resources available for future development.

In 1997, the voters passed a half cent sales tax for economic development and the Mansfield Economic Development Corporation was formed to administer the City's economic development program.

Since its inception the Mansfield Economic Development Corporation has assisted over 125 companies in making Mansfield their home by providing over \$15.8 million in economic assistance. These companies have made cumulative capital investments of over \$420 million and created over 3,000 jobs in the City.

Since 2010, the Mansfield Economic Development Corporation (MEDC) has assisted 21 companies with increasing their presence in Mansfield; six expansions and 15 new developments. The new developments include Klein Tools, a company that manufactures high quality hand tools which is creating almost 600 jobs and \$76 million in capital investment, Texas Refinery, which specializes in blending industrial lubricants and is making a \$20 million capital investment and New Tech Systems, which manufactures equipment for the oil and gas industry and which will create 60 high quality jobs. MEDC also assisted in the construction of a new mixed use multi-family and retail development known as Villas De Luca, which will have 173 luxury apartment units and 25,500 sq. ft. of retail space, and Kroger Marketplace, a new 125,000 sq. ft. concept that combined an expanded offering of groceries with jewelry, soft goods and furniture.

PRINCIPAL EMPLOYERS

<u>Company</u>	<u>Product Line</u>	<u>Number of Employees</u>
Mouser Electronics	Distribution of Electronics Parts	1300
Methodist Mansfield Medical Center	Full Service Hospital	1207
Wal-Mart Super Center	Superstore	400
Kroger	Grocery Stores(2)	320
Pier 1 Distribution Center	Home Goods	285
Super Target	Super center	250
Klein Tools	Manufacturer of Hand Tool Products	233
Lifetime Fitness	Fitness Center	200
SJ Louis Construction of TX.	Utility Contractor	200
Hoffman Cabinets	Cabinet Manufacturer	200
Walnut Creek Country Club	Country Club	190
Best Buy	Electronics Store	180
Trinity Forge	Drop Forger	155
Kindred Hospital	Treatment Center	155
Sam's Club	Warehouse Store	150
Lowe's	Home Improvement Store	146
Home Depot	Home Improvement Store	145
BCB Transport	Transportation Provider	130
Conveyors, Inc.	Manufacturer Conveyor Equipment	130
On The Border	Mexican Restaurant	125
B-Way Packaging	Producer of Injection Molded Plastic Buckets	120
Gamma Engineering	CNC Machining	120
Term Billing /Intermedix	Medical Billing	116
Ramtech Building Systems	Manufacturer of Modular Office Buildings	100
LyondellBasell/Equistar Chemicals	Manufacturer of Plastic Polymers used in Auto Indust	100
Skyline Industries	RV Manufacturer	100
Southern Champion Tray	Manufacturer of Paperboard Folding Cartons	90
Chemguard/Tyco	Manufacturer of Fire Fighting Suppression Products	60

HISTORICAL EMPLOYMENT DATA (ANNUAL AVERAGE DATA) ⁽¹⁾

City of Mansfield	2015 ⁽²⁾	2014	2013	2012	2011
Labor Force	32,779	32,790	32,299	31,374	30,600
Employed	31,688	31,398	30,647	29,630	28,663
Unemployed	1,091	1,392	1,652	1,744	1,937
% Unemployment	3.3%	4.2%	5.1%	5.6%	6.3%

Tarrant County	2015 ⁽²⁾	2014	2013	2012	2011
Labor Force	998,141	998,520	985,073	966,855	949,924
Employed	957,576	948,786	926,106	903,988	878,112
Unemployed	40,565	49,734	58,967	62,867	71,812
% Unemployment	4.1%	5.0%	6.0%	6.5%	7.6%

(1) Source: Texas Employment Commission.

(2) Through August 2015.

SERVICES . . . The City is served by hospitals within the City and the immediate area including Mansfield Methodist Hospital, Columbia HCA, Arlington Memorial Hospital, Huguley Hospital, Harris Hospital and John Peter Smith Hospital.

The City addresses the needs of its citizens by offering many varied services to its residents. The police and fire departments employ 124 and 83 persons, respectively. Emergency ambulance service is also offered. Park and recreation facilities include 13 City parks consisting of 802 acres, 10 playgrounds, 30 athletic fields and over two miles of running trails. The City also has one public library with approximately 65,527 volumes.

Electric, gas, telephone and cable television services are provided by Texas Utilities, Atmos Energy, AT&T and Charter Communications, respectively.

Several banks serve the City: Frost Bank, American National Bank, Southwest Bank, Bank of America, Mansfield Community Bank, JPMorgan Chase Bank, BBVA Compass Bank, Regions Bank and Wells Fargo Bank.

TRANSPORTATION . . . The City is traversed from east to west by U.S. Highway 287. U.S. Highway 360 traverses the City from north to south. The City has easy access to Interstate Highway 20 and Interstate 30. Railroad freight service is provided by Southern Pacific Railroad. The City is located approximately 30 miles south of the Dallas-Fort Worth International Airport.

EDUCATION . . . The City is served by the Mansfield Independent School District which consists of 22 elementary schools with grades pre-kindergarten through 4; six intermediate schools with grades 5 and 6; six middle schools for grades 7 and 8; five high schools, with grades 9 through 12; one charter & technology academy and one alternative school campus. Current enrollment for the District is approximately 32,732. The District employs a total of 3,819 personnel, of which 1,963 are classroom teachers or administrators. The District maintains pupil-teacher ratios of 22:1 for elementary, a 27:1 ratio for intermediate, and a 28:1 ratio for secondary education and one career tech center.

Colleges within close proximity to the City include Tarrant and Dallas County Community Colleges, Southern Methodist University, University of Dallas, University of North Texas, Texas Wesleyan, Texas Women's University, University of Texas at Arlington and Texas Christian University.

BUILDING PERMITS BY CATEGORY

Fiscal Year Ended 9/30	Commercial and Industrial		Residential		Grand Total
	Number	Amount	Number	Amount	
2011	17	\$ 19,778,957	208	\$ 47,376,754	\$ 67,155,711
2012	45	34,193,161	195	44,263,442	78,456,603
2013	46	96,289,168	205	59,260,578	155,549,746
2014	32	57,544,230	214	108,332,311	165,876,541
2015	63	102,367,778	314	147,302,936	249,670,714

The following tables illustrate projects underway in the City.

Estimate of Platted Residential Lots Available for Development			
Development	Number of Lots Remaining	Years To Build Out	Total Projected Population
Bower Ranch Ph 1	47	2.5	145
Cardinal Park Estates	40	2.5	123
Colby Crossing	16	1.5	49
Five Oaks Crossing	46	2.5	142
Garden Heights Phs 1 - 3.5	131	3.0	403
Knightsbridge	6	1.5	18
Lone Star Ranch - Phs 1 & 2	22	1.5	68
Pemberley Estates, Ph 1	88	2.5	271
Southpointe, Phs 1A, Sec 1&2 and 1B	290	4.0	893
Spring Lake Estates, Ph 2	20	1.5	62
Twin Creeks West	12	1.5	37
The Villages of Parkhill	50	3.5	154
Total	<u>768</u>		<u>2,365</u>

Estimate of Preliminary Platted Residential Lots for Future Development		
Development	Number of Lots to be Developed	Total Projected Population
Bower Ranch, Ph 2-4	174	536
Dove Chase	143	440
Five Oaks Creek	10	31
Five Oaks Crossing - Phase 2	57	176
Garden Heights Phs 4	131	403
Ladera (condominiums)	187	374
Lone Star Heights	50	154
Lone Star Ranch, Ph 3	70	216
M3 Ranch Ph 1 Sec 1 & 2	387	1192
Manschester Heights, Phs 1 & 2	45	139
Pemberely Estates	84	259
Somerset Addition, Phs 1 - 3	1105	3403
Southpointe, Ph 2	148	456
	<u>2,591</u>	<u>7,779</u>

Estimate of Platted Commercial and Industrial Acreage Available for Development

<u>Development</u>	<u>Number of Acres</u>	<u>Uses</u>
Cannon Professional Plaza	4.860	Office
Creekside Plaza	2.260	Office
Enclave, The	3.350	Office
Heritage Industrial Park	71.250	Commercial/Industrial
Heritage Estates	15.250	Retail/Commercial
Hillcrest Addition	5.800	Commercial/Industrial
Hillcrest Business Park	12.630	Commercial/Industrial
Jacob Back Addition	7.500	Retail/Commercial
J.M. Thomas	1.360	Retail/Commercial
Knapp Sisters Business Park	3.290	Retail/Commercial
Lowe's Farm Market	2.180	Retail/Commercial
Mansfield 287 Addition	4.580	Retail/Commercial
Mansfield Debbie Lane Addition	1.270	Retail/Commercial
Mansfield Industrial Park East	2.860	Commercial/Industrial
Mansfield Marketplace	15.360	Retail/Commercial
Mansfield Town Center East	5.330	Retail/Commercial
Mansfield Town Center West	8.070	Retail/Commercial
McCaslin Business Park	4.860	Commercial/Industrial
R.T. Ray	5.550	Light Industrial
Sar Medical Plaza	4.430	Office
Sentry Industrial Park	16.290	Heavy Industrial
Tuscany at Walnut Creek	1.730	Office/Commercial
Village Off Broadway	13.910	Retail/Commercial
Walnut Creek Corner	4.460	Retail/Commercial
Walnut Creek Village	1.630	Retail/Commercial
Worldaire Addition	2.180	Light Industrial
Total	<u>222.24</u>	

APPENDIX B

EXCERPTS FROM THE
CITY OF MANSFIELD, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2014

The information contained in this Appendix consists of excerpts from the City of Mansfield, Texas Annual Financial Report for the Year Ended September 30, 2014, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

The Honorable Mayor and Members of the City Council
The City of Mansfield, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mansfield, Texas (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mansfield, Texas, as of September 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note I to the basic financial statements, the City adopted Governmental Accounting Standards Board Statements No. 65, *Items Previously Reported as Assets and Liabilities*, and No. 66, *Technical Corrections 2012*, in fiscal year 2014. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 14–27, the budgetary comparison information on pages 72–73 and 77–78, and the schedules of funding progress on page 71 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and schedules, capital assets used in the operation of governmental funds schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015 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.

KPMG LLP

Dallas, Texas
February 6, 2015

Management's Discussion and Analysis

As management of the City of Mansfield (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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The City's net position or assets less its liabilities at the close of the City's fiscal year is \$402 million. Of this amount, \$30 million may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City recognized \$120 million in revenue from various sources of taxes, services, and capital contributions and recognized \$98 million in expenses in servicing the City's governmental and business enterprises.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$43.1 million. Approximately 27% of this \$43.1 million is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11.7 million or 26% of total general fund expenditures.
- The City's total debt obligations increased by \$3.8 million (2.1%) during the current fiscal year. This is from \$24.5 million in new and refunding bond proceeds offset by \$20.7 million in scheduled principal payments and payments to escrow agents during the year. The key factors affecting the City's debt position are as follows:

Issuance of General Obligation Refunding Bonds of \$6.7 million for annual savings on principal and interest payments of refunded bonds and the issuance of Certificates of Obligation of \$17.8 million for the purpose of street improvements and other public purposes.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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 the City's assets less liabilities as the City's net financial position, or remaining 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 most recent fiscal year. All changes in net position are reported as soon as 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 years (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other 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, public safety, public works, and culture and recreation. The business-type activities of the City include a Water and Sewer Fund, Law Enforcement Center Fund, and Drainage Utility Fund.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Mansfield Economic Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Mansfield Parks Facilities Development Corporation, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government. The City has two Tax Increment Financing Reinvestment Zones (TIRZs), both legally separate entities, which are geographically defined regions within the City limits established by the City. The purpose of the reinvestment zone is to pay for the public's infrastructure to be owned by the City within the region. The TIRZs are an integral part of the primary government.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balance 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the street construction fund, the building construction fund, and the TIRZ Fund #1, all of which are considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

Proprietary Funds

The City maintains three different 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 enterprise funds to account for its Water and Sewer Fund, Law Enforcement Center Fund, and Drainage Utility 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 separate information for the Water and Sewer Fund, the Law Enforcement Center Fund, and the Drainage Utility Fund, all of which are considered to be major funds of the City.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

Other Information

The City adopts an annual appropriated budget for its general fund and both debt service funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget. In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

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 and deferred outflows exceeded liabilities and deferred inflows by \$401,584,527 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (82.01%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are 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's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other	\$ 51,889,936	\$ 38,393,368	\$ 40,014,764	\$ 48,575,545	\$ 91,904,700	\$ 86,968,913
Capital	321,912,487	311,570,707	173,177,023	163,482,458	495,089,510	475,053,165
Total assets	373,802,423	349,964,075	213,191,787	212,058,003	586,994,210	562,022,078
Deferred outflows:	1,147,989	-	543,902	-	1,691,891	-
Liabilities:						
Long-Term	119,471,866	108,755,675	56,096,077	59,965,551	175,567,943	168,721,226
Other	7,465,487	6,451,415	4,068,144	3,315,163	11,533,631	9,766,578
Total liabilities	126,937,353	115,207,090	60,164,221	63,280,714	187,101,574	178,457,804
Net position:						
Net investment in capital assets	210,129,999	211,269,350	119,190,128	105,677,483	329,320,127	316,946,833
Restricted	29,294,497	15,520,208	12,548,222	18,107,759	41,842,719	33,627,967
Unrestricted	8,588,563	7,967,427	21,833,118	24,992,047	30,421,681	32,959,474
Total net position	\$248,013,059	\$234,756,985	\$153,571,468	\$148,777,289	\$401,584,527	\$383,534,274

As of September 30, 2014, a portion of the City's net position, \$41,842,719 or 10.42% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$30,421,681, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reports positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

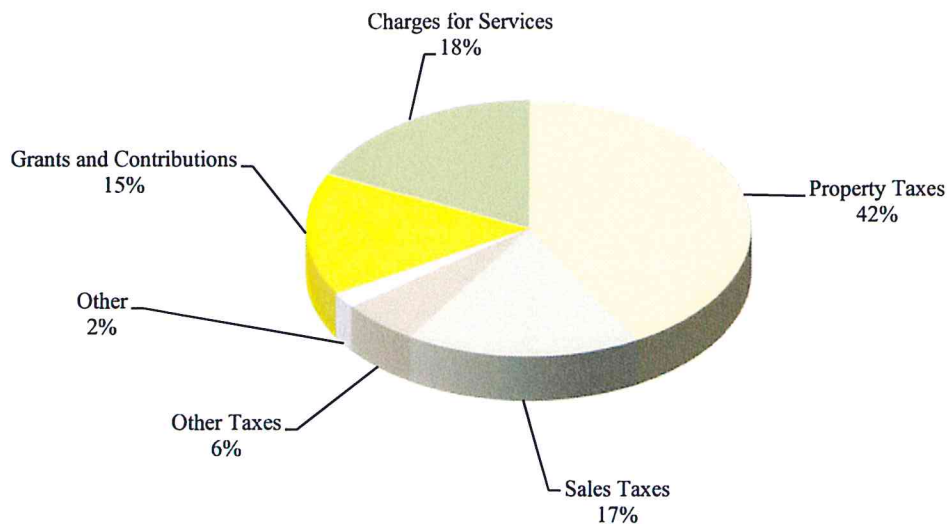
City's Changes in Net Position

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Beg - Net Position	\$232,461,533	\$234,782,424	\$147,808,243	\$140,839,572	\$380,269,776	\$375,621,996
Revenues	\$78,674,294	\$60,772,933	\$41,053,261	\$39,401,992	\$119,727,555	\$100,174,925
Expenses	63,933,300	60,572,215	34,479,504	31,690,432	98,412,784	92,262,647
Transfers, net	810,532	(226,157)	(810,532)	226,157	-	-
Net Change in Position	15,551,526	(25,439)	5,763,225	7,937,717	21,314,771	7,912,278
End - Net Position	\$248,013,059	\$234,756,985	\$153,571,468	\$148,777,289	\$401,584,527	\$383,534,274

Governmental Activities

City governmental activity revenue for fiscal year 2014 increased \$17.9 million from fiscal 2013. Revenues in fiscal year 2013 were \$60.8 million compared to this fiscal year revenue of \$78.7 million. The increases were from the City's reaction to the overall economy. The economy delivered better than expected results for the City during fiscal year 2014. The increases came from new property taxes from new development, sales taxes and better than expected collections in other taxes from improved franchise fees. Most of these increases were modest increases over prior year and primarily related to the improvements in the overall economy and the additional new retail and new residential growth in the City from the fiscal year ended 2014.

Governmental Activities - Revenues by Source for fiscal year ending 2014



Expenses in fiscal year 2014 compared to expenses in fiscal year 2013 increased by 5.6% or \$3.4 million. The demand for services increased funding in fiscal 2014 compared to prior year. The increases: infrastructure, public safety, and recreation have been a priority of the administration in recent years. The increases occurred in public safety primarily because the department added new personnel and it has greatest number of employees working for the City; in public works the increase was related to additional expenses for aging streets.

The public works program of the City spends most of its money on street improvements, which are recognized over the course of time through depreciation expense after the improvements have been capitalized. In fiscal 2014, the City recognized \$10.2 million in depreciation expense for street-related assets. Street improvements are expected to last twenty-five years with the appropriate level of maintenance and repair. This year, the City spent over \$2.5 million in maintenance and repairs on its 245 plus miles of linear streets. Interest expense is another component of expenses that is affected by the development of the City.

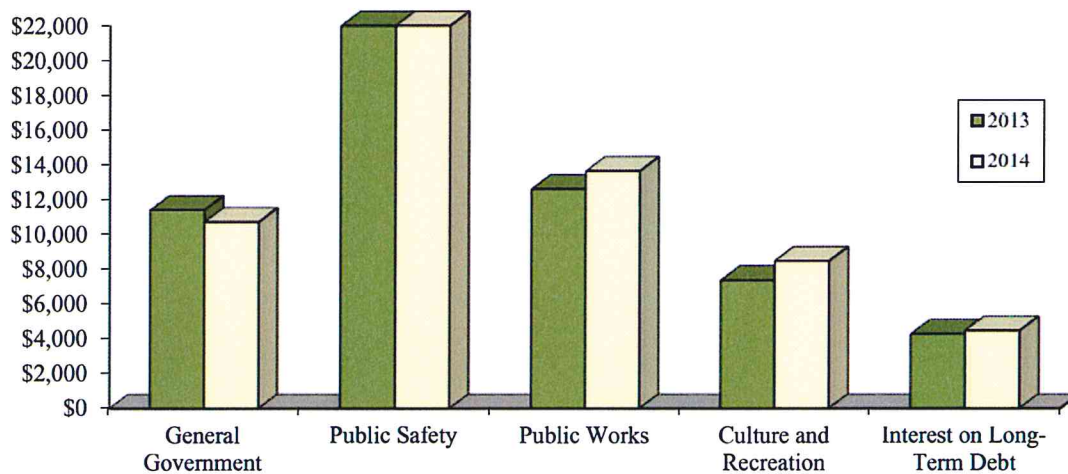
This year the City recognized \$4.5 million in interest expense. There was a one-time charge of \$2.3 million of debt related expenses or issuance costs from the implementation of Governmental Accounting Standards Board Statement Number 65. These expenses accounted for 10.3% of the total expenses recognized for fiscal 2014. Interest expense is the cost the City incurs for borrowing money to make long-term improvements that are generally regarded as long-term assets of the City.

This fiscal year, the Governmental activities increased the City's net position by \$15.6 million. The increase in the City net position occurred because of capital contributions received by the City in the amount of \$11.9 million. The City's change in net position increased \$14.7 million before transfers in fiscal year 2014.

City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES -						
Program Revenues:						
Charges for Services	\$14,294,018	\$11,549,839	\$39,056,610	\$38,802,151,	\$53,350,628	\$50,351,990
Operating grants and Contributions	347,709	187,403	273,119	505,123	620,828	692,526
Capital Grants and Contributions	11,962,132	244,787	1,701,114	531,674	13,663,246	776,461
General Revenues:						
Property taxes	33,243,790	31,389,240	-	473,203	33,243,790	31,862,443
Sales taxes	13,592,946	12,195,898	-	-	13,592,946	12,195,898
Other taxes	4,470,549	4,135,319	-	-	4,470,549	4,135,319
Other	763,150	1,070,447	22,418	(910,159)	785,568	160,288
Total Revenues	78,674,294	60,772,933	41,053,261	39,401,992	119,727,555	100,174,925
EXPENSES -						
General government	10,759,471	8,397,239	-	-	10,759,471	8,397,239
Public safety	26,457,942	24,725,424	-	-	26,457,942	24,725,424
Public works	13,681,970	14,851,816	-	-	13,681,970	14,851,816
Culture and recreation	8,529,149	8,281,150	-	-	8,529,149	8,281,150
Interest on debt	4,504,768	4,316,586	-	-	4,504,768	4,316,586
Water and Sewer	-	-	23,037,636	20,751,757	23,037,636	20,751,757
Law Enforcement	-	-	10,070,406	9,836,118	10,070,406	9,836,118
Drainage	-	-	1,371,462	1,102,557	1,371,462	1,102,557
Total Expenses	63,933,300	60,572,215	34,479,504	31,690,432	98,412,804	92,262,647
Subtotal	14,740,994	200,718	6,573,757	7,711,560	21,314,751	7,912,278
TRANSFERS, net	810,532	(226,157)	(810,532)	226,157	-	-
Subtotal	15,551,526	(25,439)	5,763,225	7,937,717	21,314,751	7,912,278
NET POSITION,						
Beginning	232,461,533	234,782,424	147,808,243	140,839,572	380,269,776	375,621,996
Ending	\$248,013,059	\$234,756,985	\$153,571,468	\$148,777,289	\$401,584,527	\$383,534,274

Governmental Activities – Expenses (in thousands)



Business-Type Activities

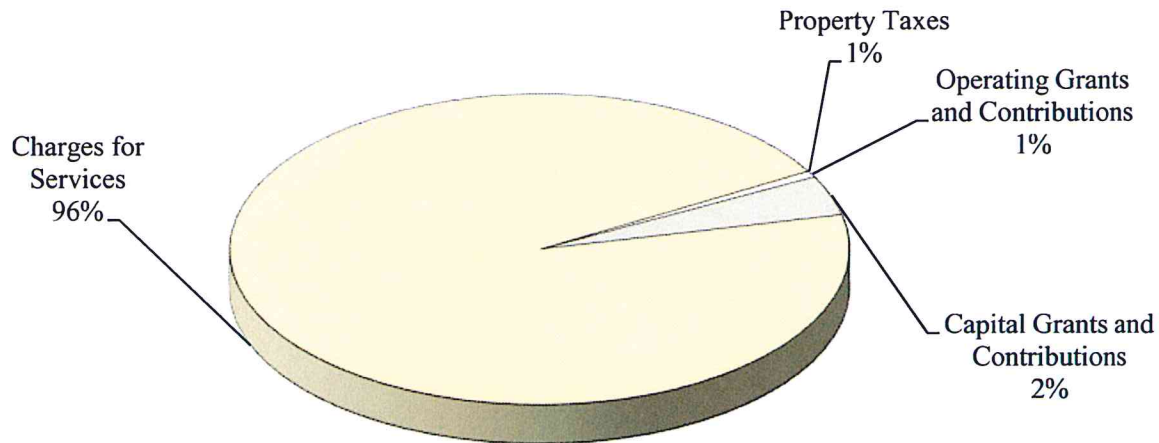
Revenues exceeded expenses for the City's business-type activities in fiscal year 2014. Total revenues were \$41.1 million and total expenses were \$34.5 million while equity transfers were \$(0.8) million that added \$5.8 million to the Business-Type's net financial position. This increased the net position of the business-type activities from \$147.8 million to \$153.6 million by the end of fiscal year 2014. Comparatively, Business-Type Revenues exceeded prior year Business-Type Revenues by 4.19% or \$1.7 million. Revenues for fiscal year 2014 were \$41.1 million and revenues for fiscal year 2013 were \$39.4 million. Expenses for fiscal year 2014 were \$34.4 million before equity transfers of \$(0.8) million and expenses for fiscal year 2013 were \$31.7 million before equity transfers of \$0.2 million. The increase in net position was primarily the result of the activity of the City's Water & Sewer Fund as the financial results of the City's other Business-Type Funds, Law Enforcement Center Fund, and Drainage Utility Fund, for fiscal year 2014 were less than one percent of the change in the net position of the City's Business-Type Activities.

Capital contributions have been a revenue source for the Business-Type Activities. These capital contributions are from the public improvements donated by developers. The City requires developers to pay for the cost of public improvements or infrastructure needed to support their developments, and in fiscal year 2014, developers contributed public improvements or assets of \$1,701,114. These assets are considered revenue in the year of acceptance or in the year of contribution. Generally, these capital contributions are non-cash contributions from developers and are in the form of water and sewer lines and are conveyed to the City as the developer finishes out the developments.

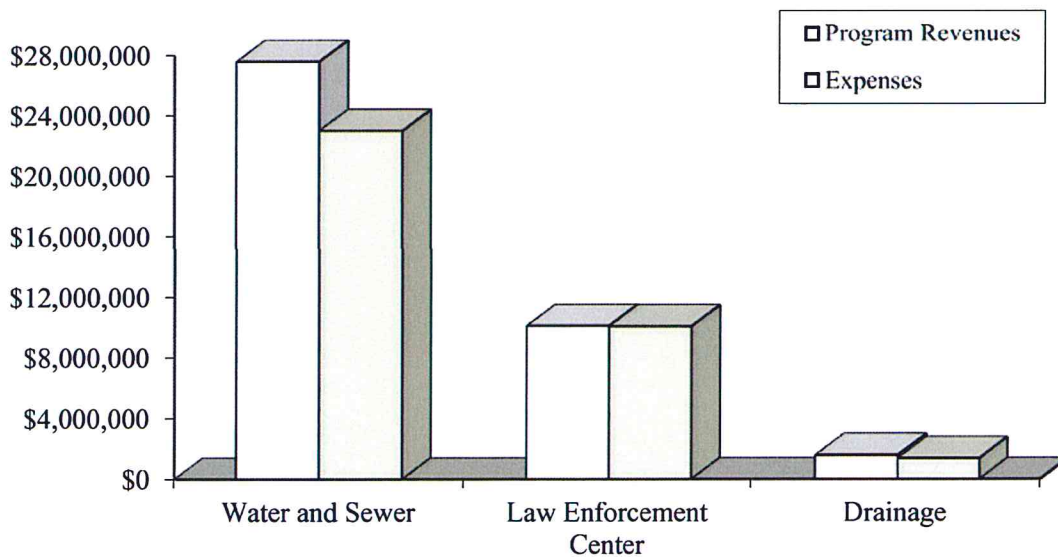
The City's Law Enforcement Center charges a fee for the Services rendered to support the contracts that the City has with other governmental agencies for the housing of inmates. These fees are recognized as Charges for Services in the Business-Type Activities and are used to pay for the cost of housing inmates in this Business-Type Activity.

The City's Drainage Utility charges a fee for the maintenance and continuance of the drainage improvement program of the City. The City has drainage basins that require extensive maintenance. The fee is used to service the improvement cost, debt service, and annual maintenance of the basins.

Business-Type Activities – Revenues by Source for fiscal year ending 2014



Business-Type Activities - Program Revenues and Expenses for fiscal year ending 2014



Financial Analysis of the Government's Funds

As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43,165,864, an increase of \$14,583,062 in comparison with the prior year. The increase is from bond proceeds that will be used to construct infrastructure and purchase equipment. Approximately 27.01% or is \$11,657,018 of the ending fund balance of \$43,165,864 constitutes unassigned fund balance and is available for spending at the government's discretion. The remainder of fund balance is dedicated for legally specific or defined purposes. To indicate that it is not available for new spending because it has already been committed, defined or legally restricted for specific purposes, the City has labeled the remaining fund balances as follows: 1) prepaid expenses and inventory items, \$61,228; 2) debt service or for future construction contracts, \$28,068,406; 3) for committed purposes, \$3,218,947, such as park improvement; and 4) for assigned purposes, \$160,265, such as capital improvements and land acquisition for the general fund.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the general fund was \$11,657,018. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 25.51% of total general fund expenditures.

The City's unassigned fund balance increased \$1,062,905 in fiscal year 2014 while the fund balance of the City increased \$1,052,806 during the fiscal year 2014. The key reasons for the increases are as follows:

- Actual expenditures exceeded actual revenues by \$3,321,748. The City spent \$3,797,752 on land in fiscal year 2014. These costs are recognized as an expense and included in the actual expenditures of fiscal year 2014. The City acquired the land with the intent of using the land for purposes of public safety. Actual revenues exceeded actual expenditures without the land acquisition by \$476,004. The land purchase was offset by bond proceeds of \$3,536,555.
- Other Sources of revenue included the Water and Sewer Utility Fund's payment in-lieu of taxes to the City's General Fund for the use of the City's right of way. This amount was \$810,532 in fiscal year 2014.
- The City operating expenses increased because of the City's goal to maintain a quality workforce. Funds were spent to maintain the workforce and maintain the morale through the administration of compensation. The primary increases are in the City's Public Safety function as most of the employee group is in the City's Public Safety function. The City has maintained a conservative strategy in managing the human resources of the City. Overall, a few new personnel were added during fiscal year 2014 and personnel costs were managed and funded based on demand for services.

The debt service fund has a fund balance of \$855,768, which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$259,626. The City generally budgets to maintain a constant fund balance within the debt service fund during the fiscal year, and any excess collection in a year is generally spent or used in the following year. The City pays for tax-pledged debt through the Debt Service Fund.

The street construction fund balance increased by \$2,885,686 during fiscal year 2014. This fund's fund balance increased as a result of bonds issued and contributions received offset by construction payments of \$8,027,284 for the improvement of major streets and neighborhood streets in and throughout the City. Other activity within the street construction fund included additional revenues from development fees charged by the City for the impact or costs that new development has on primary streets within the City. This fee generated \$1,242,317 in fiscal year 2014.

Proprietary Funds

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

Unrestricted net position (deficit) of the Water and Sewer Fund at the end of the year amounted to \$21,004,754, those for the Law Enforcement Center amounted to \$(673,405), and those for the Drainage Utility Fund amounted to \$1,501,769. Factors affecting the performance of these activities are as follows:

- The City treats lake water and sells it to consumers for a fee. In fiscal year 2014, Water and Sewer revenue increased \$1,275,808 or 5%. The increase is attributable to new connects to the system in fiscal year 2014, and a water and sewer fee increase in fiscal year 2014. Weather influences the system's revenue. Fiscal year 2014 was a fairly normal year in the North Texas area as the temperatures were considered to be average. The result was a fairly consistent year in Water and Sewer revenue for the City. Weather extremes can test the City's ability to produce water for consumption and it can test the system's ability to finance the infrastructure to supply the water to meet the demand of the consumer. A wet year creates less demand for water, which creates less revenue to support the cost of financing the infrastructure, which is built to supply the demand for water in a dry year.
- During fiscal year 2014, the City distributed 3.9 billion gallons of water while billing customers for 3.3 billion gallons of water usage or 85% of the actual plant's production. In fiscal year 2013, the City billed for 3.3 billion gallons of water usage compared to actual plant production of 3.6 billion. Actual water and sewer revenue in fiscal year 2014 increased compared to fiscal year 2013. Actual water and sewer revenue in 2014 was \$25 million compared to \$23.7 million in fiscal 2013. Demand for water fiscal year 2014 was consistent with demand for water in fiscal year 2013 even though the total number of customers increased year over year by 286 new accounts. The water and sewer activity of the business-type activities produced operating income of \$7.2 million for fiscal year 2014 as compared to \$10.2 million in fiscal year 2013.
- Unrestricted net position decreased in the Water and Sewer Fund by \$2,055,708. Operating expenses increased \$2,456,301 over last year, excluding depreciation. Operating expenses are controlled through the direct administration of personnel costs and variable costs, which are directly caused by consumer's demand for the water. The City spent \$4,360,425 for raw water in fiscal year 2014 compared to \$3,544,949 in fiscal year 2013 and the City spent \$4,939,762 to treat the City wastewater in fiscal 2014 compared to \$4,112,368 in fiscal year 2013. The cost for raw water and the cost to treat used water increased year over year by \$1,642,870.
- The Law Enforcement Center Fund had operating income of \$129,588 this fiscal year. The operating income is attributable to the management of the costs of operating a municipal jail, which are offset by transfers from the General Fund, which pay for the City's portion of jail services. No transfers from the General Fund were made in fiscal year 2014 as the City transferred \$1,036,689 in fiscal year 2013.
- The Drainage Utility Fund revenue had operating income of \$392,832 this fiscal year. Drainage Fees approached \$1.3 million and expenses excluding depreciation and before debt service were \$1,084,682.

Budgetary Highlights

General Fund

The City opted to compare the final budget to the actual amounts for comparative purposes. The differences can be briefly summarized as follows:

Revenue results exceeded budgeted estimates by \$1,256,762 for fiscal year ended 2014:

- Property Taxes fell below budgeted estimates by \$525,436 because original assessed valuation estimates were lower than final valuations as the ad valorem roll was finalized by the appraisal district after the adoption of the City's budget.
- Sales Taxes exceeded budgeted projections by \$324,004 as the effects of the national economy loosened its hold on consumer spending in Mansfield, Texas, during fiscal 2014. New development occurred in 2014 that created new sales tax collections as well.
- Licenses and permits were above budgeted estimates by \$73,433. The City realized a slowdown in residential development resulting from the housing market recession that rippled through the U.S. economy during fiscal year 2009 and 2010. The City budgeted building permit revenue in anticipation of the residential building market recovery. Budgeted estimates exceeded actual result for fiscal year 2014.
- Intergovernmental revenue was unexpected grant revenue that was awarded to the City in fiscal year 2014. The grant revenue was received by the City in fiscal year 2014 and used for purpose of public safety.
- Charges for services exceeded budgeted estimates by \$521,801 as the majority of the better than expected revenue was derived from the collections of fees for trash services within the City. Fees did increase for this service in fiscal year 2014 as the fees were raised to keep pace with the cost of inflation.
- Expenditures were 110.45% of budgeted estimates for fiscal year ended 2014. The City spent \$3,797,752 for land that was not budgeted. The purpose of the acquisition of property is to acquire land for a future public training facility. The additional expenditures were attributable to the increase in the cost of public safety. The cost of hiring new police officers coupled with more compensation increased the cost of labor in the public safety program of the City in fiscal year 2014. Management has been very effective in maintaining morale and improving services within the City while keeping the City within its overall budget.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014 amounts to \$495,089,510 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$98,635,855	\$94,605,319	\$2,066,739	\$2,026,739	\$100,702,594	\$96,632,058
Buildings and system	53,034,799	54,206,918	120,767,761	115,782,986	173,802,560	169,989,904
Improvements	7,779,287	5,474,788	2,483,842	2,528,639	10,263,129	8,003,427
Machinery and equipment	5,933,477	5,039,983	910,411	668,195	6,843,888	5,708,178
Infrastructure	139,573,629	143,267,847	35,257,940	34,503,178	174,831,569	177,771,025
Construction in progress	16,955,440	8,975,852	11,690,330	7,972,721	28,645,770	16,948,573
Total	\$321,912,487	\$311,570,707	\$173,177,023	\$163,482,458	\$495,089,510	\$475,053,165

Governmental Capital Assets

Roadway expansion and improvements remain a primary element of the City's public works program. In 2014, several major arterial thoroughfares in the City were widened to provide access to Mansfield's developing retail centers. Mansfield has leveraged future tax revenue with general obligation bonds and anticipated the collection of roadway impact fees to pay for an expected \$89 million in new street improvements over the next 10 years.

Street projects in fiscal year 2014:

- The City improved the intersection of Debbie Lane and Matlock which is the interchange between two major thoroughfares in the northeast quadrant of the City. Other road improvements include the completion of the eastern portion of Broad Street which is the entry point of the City from east.
- Several small arterial streets are under construction and design throughout neighborhoods.
- In total, the City spent \$8,027,284 in street improvements and related work during fiscal year 2014.

Most of the capital assets that were added to construction in progress or the asset base of the City during fiscal year 2014 were planned or budgeted expenditures during fiscal year 2014. The City plans its asset expansion with deliberate budgetary control and oversight as these costs are substantial and have a significant effect on the operational cost and ultimately performance of the City.

Business-Type Assets

The City's municipally owned and operated water and sewer system has maintained its superior rating by the Texas Commission on Environmental Quality. Approximately 13% of the City's more than \$71.7 million water/sewer improvement tab is expected to be paid by impact fees over the next ten years. These fees are designed to reduce the system's initial costs in building and running water and sewer lines to the user. These impact fees must be used for capital purposes and are restricted as to use by law.

The City's drainage program, which consists of \$18.5 million in improvements scheduled over the next 20 years, had some improvements this year, which were mostly related to soft costs coupled with improving and building detention basins. The City has spent over \$7.5 million on the drainage improvements as of September 30, 2014.

For additional information on the City's capital assets, see note III.C. of the basic financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had total principal outstanding of \$177,460,000. Of this amount, \$102,165,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The City's Component Unit, Mansfield Economic Development Corporation, MEDC, has \$11,030,000 in outstanding debt backed by a voter passed sales tax.

City's Outstanding Debt - Tax Obligations and Revenue Bonds

	Governmental Activities	Business-Type Activities	Component Unit MEDC	Total 2014
Security Instrument:				
Tax obligation bonds	\$101,030,000	\$1,135,000	\$ -	\$ 102,165,000
Sales tax revenue bonds	10,645,000	-	11,030,000	21,675,000
Revenue bonds	-	53,620,000	-	53,620,000
Total	<u>\$ 111,675,000</u>	<u>\$ 54,755,000</u>	<u>\$11,030,000</u>	<u>\$177,460,000</u>

The City's total debt increased \$3,770,000 or 2.13% during the current fiscal year. Key factors for the increase are from the issuance of additional bonds and refunding bonds, which were offset by principal payments on existing outstanding debt. The City issued \$17,755,000 in new bonds proceeds and issued \$6,710,000 in refunding bonds. The City maintains bond ratings from three rating agencies:

<u>Company</u>	<u>General Fund Bonds</u>	<u>Water and Sewer Revenue Bonds</u>	<u>Sales Tax Revenue Bonds</u>	<u>Drainage Revenue Bonds</u>
Moody's	"Aa2"	"Aa2"	"Aa3"	"Aa2"
Standard & Poor's	"AA+"	"AA+"	"A+"	"AA-
Fitch	"AA+"	"AA"	"AA-"	"AA"

For additional information on the City's debt obligations, see note IV.E. in the basic financial statements.

The City Charter of the City and the statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 populations, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. The City operates under a Home Rule Charter, which also imposes a limit of \$2.50. The FY 2013/2014 Property Tax Rate was \$0.71000 per \$100 valuation with a tax margin of \$1.79000 per \$100 valuation based upon the maximum ad valorem tax rate noted above. Additional revenues up to \$80,364,115 per year could be raised before reaching the maximum allowable tax base on the current year's appraised net taxable value of \$4,489,615,347.

Economic Factors: Next Year's Budgets and Rates

The City Economy

- New residential construction is expected to add 462 units with approximately 240 single-family units in 2015. The City has seen a decline in building activity over the past several years; however, development is still occurring within the City. During the budget process for the 2015 fiscal year, the City maintained the building services-related revenue with expectations similar to that of 2014. The City's tax year is one year in arrears thus the housing starts in calendar year 2013 are for budget year or fiscal year 2015.
- The City's annual growth in property valuation has increased 13% annually on average for the past ten years. For fiscal years 2015 and 2016, the City's valuations are expected to increase 6.3% and 6.8%, respectively. Generally, the City has experienced the effect of the residential marketplace, although property valuations are expected to improve in fiscal 2015 and into 2016. The improvements are expected because of limited residential inventory, and the fact that the City is a good place to live as crime is low, school ratings are fairly high; land is affordable and the City's proximity to Dallas and Fort Worth. The City is developing a discernable and identifiable character of being a place to enjoy a life and a good quality life. These intangible characteristics developed fairly recently - over the last decade. Also, the City is seeing the continued demand for commercial development because of the significant discretionary spend of the residents and the relatively stable economy within the City.
- In years past, sales tax revenue grew in excess of 10% annually; like property valuations, the City has adjusted its projections of anticipated sales tax receipts in 2015 and 2016. The expected budgeted sales tax receipts in 2015 are better than anticipated actual collections in 2014 by 1%. The City is expecting fiscal year 2016 to increase 4% above budgeted estimates for 2015. Management is monitoring the collections of sales tax revenue and may modify projections into 2016 depending upon the overall economy.

- Retail developments and improvements continue into 2015 and 2016. The challenge has been the effect of the national economy and the ability of companies and businesses to obtain capital financing. The City is taking an aggressive position in continuing development in the City because of the support for continued retail development and the community's expectation to support additional retail. The City is offering development incentives - that is partnering with developers to pay for public infrastructure to offset lending costs of developers because of the credit or lending industry. Development is expected to continue and new property valuations are expected from these developments.
- Median income continues to be an attractive asset for additional development and many in the development community are planning on capturing this income through commercial developments.
- The City has developed stringent building code standards that require sustainable developments to assist in extending the asset life of the tax base into the future.

These variables were considered in preparing the City's budget for the 2015 fiscal year.

The City's 2015 General Fund Operating Revenue Budget increased approximately 5% or \$2.2 million over the fiscal year 2014 budget. Most of this revenue growth was from new commercial development in the City that generated additional property tax and sales tax revenue of almost \$1.8 million coupled with the continued improvement in the residential permit activity into 2015. The tax rate was held constant in 2014 at \$0.71 per \$100 in assessed valuation of property within the City limits. Unassigned fund balance is expected to grow over fiscal year 2014. Any additional appropriations made during fiscal year 2015 will be offset through the management of the operating expenditures of the General Fund during the course of fiscal year 2015.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Business Services, City of Mansfield, 1200 E. Broad Street, Mansfield, Texas 76063.

City of Mansfield
Statement of Net Position
As of September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	MEDC
ASSETS				
Cash and cash equivalents	\$ 47,676,164	\$ 15,356,250	\$ 63,032,414	\$ 5,855,087
Receivables (net of allowance for uncollectibles)	3,086,433	4,508,907	7,595,340	359,488
Lease receivable	1,066,111	-	1,066,111	-
Inventories	61,228	267,966	329,194	-
Restricted assets:				
Cash and cash equivalents	-	19,881,641	19,881,641	1,944,730
Capital assets (net of accumulated depreciation):				
Land	98,635,855	2,066,739	100,702,594	6,897,477
Buildings and systems	53,034,799	120,767,761	173,802,560	-
Improvements other than buildings	7,779,287	2,483,842	10,263,129	106,244
Machinery and equipment	5,933,477	910,411	6,843,888	-
Infrastructure	139,573,629	35,257,940	174,831,569	-
Construction in progress	16,955,440	11,690,330	28,645,770	9,009,357
Total assets	<u>373,802,423</u>	<u>213,191,787</u>	<u>586,994,210</u>	<u>24,172,383</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	<u>1,147,989</u>	<u>543,902</u>	<u>1,691,891</u>	<u>-</u>
LIABILITIES				
Accounts payable and other current liabilities	7,465,487	1,719,949	9,185,436	1,397,199
Liabilities payable from restricted assets	-	2,348,195	2,348,195	-
Noncurrent liabilities:				
Due within one year	10,082,575	5,254,747	15,337,322	785,024
Due in more than one year	<u>109,389,291</u>	<u>50,841,330</u>	<u>160,230,621</u>	<u>10,203,310</u>
Total liabilities	<u>126,937,353</u>	<u>60,164,221</u>	<u>187,101,574</u>	<u>12,385,533</u>
NET POSITION				
Net investment in capital assets	210,129,999	119,190,128	329,320,127	6,969,474
Restricted for:				
Debt Service	464,102	3,862,255	4,326,357	-
Capital Projects	28,830,395	8,685,967	37,516,362	-
Unrestricted	<u>8,588,563</u>	<u>21,833,118</u>	<u>30,421,681</u>	<u>4,817,376</u>
Total net position	<u>\$ 248,013,059</u>	<u>\$ 153,571,468</u>	<u>\$ 401,584,527</u>	<u>\$ 11,786,850</u>

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

City of Mansfield
Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 10,759,471	\$ 4,711,844	\$ -	\$ 6,500,000	\$ 452,373	\$ -	\$ 452,373	\$ -
Public safety	26,457,942	3,277,989	318,359	742,648	(22,118,946)	-	(22,118,946)	-
Public Works	13,681,970	4,369,480	-	4,719,484	(4,593,006)	-	(4,593,006)	-
Culture and recreation	8,529,149	1,934,705	29,350	-	(6,565,094)	-	(6,565,094)	-
Interest on long-term debt	4,504,768	-	-	-	(4,504,768)	-	(4,504,768)	-
Total governmental activities	63,933,300	14,294,018	347,709	11,962,132	(37,329,441)	-	(37,329,441)	-
Business-type activities:								
Water	17,307,982	18,364,850	-	1,701,114	-	2,757,982	2,757,982	-
Sewer	5,729,654	9,267,629	-	-	-	3,537,975	3,537,975	-
Law enforcement center	10,070,406	10,114,438	-	-	-	44,032	44,032	-
Drainage	1,371,462	1,309,693	273,119	-	-	211,350	211,350	-
Total business-type activities	34,479,504	39,056,610	273,119	1,701,114	-	6,551,339	6,551,339	-
Total primary government	\$ 98,412,804	\$ 53,350,628	\$ 620,828	\$ 13,663,246	\$ (37,329,441)	\$ 6,551,339	\$ (30,778,102)	\$ -
Component units:								
MEDC	3,186,511	6,074	-	1,408,862	-	-	-	(1,771,575)
Total component units	\$ 3,186,511	\$ 6,074	\$ -	\$ 1,408,862	\$ -	\$ -	\$ -	\$ (1,771,575)
General revenues:								
Property taxes					33,243,790	-	33,243,790	-
Sales taxes					13,592,946	-	13,592,946	4,530,982
Franchise taxes					3,659,355	-	3,659,355	-
Mixed drink taxes					159,969	-	159,969	-
Hotel/Motel taxes					651,225	-	651,225	-
Unrestricted investment earnings					23,777	22,418	46,195	4,051
Gas royalty income					722,317	-	722,317	2,793
Gain on sale of capital assets					17,056	-	17,056	-
Transfers					810,532	(810,532)	-	-
Total general revenues					52,880,967	(788,114)	52,092,853	4,537,826
Change in net position					15,551,526	5,763,225	21,314,751	2,766,251
Net position beginning as adjusted (Note 12)					232,461,533	147,808,243	380,269,776	9,020,599
Net position ending					\$ 248,013,059	\$ 153,571,468	\$ 401,584,527	\$ 11,786,850

City of Mansfield
Balance Sheet
Governmental Funds
As of September 30, 2014

	General	Debt Service	Street Construction	Building Construction	TIRZ #1	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash, cash equivalents, and investments	\$ 12,734,643	\$ 855,768	\$ 10,575,583	\$ 3,708,588	\$ 7,999,289	\$ 11,802,292	\$ 47,676,164
Receivables (net of allowance for uncollectibles)	1,930,091	73,982	-	-	-	1,082,360	3,086,433
Inventory	-	-	-	-	-	61,228	61,228
Total assets	<u>\$ 14,664,734</u>	<u>\$ 929,750</u>	<u>\$ 10,575,583</u>	<u>\$ 3,708,588</u>	<u>\$ 7,999,289</u>	<u>\$ 12,945,880</u>	<u>\$ 50,823,825</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 873,313	\$ -	\$ 836,491	\$ 566,271	\$ -	551,246	2,827,322
Accrued liabilities	1,662,439	-	593,761	-	1,256,081	81,620	3,593,901
Retainage payable	-	-	264,091	107,145	-	-	371,236
Unearned revenue	471,964	73,982	-	-	-	319,556	865,502
Total liabilities	<u>3,007,716</u>	<u>73,982</u>	<u>1,694,343</u>	<u>673,416</u>	<u>1,256,081</u>	<u>952,422</u>	<u>7,657,961</u>
Fund balances:							
Nonspendable	-	-	-	-	-	61,228	61,228
Restricted	-	855,768	8,881,240	3,035,172	6,743,208	8,553,018	28,068,406
Committed	-	-	-	-	-	3,218,947	3,218,947
Assigned	-	-	-	-	-	160,265	160,265
Unassigned	11,657,018	-	-	-	-	-	11,657,018
Total fund balances	<u>11,657,018</u>	<u>855,768</u>	<u>8,881,240</u>	<u>3,035,172</u>	<u>6,743,208</u>	<u>11,993,458</u>	<u>43,165,864</u>
Total liabilities and fund balances	<u>\$ 14,664,734</u>	<u>\$ 929,750</u>	<u>\$ 10,575,583</u>	<u>\$ 3,708,588</u>	<u>\$ 7,999,289</u>	<u>\$ 12,945,880</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	321,912,487
Lease receivables in the governmental activities are not financial resources and, therefore, are not reported in the funds.	1,066,111
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	865,502
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(118,996,905)</u>
Net position of governmental activities	<u>\$ 248,013,059</u>

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

City of Mansfield, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

	General	Debt Service	Street Construction	Building Construction	TIRZ #1	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	\$ 21,212,879	\$ 11,582,773	\$ -	\$ -	\$ 499,144	\$ 13,788	\$ 33,308,584
Sales	9,061,964	-	-	-	-	4,530,982	13,592,946
Franchise	3,659,355	-	-	-	-	-	3,659,355
Mixed drink	159,969	-	-	-	-	-	159,969
Hotel/motel	-	-	-	-	-	651,225	651,225
Licenses and permits	1,306,622	-	-	-	-	681,764	1,988,386
Intergovernmental	301,676	-	-	-	-	-	301,676
Charges for services	3,900,711	-	-	-	-	868,690	4,769,401
Fines	2,051,831	-	-	-	-	253,416	2,305,247
Interest earnings	11,278	314	4,553	956	1,131	5,545	23,777
Contributions and donations	-	-	-	-	6,500,000	46,033	6,546,033
Impact fees	-	-	1,242,317	-	-	692,750	1,935,067
Miscellaneous	708,552	88,180	2,804,816	-	-	126,375	3,727,923
Total revenues	<u>42,374,837</u>	<u>11,671,267</u>	<u>4,051,686</u>	<u>956</u>	<u>7,000,275</u>	<u>7,870,568</u>	<u>72,969,589</u>
EXPENDITURES							
Current:							
General government	9,731,149	-	-	-	-	729,308	10,460,457
Public safety	25,208,963	-	-	37,505	-	170,907	25,417,375
Public works	3,387,934	-	-	-	-	-	3,387,934
Culture and recreation	3,490,299	-	-	-	-	3,169,583	6,659,882
Debt service:							
Principal	-	7,895,000	-	-	-	785,000	8,680,000
Interest	-	3,882,106	140	105	-	465,593	4,347,944
Fiscal charges	-	153,544	-	-	-	-	153,544
Bond issuance cost	29,328	111,802	56,390	42,376	-	16,405	256,301
Capital outlay:							
Land	3,797,752	-	-	-	-	7,364	3,805,116
Highways and streets	-	-	8,027,284	-	1,435,208	-	9,462,492
Buildings	-	-	-	2,465,975	-	-	2,465,975
Improvements other than buildings	-	-	-	-	-	1,185,847	1,185,847
Equipment	51,160	-	-	-	-	931,371	982,531
Parks	-	-	-	-	-	135,195	135,195
Total expenditures	<u>45,696,585</u>	<u>12,042,452</u>	<u>8,083,814</u>	<u>2,545,961</u>	<u>1,435,208</u>	<u>7,596,573</u>	<u>77,400,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,321,748)</u>	<u>(371,185)</u>	<u>(4,032,128)</u>	<u>(2,545,005)</u>	<u>5,565,067</u>	<u>273,995</u>	<u>(4,431,004)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	810,532	-	65,000	-	-	-	875,532
Transfers out	-	-	-	-	-	(65,000)	(65,000)
Sale of city property	-	-	-	-	-	54,224	54,224
Refunding bonds issued	-	6,710,000	-	-	-	-	6,710,000
Bonds issued	3,536,555	371,831	6,800,000	5,110,000	-	1,936,614	17,755,000
Premium on bonds issued	51,366	192,313	98,766	74,220	-	34,174	450,839
Discounts on bonds issued	(23,899)	(33,333)	(45,952)	(34,532)	-	(18,813)	(156,529)
Payment to refunded bond escrow agent	-	(6,610,000)	-	-	-	-	(6,610,000)
Total other financing sources and uses	<u>4,374,554</u>	<u>630,811</u>	<u>6,917,814</u>	<u>5,149,688</u>	<u>-</u>	<u>1,941,199</u>	<u>19,014,066</u>
Net change in fund balances	<u>1,052,806</u>	<u>259,626</u>	<u>2,885,686</u>	<u>2,604,683</u>	<u>5,565,067</u>	<u>2,215,194</u>	<u>14,583,062</u>
Fund balances - beginning	<u>10,604,212</u>	<u>596,142</u>	<u>5,995,554</u>	<u>430,489</u>	<u>1,178,141</u>	<u>9,778,264</u>	<u>28,582,802</u>
Fund balances - ending	<u>\$ 11,657,018</u>	<u>\$ 855,768</u>	<u>\$ 8,881,240</u>	<u>\$ 3,035,172</u>	<u>\$ 6,743,208</u>	<u>\$ 11,993,458</u>	<u>\$ 43,165,864</u>

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

City of Mansfield, Texas
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, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances total governmental funds	\$ 14,833,369
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 by which capital outlays exceeded depreciation in the current period.	4,916,814
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	5,424,964
Lease revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenue in the funds.	40,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(64,814)
The issuance of long-term debt (e.g., bonds, leases) 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the treatment of long-term debt and related items.	<u>(9,598,807)</u>
Changes in net position of governmental activities	<u><u>\$ 15,551,526</u></u>

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

City of Mansfield, Texas
Statement of Net Position
Proprietary Funds
September 30, 2014

	Business-Type Activities Enterprise Funds			
	Law			
	Water and Sewer	Enforcement Center	Drainage Utility	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,494,471	\$ 222,268	\$ 1,639,511	\$ 15,356,250
Accounts receivable (net of allowance for uncollectibles)	4,064,049	286,345	158,513	4,508,907
Inventories	243,093	24,873	-	267,966
Current assets	17,801,613	533,486	1,798,024	20,133,123
Current restricted assets:				
Cash and cash equivalents	18,965,999	598,620	317,022	19,881,641
Total current assets	36,767,612	1,132,106	2,115,046	40,014,764
Noncurrent assets:				
Capital assets:				
Land	138,191	234,528	1,694,020	2,066,739
Buildings and systems	189,430,954	7,363,784	5,808,544	202,603,282
Improvements other than buildings	62,818	2,651,815	-	2,714,633
Machinery and equipment	2,459,124	1,325,322	137,512	3,921,958
Construction in progress	11,690,330	-	-	11,690,330
Less accumulated depreciation	(44,391,687)	(4,660,308)	(767,924)	(49,819,919)
Total capital assets (net of accumulated depreciation)	159,389,730	6,915,141	6,872,152	173,177,023
Total noncurrent assets	159,389,730	6,915,141	6,872,152	173,177,023
Total assets	196,157,342	8,047,247	8,987,198	213,191,787
LIABILITIES				
Current liabilities:				
Accounts payable	1,112,407	83,649	39,718	1,235,774
Compensated absences	163,565	241,183	-	404,748
Accrued liabilities	164,911	308,174	11,090	484,175
Current liabilities	1,440,883	633,006	50,808	2,124,697
Current liabilities payable from restricted assets:				
Customer deposits payable	1,338,458	3,362	-	1,341,820
Revenue bonds payable	3,960,000	-	375,000	4,335,000
Certificates of obligation payable	-	515,000	-	515,000
Accrued interest payable	394,120	8,857	24,562	427,539
Retainage payable	522,206	-	6,763	528,969
Accrued liabilities	17,001	32,866	-	49,867
Current liabilities payable from restricted assets	6,231,785	560,085	406,325	7,198,195
Total current liabilities	7,672,668	1,193,091	457,133	9,322,892
Noncurrent liabilities:				
Compensated absences	384,191	537,658	-	921,849
General obligation bonds payable (net of unamortized discounts)	-	650,407	-	650,407
Revenue bonds payable (net of deferred amount on refunding)	44,583,624	-	4,141,547	48,725,171
Total noncurrent liabilities	44,967,815	1,188,065	4,141,547	50,297,427
Total liabilities	52,640,483	2,381,156	4,598,680	59,620,319
NET POSITION (DEFICIT)				
Net investment in capital assets	110,846,106	5,749,734	2,594,288	119,190,128
Restricted for debt service	3,710,531	97,946	53,778	3,862,255
Restricted for capital projects	7,955,468	491,816	238,683	8,685,967
Unrestricted	21,004,754	(673,405)	1,501,769	21,833,118
Total net position	\$ 143,516,859	\$ 5,666,091	\$ 4,388,518	\$ 153,571,468

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

City of Mansfield, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2014

	Business-type Activities			Enterprise Funds
	Law			
	Water and Sewer	Enforcement Center	Drainage Utility	Total
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 15,662,227	\$ -	\$ -	\$ 15,662,227
Sewer charges	9,267,629	-	-	9,267,629
Drainage fees	-	-	1,299,904	1,299,904
Housing services	-	9,735,416	-	9,735,416
Other services	2,702,623	379,022	282,908	3,364,553
Total operating revenues	27,632,479	10,114,438	1,582,812	39,329,729
Operating expenses:				
Costs of sales and services	14,005,266	9,469,737	828,248	24,303,251
Administration	2,739,322	259,990	256,434	3,255,746
Depreciation	3,712,396	255,123	105,298	4,072,817
Total operating expenses	20,456,984	9,984,850	1,189,980	31,631,814
Operating income (loss)	7,175,495	129,588	392,832	7,697,915
Nonoperating revenues (expenses):				
Interest earnings	22,178	-	240	22,418
Interest expense	(2,580,652)	(85,556)	(181,482)	(2,847,690)
Total nonoperating revenue (expenses)	(2,558,474)	(85,556)	(181,242)	(2,825,272)
Income before contributions and transfers	4,617,021	44,032	211,590	4,872,643
Capital contributions	1,701,114	-	-	1,701,114
Transfers in (out)	(810,532)	-	-	(810,532)
Change in net position	5,507,603	44,032	211,590	5,763,225
Total net position - beginning	138,009,256	5,622,059	4,176,928	147,808,243
Total net position- ending	\$ 143,516,859	\$ 5,666,091	\$ 4,388,518	\$ 153,571,468

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

City of Mansfield, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Law Enforcement Center	Drainage Utility Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customer and users	\$ 27,485,014	\$ 10,111,582	\$ 1,907,988	\$ 39,504,584
Payments to suppliers	(12,806,685)	(1,495,834)	(902,408)	(15,204,927)
Payments to employees	(4,142,989)	(8,157,299)	(189,139)	(12,489,427)
Net cash provided by operating activities	10,535,340	458,449	816,441	11,810,230
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to/from other funds	(810,532)	-	-	(810,532)
Net cash provided by (used in) capital and related financing activities	(810,532)	-	-	(810,532)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(11,785,651)	(209,213)	(91,599)	(12,086,463)
Principal paid on capital debt	(3,820,000)	(490,000)	(370,000)	(4,680,000)
Interest paid on capital debt	(2,493,316)	(78,606)	(156,670)	(2,728,592)
Net cash used in capital and related financing activities	(18,098,967)	(777,819)	(618,269)	(19,495,055)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	22,178	-	240	22,418
Net cash provided by investing activities	22,178	-	240	22,418
Net (decrease) increase in cash and cash equivalents	(8,351,981)	(319,370)	198,412	(8,472,939)
Cash and cash equivalents, October 1	39,775,251	1,142,276	1,761,609	42,679,136
Cash and cash equivalents, September 30 (including \$18,965,999; \$598,620; and \$317,022 for the Water and Sewer fund, Law Enforcement Center fund, and Drainage Utility fund, respectively, reported in restricted accounts)	\$ 32,460,470	\$ 820,888	\$ 1,956,533	\$ 35,237,891
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 7,175,495	\$ 129,588	\$ 392,832	\$ 7,697,915
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	3,712,396	255,123	105,298	4,072,817
(Increase) decrease in accounts receivable	(147,465)	(2,856)	325,176	174,855
(Increase) decrease in inventories	(17,622)	(6,741)	-	(24,363)
Increase (decrease) in accounts payable	(187,464)	83,335	(6,865)	(110,994)
Total adjustments	3,359,845	328,861	423,609	4,112,315
Net cash provided by operating activities	\$ 10,535,340	\$ 458,449	\$ 816,441	\$ 11,810,230
Noncash capital activities:				
Contributions of capital assets from developers	\$ 1,701,114	\$ -	\$ -	\$ 1,701,114

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

City of Mansfield, Texas
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2014

	<u>Agency</u>
ASSET	
Cash and cash equivalent	\$ 1,536,286
Total assets	<u>\$ 1,536,286</u>
 LIABILITIES	
Insurance payable	\$ 1,536,286
Total liabilities	<u>\$ 1,536,286</u>

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

CITY OF MANSFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

I. Summary of Significant Accounting Policies

The financial statements of the City of Mansfield, Texas (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described herein.

New Pronouncements

For fiscal year 2014, the City implemented the following statements issued by GASB.

GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflow of resources, certain items previously reported as assets and liabilities. The effect of the new pronouncement recognizes Deferred Outflows on the Statement Net Position as a single item that is reclassified from the noncurrent liabilities to deferred loss on refunding and the other impact recognizes deferred issuance cost related to the issuance of long term debt as an expense in this fiscal year.

GASB issued Statement No. 66, Technical Corrections 2012. The objective of this Statement is to improve accounting and financial reporting for government reporting by resolving conflicting guidance that resulted from the issuance of GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The effective date for this Statement is for financial statements whose fiscal year begins after December 15, 2012. The implementation of this statement did not result in any changes to the financial statements.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member Council. As required by GAAP, these financial statements present the City and its component units, for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations, and data from these units are combined with data from the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units

Mansfield Park Facilities Development Corporation (MPFDC) - The MPFDC board of directors is appointed by the City Council, and the City management maintains significant continuing management responsibility with respect to MPFDC policies. Additionally, the City is ultimately responsible for MPFDC fiscal matters. The MPFDC provides services exclusively to the City (i.e., the MPFDC constructs capital assets on behalf of the City). The MPFDC does not issue separate financial statements and the MPFDC is included in the other governmental funds.

Mansfield Tax Increment Financing Reinvestment Zone Number One (TIRZ) - The City and the City's management maintain significant influence and management responsibility in the approval of programs, expenditures, and obligations of the TIRZ. The TIRZ board of directors is a seven-member board; four members of the board of directors are members of the City's Council with the remaining three board members appointed by the participating entities of the TIRZ unless the participating entity waives its right to board membership, which at such time the City may appoint a member in its stead. Two Counties, Tarrant, and Ellis County, participate in the City's TIRZ as it is a 3,100-acre tract of land that is in three Counties. The TIRZ does not issue separate financial statements, as the TIRZ is included as a major fund of the City. The TIRZ was established in December 2006 and is for the primary benefit of the City. The benefits include financing of the City's infrastructure within the TIRZ, which are owned and maintained by the City.

Mansfield Tax Increment Financing Reinvestment Zone Number Two (TIRZ) – The City and the City's management maintain significant influence and responsibility in the approval of programs, expenditures, and obligations of the TIRZ. The TIRZ board of directors is a five-member board; four members of the board of directors are members of the City's Council with the remaining board member appointed by Tarrant County the other participating entity. This TIRZ was established to revitalize the City's Historic Downtown area, which includes 317 developed acres. The TIRZ does not issue separate financial statements, as the TIRZ is included as a non-major fund of the City. The TIRZ was established in December 2012 and is for the primary benefit of the City. The benefits include financing of the City's infrastructure within the TIRZ, which will be owned and maintained by the City.

Discretely Presented Component Unit

Mansfield Economic Development Corporation (MEDC) – In 1997, the voters passed an additional 1/2 cent sales tax to fund an aggressive economic development program and provide financial incentives, infrastructure needs, and tax relief in the recruitment and retention of industry. Although the City Council appoints all board members, none of the board members are currently City Council members or City employees. In addition, City management maintains significant continuing management responsibility with respect to MEDC financial matters. Although the MEDC financial matters are ratified or denied by the City, the City is not legally entitled to the MEDC resources or is it legally obligated for the indebtedness of the MEDC. The MEDC provides financial incentives to business and industry as permitted by statute and does not provide services entirely or almost entirely to the City and does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where amounts reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The previous reporting model emphasized fund types (the total of all funds of a particular type); in the reporting model as defined by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis –

for State and Local Governments, the focus is either the City as a whole or major individual fund (within the fund financial statements).

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, interest income, etc.).

Separate fund-based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, debt service fund, street construction fund, building construction fund, and TIRZ fund #1. The major enterprise funds are the water and sewer fund, the law enforcement center fund, and the drainage utility fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds along with other qualitative factors. The non-major funds are combined in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary fund (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers ad valorem tax, sales tax, hotel/motel tax, mixed drink tax, and investment earnings to be available if they are collected within 60 days of the end of

the current fiscal period. Franchise tax revenues are considered to be available if collected within 30 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and will be paid shortly after year-end (not to exceed one month).

Licenses and permits, charges for services, fines, contributions and donations, impact fees, and miscellaneous revenues are recorded as revenues when received in cash, as the amounts are typically not known until received. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, as soon as all eligibility requirements have been met, moneys must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, moneys are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if all eligibility requirements are met.

A portion of the City's revenues are derived from developer contributions. The effect of these transactions, recorded as revenue, in the City's water and sewer funds was significant. Developer's contributions of \$1,701,114 are recorded as nonoperating revenue in the water and sewer fund financial statements. These amounts represent revenues from nonexchange transactions during the fiscal year. For reporting non-exchange transactions for the governmental activities, in the government-wide financial statements on the accrual basis of accounting, the revenues are recorded as capital contributions program revenue, which totaled \$11,962,132.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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. The principal operating revenues of the City's Water and Sewer Fund, Law Enforcement Center Fund, and Drainage Utility Fund are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major governmental funds:

The General Fund is the operating fund of the City. 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, the fixed charges, and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The General Obligation Debt Service Fund (Debt Service) is used to account for the accumulation of resources for and the payment of, principal and interest on general long-term obligation debt. The primary source of revenue is ad valorem taxes, which are levied by the City.

The Street Construction Fund accounts for the financial resources to be used in the construction of roadways and bridges. The Fund is financed from general obligation bond proceeds, certificates of obligation proceeds, impact fees, developer contributions, or other sources.

The Building Construction Fund accounts for the financial resources to be used in the construction of general governmental buildings and facilities. The Fund is financed from general obligation bond proceeds, certificates of obligation proceeds, or other sources.

The TIRZ One Fund accounts for the financial resources to be used in the development, construction, improvements, and acquisition of land within a boundary that encompasses 3,100 acres of mixed-use property. The Fund is financed from the increased property values above a preexisting property tax base on January 1, 2006. The year-over-year increase in property values will be contributed by the City and the participating Counties. The City's contribution of property tax from the increased property values is 65% of the increased property within the TIF boundary, and the County's contribution of property tax from the increased property values is 30% of the increased property within Counties limits within the TIF boundary.

The other governmental funds column is a summarization of all the non-major governmental fund types.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the operation of the City's water and sewer system. Activities of the Fund include administration, operation, 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 general obligation, and revenue bonds. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Fund.

The Law Enforcement Center Fund accounts for the operation of the City's jail facility.

The Drainage Utility Fund accounts for the operation of the City's drainage system. Activities of the Fund include administration, operation, and maintenance of the drainage system. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

Additionally, the government reports the following fund type:

Agency Funds are used to account for assets held by the City in a trustee capacity for others or for other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables. The Payroll Fund and the Employee Group Health Insurance Fund are the Agency Funds currently administered by the City.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments:

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with original maturities of three months or less from the end of the fiscal year.

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the balance sheet or statement of net position as "Cash, Cash Equivalents, and Investments" under each fund's caption. Except for bond-related and other restricted transactions, the City conducted all its banking and investment transactions with the depository bank, JPMorgan Chase Bank, Mansfield.

For fiscal year 2014, the City invested in direct obligations of the U.S. government, or its agencies and mutual funds as authorized by the City's investment policy. The City records interest revenue earned from investment activities in each respective fund and recognizes its investments on a fair value basis, which is based on quoted market prices.

2. Inventory:

Inventory consists primarily of supplies, valued at cost. Cost is determined using the weighted average method. Inventory is charged to the user departments and recorded as expenses/expenditures when consumed rather than when purchased.

3. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond are recorded as prepaid items. The non-spendable portion of the fund balance is provided equal to the amount of inventory, as the amount is not available for expenditure. These payments are recognized under the consumption method.

4. Capital Assets:

Capital assets, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, while improvements and betterments are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building and Improvements	50 years
Water and Sewer Lines	50 years
Vehicles, Machinery, and Equipment	4-10 years
Infrastructure	25 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with the interest earned on invested proceeds over the same period. The City capitalized \$0 of interest during fiscal year 2014.

5. Deferred Inflows and Outflows:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and will not be recognized as an outflow of resources (expense/expenditure) until the appropriate future period. The City has one item that qualifies in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. 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 and the refunding or the refunded debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

Deferred outflows of resources are used to report consumptions of net position by the City that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net assets by the City that are applicable to future reporting periods. The deferred inflow is reclassified to revenue on the government-wide financial statements

6. Compensated Absences:

Vested or accumulated vacation leave is accrued in the government-wide and proprietary fund financial statements when incurred. No liability is recorded for non-vesting, accumulating rights to receive sick pay benefits. Vacation is earned in varying amounts up to a maximum of fifteen (15) days for employees with ten (10) or more years of service. Unused vacation leave is carried forward from one year to the next without limit with regards to years of service. As of September 30, 2014, the liability for accrued vacation was \$7,911,926. The amount applicable to the Proprietary Funds \$1,326,597 and the MEDC \$43,941 have been recorded in these funds, and the amount applicable to other funds \$6,541,389 has been recorded in the government-wide financial statements.

7. Interfund Charges:

The City allocates to the Water and Sewer Fund, a percentage of the salaries and wages and related costs of personnel who perform administrative services for the fund but are paid through the General Fund. During the year ended September 30, 2014, the City allocated \$147,980 to the Water and Sewer Fund for these services.

8. Property Tax:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent on February 1 of the following year. The City contracts with Tarrant County to bill and collect its property taxes. Property tax revenues are recognized when they are both measurable and available. Revenues are considered both measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period.

9. Long-Term Obligations:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred loss on refunding.

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

10. Restricted Assets:

Certain proceeds of Proprietary Fund Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Additionally, amounts held by the City for inmates of the Law Enforcement Center are also classified as restricted assets on the statement of net position.

11. 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, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Final settlement amounts could differ from those estimates.

12. Change in Accounting Principle:

In March 2013, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows or resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflow of resources, certain items previously reported as assets and liabilities. As a result, costs related to the issuance of bonds which were previously deferred have been reclassified as if they had been reported as an outflow of resources when incurred.

	Governmental Activities	Business-Type Activities	Component Unit
Net Position - beginning of period, as previously reported	\$ 234,756,985	\$ 148,777,289	\$ 9,281,114
GASB 65 - unamortized bond issuance costs	(2,295,452)	(969,046)	(260,515)
Net Position - beginning of period, as adjusted	<u>\$ 232,461,533</u>	<u>\$ 147,808,243</u>	<u>\$ 9,020,599</u>

13. Fund Balance Classification:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to classify the fund balances.

Committed fund balances are amounts that can only be used for specific purposes with constraints imposed by formal action of the City Council and do not lapse at year-end. This formal action consists of a written ordinance voted and approved by a majority of the City Council. For assigned fund balance classification, the City Manager with concurrence of the Finance Director is authorized to assign amounts for a specific purpose as permitted by Section 9.12 of the City Charter. The restricted fund balance classification includes amounts that have constraints that are externally imposed (creditors, grantors, etc.) or imposed by enabling legislation. The nonspendable classification includes amounts that are not in

spendable form or required to be maintained intact. The unassigned fund balance classification represents fund balance that has not been classified to another category.

The City considers an amount spent when the expenditure is incurred when restricted or unrestricted fund balances are available. In addition, the City considers an amount spent when expenditure is incurred for purposes for which an amount in the committed, assigned, or unassigned amounts could be used. The City considers expenditure to be made from the most restrictive resources/funds when more than one classification is available.

The City has a minimum General Fund balance policy requirement. This policy established by resolution of the Council requires General Fund unassigned fund balance to be 25% of the ensuing fiscal year's General Fund operating budget. The detailed fund balance classifications are as follows:

	General	Debt Service	Street Construction	Building Construction	TIRZ	Other Governmental Funds	Total Governmental Funds
Fund balances:							
Nonspendable:							
Inventory	-	-	-	-	-	61,228	61,228
Restricted:							
Debt service reserve	-	855,768	-	-	-	-	855,768
Parks debt service reserve	-	-	-	-	-	207,380	207,380
Street construction/improvements	-	-	8,881,240	-	-	-	8,881,240
Municipal building improvements	-	-	-	3,035,172	-	-	3,035,172
Parks and recreation	-	-	-	-	-	7,072,999	7,072,999
Parks capital improvements	-	-	-	-	-	16,212	16,212
Other capital projects	-	-	-	-	6,743,208	3,538	6,746,746
Equipment /other purposes	-	-	-	-	-	1,222,776	1,222,776
Court seizure fund	-	-	-	-	-	30,113	30,113
Committed:							
Tree mitigation	-	-	-	-	-	521,173	521,173
Parks capital improvements	-	-	-	-	-	1,604,943	1,604,943
Tourism promotion	-	-	-	-	-	817,845	817,845
Court security and technology	-	-	-	-	-	267,544	267,544
Animal control	-	-	-	-	-	7,442	7,442
Assigned:							
COPS Grant	-	-	-	-	-	101,872	101,872
Library	-	-	-	-	-	58,393	58,393
Unassigned:	11,657,018	-	-	-	-	-	11,657,018
Total fund balances	11,657,018	855,768	8,881,240	3,035,172	6,743,208	11,993,458	43,165,864

14. Net Position:

Net position is classified and displayed in three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is excluded from the calculation of net investment in capital assets.

Restricted – Consists of assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which there

are both restricted and unrestricted assets available, it is the City's policy to apply those expenses to restricted assets, to the extent such are available, and then to unrestricted assets.

Unrestricted – All other assets that constitute the components of net position that do not meet the definition of "restricted" or "investment in capital assets."

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds."

The details of this \$118,996,905 difference are as follows:

Bonds payable	\$111,675,000
Premium on issuance of bonds	2,162,749
Discounts on issuance of bonds	(907,273)
Fiscal charges	(1,147,989)
Accrued interest payable	673,028
Compensated absences	<u>6,541,389</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position– governmental activities	<u>\$118,996,905</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$4,916,814 difference are as follows:

Capital outlay	\$18,037,156
Depreciation expense	<u>(13,120,342)</u>

Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 4,916,814</u>
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Another element of that reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position." The statement of activities reports contributions of capital assets. Conversely, the governmental funds do not report any contributions of capital assets. The \$5,424,964 difference is as follows:

Net adjustment to increase changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$5,424,964</u>
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Another element of that reconciliation states that “revenues recognizing future lease payments on a straight-line basis in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the funds.” The \$40,000 difference is as follows:

The statement of activities reports lease revenues to recognize future lease payments on a straight-line basis. However, governmental funds do not report lease revenues until they are available. \$40,000

Another element of that reconciliation states that “other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds”. The \$(64,814) difference is as follows:

The governmental funds defer revenue related to uncollected receivables. However, in the statement of activities, this amount is recognized in the current period. \$(64,814)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(9,598,809) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (24,465,000)
Premium on issuance of bonds	(450,839)
Discounts on issuance of bonds	156,529
Accrued interest payable	(30,607)
Amortization of premiums/discounts	130,107
Compensated absences	(382,543)
Principal payments or payments to escrow agent	<u>15,443,544</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (9,598,809)</u>

III. Detailed Notes on All Funds

A. Deposits and Investments

As of September 30, 2014, the primary government had cash and cash equivalents of \$13,423,532 and the following investments, which are recorded as cash equivalents (maturities of investments are measured in weighted average maturities or WAM):

Primary Government - Governmental Activities and Business-type Activities	Fair Value	WAM (Years)
Investment Type - Money Market Mutual Funds		
Total Fair Value and Weighted Average Maturity	<u>\$69,490,523</u>	<u>0.13</u>

As of September 30, 2014, the Mansfield Economic Development Corporation had cash and cash equivalents of \$1,061,640 and the following investments, which are recorded as cash equivalents (maturities of investments are measured in weighted average maturities or WAM)

Component Unit - Mansfield Economic Development Corporation	Fair Value	WAM (Years)
Investment Type - Money Market Mutual Funds		
Total Fair Value and Weighted Average Maturity	<u>6,738,177</u>	<u>0.13</u>

Interest Rate Risk –

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit Risk –

The City is authorized to invest in U.S. government obligations and its agencies or instrumentalities, obligations of Texas and its agencies, fully insured or collateralized certificates of deposit, fully collateralized direct repurchase agreements, government pools and money market funds consisting of any of these securities listed, and obligations of states, cities, and other political subdivisions with a rating of “A” or its equivalent. As of September 30, 2014, the City’s investment in the money market mutual funds was rated “AAA” by Standard and Poor’s and “Aaa” by Moody’s Investment Service.

Custodial Credit Risk Deposits –

In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City has a deposit policy, which requires a collateralization level of 105% of market value less an amount insured by the FDIC.

Custodial Credit Risk Investments –

For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has an investment policy, which requires a collateralization level of 105% of market value of principal and accrued interest on investments other than direct purchases of U.S. Treasuries or Agencies. The policy requires all investments held by outside parties for safekeeping in the name of the City or on behalf of the City.

Concentration of Credit Risk Investments –

The City’s investment policy does not place a limit on the amount the City may invest in a single issuer because the City’s investment policy limits the City’s authorized investments. These authorized investments include any security backed by the federal government, the State of Texas, or political subdivision with an investment grade rating of “A” or better. The City’s investment policy authorizes mutual funds, “AAA” rated only registered with the Securities and Exchange Commission available alternatives to previously listed authorized securities. At September 30, 2014, the City’s investments are held in Texas Class Money Market Mutual Fund; Bank of America Merrill Lynch Money Market Mutual Fund; and TexStar Participant Services. These investments are 33.37%; 31.73%; and 34.31% of the City’s total investments. These money market mutual funds are invested in U.S. Treasury obligations, which are backed by the full faith and credit of the U.S. government.

B. Receivables

Receivables at September 30, 2014 consisted of the following:

Governmental Funds				
	General	Debt Service	Non-major	Total
Receivables:				
Property Taxes	\$ 726,635	\$ 388,872	\$ -	\$1,115,507
Accounts	5,529,510	-	1,082,360	6,611,870
Gross Receivables	6,256,145	388,872	1,082,360	7,727,377
Less: Allowance for				
Uncollectible	4,326,054	314,890	-	4,640,944
Net Total Receivables	<u>\$1,930,091</u>	<u>\$ 73,982</u>	<u>\$ 1,082,360</u>	<u>\$ 3,086,433</u>

Proprietary Funds				
	Water & Sewer	Law Enforcement	Drainage Utility	Total
Receivables:				
Accounts	\$4,874,495	\$286,345	\$207,814	\$5,368,654
Other	43,506	-	-	43,506
Gross Receivables	4,918,001	286,345	207,814	5,412,160
Less: Allowance for uncollectibles	853,952	-	49,301	903,253
Net Total Receivables	<u>\$ 4,064,049</u>	<u>\$ 286,345</u>	<u>\$ 158,513</u>	<u>\$ 4,508,907</u>

The MEDC has a sales tax receivable in the amount of \$359,488 as of September 30, 2014.

C. Capital Assets

Capital asset activity for the year ended September 30, 2014 is as follows:

Governmental activities:	Sept 30, 2013	Increases	Decreases	Sept 30, 2014
Capital assets, not being depreciated:				
Land	\$ 94,605,319	\$ 4,030,536	\$ -	\$ 98,635,855
Construction in progress	8,975,852	14,006,620	(6,027,032)	16,955,440
Total capital assets, not being depreciated	103,581,171	18,037,156	(6,027,032)	115,591,295
Buildings	62,065,246	-	-	62,065,246
Other improvements	15,359,926	3,287,942	-	18,647,868
Machinery and equipment	20,678,082	1,714,258	(576,343)	21,815,997
Infrastructure	283,173,992	6,486,966	-	289,660,958
Total capital assets being depreciated	381,277,246	11,489,166	(576,343)	392,190,069
Less accumulated depreciation for:				
Buildings	(7,858,328)	(1,172,119)	-	(9,030,447)
Other improvements	(9,885,138)	(983,443)	-	(10,868,581)
Machinery and equipment	(15,638,099)	(783,596)	539,175	(15,882,520)
Infrastructure	(139,906,145)	(10,181,184)	-	(150,087,329)
Total accumulated depreciation	<u>(173,287,710)</u>	<u>(13,120,342)</u>	<u>539,175</u>	<u>(185,868,877)</u>

Total capital assets being depreciated, net	<u>207,989,536</u>	<u>(1,631,176)</u>	<u>(37,168)</u>	<u>206,321,192</u>
Governmental activities capital assets, net	<u>\$311,570,707</u>	<u>\$16,405,980</u>	<u>\$(6,064,200)</u>	<u>\$321,912,487</u>
Business-type activities:	Sept 30, 2013	Increases	Decreases	Sept 30, 2014
Capital assets, not being depreciated:				
Land	\$ 2,026,739	\$ 40,000	\$ -	\$ 2,066,739
Construction in progress	<u>7,972,721</u>	<u>11,817,054</u>	<u>(8,099,445)</u>	<u>11,690,330</u>
Total capital assets, not being depreciated	9,999,460	11,857,054	(8,099,445)	13,757,069
Capital assets, being depreciated:				
Buildings and systems	145,414,629	7,898,747	-	153,313,376
Improvements other than buildings	2,714,633	-	-	2,714,633
Machinery and equipment	3,491,852	409,911	20,195	3,921,958
Infrastructure	<u>47,588,791</u>	<u>1,701,115</u>	<u>-</u>	<u>49,289,906</u>
Total capital assets, being depreciated	199,209,905	10,009,773	20,195	209,239,873
Less accumulated depreciation for:				
Buildings and systems	(29,631,642)	(2,916,254)	-	(32,547,896)
Improvements other than buildings	(185,994)	(44,796)	-	(230,790)
Machinery and equipment	(2,823,657)	(165,415)	(20,195)	(3,009,267)
Infrastructure	<u>(13,085,614)</u>	<u>(946,352)</u>	<u>-</u>	<u>(14,031,966)</u>
Total accumulated depreciation	<u>(45,726,907)</u>	<u>(4,072,817)</u>	<u>(20,195)</u>	<u>(49,819,919)</u>
Total capital assets being depreciated, net	<u>153,482,998</u>	<u>5,936,956</u>	<u>-</u>	<u>159,419,954</u>
Business-type activities capital assets, net	<u>\$163,482,458</u>	<u>\$17,794,010</u>	<u>\$(8,099,445)</u>	<u>\$173,177,023</u>

D. Capital assets continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 285,139
Public Safety	761,415
Public Works	10,241,478
Culture and Recreation	<u>1,832,310</u>
Total Depreciation Expense – Governmental Activities	<u>\$13,120,342</u>

Business-Type Activities:	
Water and Sewer	\$ 3,712,396
Law Enforcement Center	255,123
Drainage Utility Fund	<u>105,298</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 4,072,817</u>

Construction Commitments

The general government had outstanding commitments at September 30, 2014, under authorized construction contracts of approximately \$6,717,000. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources. These outstanding commitments relate to the major funds.

The MPFDC had outstanding commitments at September 30, 2014, under authorized construction contracts of approximately \$1,372,000. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources. These outstanding commitments relate to the non-major funds.

The Water and Sewer Fund had outstanding commitments at September 30, 2014, under authorized construction contracts of approximately \$9,450,000. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources.

Discretely Presented Component Unit

Activity for the MEDC for the year ended September 30, 2014 was as follows:

Mansfield Economic Development Corporation:	Sept 30, 2013	Increases	Decreases	Sept 30, 2014
Capital assets, not being depreciated:				
Land	\$6,865,506	\$ 31,971	\$ -	\$6,897,477
Construction in Progress	1,885,895	8,973,841	(1,850,379)	9,009,357
Total capital assets, not being depreciated	8,751,401	9,005,812	(1,850,379)	15,906,834
Capital assets, being depreciated:				
Other improvements	167,248	-	-	167,248
Machinery and equipment	72,312	-	-	72,312
Total capital assets, being depreciated	239,560	-	-	239,560
Less accumulated depreciation for:				
Other improvements	(57,952)	(3,052)	-	(61,004)
Machinery and equipment	(79,208)	-	6,896	(72,312)
Total accumulated depreciation	(137,160)	(3,052)	6,896	(133,316)
Total capital assets being depreciated, net	102,400	(3,052)	6,896	106,244
MEDC capital assets, net	\$ 8,853,801	\$9,002,760	\$(1,843,483)	\$ 16,013,078

The MEDC had outstanding commitments at September 30, 2014 under authorized construction contracts of approximately \$2,799,000.

E. Interfund Transfers

The composition of interfund balances as of September 30, 2014 is as follows:

Fund	Transfers In	Transfers Out
General Fund	\$810,532	\$ -
Street Construction Fund	65,000	-
Mansfield Parks FDC	-	65,000
Water and Sewer Fund	-	810,532
TOTAL	\$875,532	\$875,532

The General Fund received a transfer from the Water and Sewer Fund for a payment-in-lieu of taxes, \$810,532, for services provided as part of the City's ordinary government.

Interfund activity from the General Fund, Building Construction Fund, and the non-major funds is for the purpose of purchase, construction, and improvements of fixed assets for government-wide purposes. These transfers are budgeted annually. The unexpended funds within the non-major funds generally are reappropriated upon the adoption of the next fiscal year's budget. These interfund transfers within the Governmental Fund Types are eliminated upon the reporting of government-wide financial statements.

F. Long-Term Debt

Governmental Activities -

General Obligation Bonds, Loans, and Certificates of Obligation

The general obligation bonds, loans, and certificates of obligation are serial and term debt collateralized by the full faith and credit of the City and are payable from property taxes. The debt matures annually in varying amounts through 2034, and interest is payable semiannually. Proceeds of general obligation bonds are recorded in the Capital Projects Funds and are restricted to the use for which they were approved in the bond elections. Certificates of obligation bonds and loan proceeds are recorded in the appropriate fund for which the debt was issued and approved by the City. The City Charter expressly prohibits the use of bond proceeds to fund operating expenditures.

In 2013, the City issued \$4,200,000 in General Obligation Refunding Bonds, Series 2013, for the purpose of refunding \$4,505,000 of the City's outstanding debt. The bonds of \$4,200,000 plus premiums of \$418,231, less discounts of \$26,939 and less issuance costs of \$86,000 were used to refund a portion of the City's outstanding debt.

The City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$99,624 and resulted in an economic gain of \$712,222. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was \$85,294 at September 30, 2014.

In 2013, the City issued \$2,880,000 in General Obligation Refunding Bonds, Series 2013, for the purpose of refunding \$2,915,000 of the City's outstanding debt. The bonds of \$2,880,000 plus premiums of \$120,815, less discounts of \$20,667 and less issuance costs of \$68,262 were used to refund a portion of the City's outstanding debt.

The City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$76,966 and resulted in an economic gain of \$464,895. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was \$83,718 at September 30, 2014.

In 2014, the City issued \$16,500,000 in Combination Tax and Revenue Certificates of Obligation Bonds, Series 2014, for the purpose of construction of street improvements and building improvements. The bonds of \$16,500,000 plus premiums of \$234,249, less discounts of \$109,661 and less issuance costs of \$125,247 will be used to construct and design street improvements and building improvements.

In 2014, the City issued \$1,255,000 in Combination Tax and Revenue Certificates of Obligation Bonds, Series 2014A, for the purpose of purchasing equipment and building improvements. The bonds of \$1,255,000 plus premiums of \$24,276, less discounts of \$13,534 and less issuance costs of \$10,742 will be used to purchase equipment and building improvements.

In 2014, the City issued \$6,710,000 in General Obligation Refunding Bonds, Series 2014, for the purpose of refunding \$6,610,000 of the City's outstanding debt. The bonds of \$6,710,000 plus premiums of \$192,313, less discounts of \$33,333 and less issuance costs of \$103,837 were used to refund a portion of the City's outstanding debt.

The City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$153,534 and resulted in an economic gain of \$450,680. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was \$134,351 at September 30, 2014

General obligation debt outstanding at September 30, 2014 comprises the following issues:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2005 Refunding	3.00% to 5.00%	2020	9,050,000	3,865,000
2006	4.00% to 4.35%	2026	6,905,000	4,890,000
2007 CO	4.00% to 5.00%	2027	3,320,000	2,505,000
2007	4.00% to 5.00%	2027	5,215,000	3,935,000
2007A CO	5.90% to 6.51%	2028	1,255,000	980,000
2007A GO	5.50% to 4.63%	2028	5,300,000	4,160,000
2007B GO	5.50% to 4.63%	2028	5,300,000	4,190,000
2008 CO	5.00% to 6.25%	2029	12,330,000	10,105,000
2008 GO	5.00% to 6.25%	2029	3,105,000	2,660,000
2009 GO Refunding	3.00% to 4.00%	2022	10,400,000	6,965,000
2011 GO Refunding	2.00% to 4.00%	2022	9,730,000	6,400,000
2011 CO	2.00% to 5.00%	2031	3,090,000	2,755,000
2012 GO Refunding	2.00% to 3.13%	2025	5,855,000	5,640,000
2012 CO	2.00% to 4.00%	2032	3,415,000	3,160,000
2012A CO	3.49% to 4.65%	2032	3,075,000	2,865,000
2013 CO	2.00% to 4.00%	2033	5,335,000	5,135,000
2013 GO Refunding	2.00% to 4.00%	2025	4,200,000	3,910,000
2013A GO Refunding	2.00% to 3.00%	2023	2,880,000	2,670,000
2014 GO Refunding	2.00% to 2.50%	2019	6,710,000	6,485,000
2014 CO	2.50% to 4.38%	2034	16,500,000	16,500,000
2014A CO	2.00% to 4.13%	2034	1,255,000	1,255,000
TOTAL				<u>\$101,030,000</u>

Annual debt service requirements to maturity for general obligation debt, including interest of \$32,650,110, are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$7,450,000	\$3,917,750	\$11,367,750
2016	7,925,000	3,672,499	11,597,499
2017	7,765,000	3,418,171	11,183,171
2018	7,550,000	3,158,696	10,708,696
2019	7,160,000	2,893,754	10,053,754

2020-2024	32,450,000	10,443,079	42,893,079
2025-2029	21,595,000	4,280,846	25,875,846
2030-2034	9,135,000	865,315	10,000,315
TOTAL	<u>\$101,030,000</u>	<u>\$32,650,110</u>	<u>\$133,680,110</u>

Authorized but unissued general obligation bonds as of September 30, 2014 are as follows:

Purpose	Date Authorized	Amount Authorized	Unissued Balance
Library	2/7/2004	<u>\$1,535,000</u>	<u>\$1,535,000</u>

General Operating Leases as of September 30, 2014 are as follows:

The City has entered into two operating purchase agreements for Public Safety equipment. These lease agreements were entered into August 15, 2011 and June 27, 2012. The amount of the equipment purchased was \$372,856 and is to be repaid over a five-year period at an interest rate of 2.44% per year and \$2,073,235 to be repaid over a ten-year period at an interest rate of 3.53%. Annual payments subject to annual appropriation are to occur over the next ten years as follows:

Fiscal Year	Annual Payment	Interest	Principal	Remaining Principal
2014	\$321,271	\$5,590	\$315,681	\$1,986,637
2015	321,271	68,443	252,828	1,733,809
2016	321,271	60,353	260,918	1,472,891
2017	241,153	51,993	189,160	1,283,731
2018	241,153	45,316	195,837	1,087,894
2019-2023	1,205,765	117,871	1,087,894	-
TOTAL	<u>\$2,651,884</u>	<u>\$349,566</u>	<u>\$2,302,318</u>	

Special Sales Tax Revenue Bonds

The Special Sales Tax Revenue Bonds are special limited obligations of the MPFDC payable from proceeds of an additional ½ of 1% sales and use tax levied by the City. The bonds are serial obligations payable annually in varying amounts with interest payable semiannually. The proceeds of these bonds are to be used for their legal purposes as prescribed in the statutes of the State of Texas.

Special Sales Tax Revenue and Revenue Refunding Bonds outstanding at September 30, 2014 are as follows:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2006	4.00% to 4.40%	2026	3,940,000	\$2,825,000
2007	4.00% to 4.30%	2027	2,200,000	1,620,000
2007A	5.90% to 6.51%	2028	2,990,000	2,435,000
2012	2.00% to 3.25%	2024	4,995,000	3,765,000
TOTAL				<u>\$10,645,000</u>

Debt service requirements to maturity for Special Sales Tax Revenue Bonds, including interest of \$3,224,881, are as follows:

Fiscal Year	Principal	Interest	Total
2015	805,000	433,283	1,238,283

2016	835,000	407,104	1,242,104
2017	860,000	379,830	1,239,830
2018	890,000	351,166	1,241,166
2019	925,000	321,393	1,246,393
2020-2023	3,430,000	952,857	4,382,857
2024-2028	2,900,000	379,248	3,279,248
TOTAL	<u>\$10,645,000</u>	<u>\$3,224,881</u>	<u>\$13,869,881</u>

Changes in long-term liabilities

Long-term debt activity for the year ended September 30, 2014 was as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
General Obligation Bonds	91,070,000	24,465,000	(14,505,000)	101,030,000	7,450,000
Sales Tax Revenue Bonds	11,430,000		(785,000)	10,645,000	805,000
Deferred Amounts:				-	
Premiums	2,267,598	450,836	(555,685)	2,162,749	-
Discounts	(890,664)	(156,529)	139,920	(907,273)	-
Total bonds & notes payable	103,876,934	24,759,307	(15,705,765)	112,930,476	8,255,000
Deferred charge on refunding	(1,280,106)	(153,544)	285,661	(1,147,989)	-
Compensated absences	6,158,846	1,974,368	(1,591,825)	6,541,389	1,827,575
	<u>108,755,674</u>	<u>26,580,131</u>	<u>(17,011,929)</u>	<u>118,323,876</u>	<u>10,082,575</u>

For the governmental activities, compensated absences are generally liquidated by the general fund or the respective special sales tax fund.

Business-Type Activities -

Water and Sewer Fund

The water and sewer fund revenue bonds are payable from the gross revenues of the water and sewer system. Gross revenues are to be used first-to-pay operating and maintenance expenses of the system, and second, to maintain revenue bond funds in accordance with the bond covenants. Remaining revenues may then be used for any lawful purpose. The debt matures annually in varying amounts through 2030, and interest is payable semiannually.

Waterworks and Sewer System Refunding and Revenue Bonds

In 2004, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$462,612. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's

life was shorter than the life of the new debt. The deferred amount on refunding was \$42,556 at September 30, 2014.

In 2005, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$327,090. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was \$27,258 at September 30, 2014.

In 2011, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$104,513 and resulted in an economic gain of \$53,332. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was \$85,261 at September 30, 2014.

In 2012, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$195,970 and resulted in an economic gain of \$192,727. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was \$151,061 at September 30, 2014.

Water and sewer fund debt outstanding at September 30, 2014 comprises the following issues:

Date Issued	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2004	3.38% to 4.00%	2019	11,975,000	\$4,155,000
2004A	4.00% to 4.75%	2024	3,135,000	1,845,000
2005Ref	3.60% to 4.10%	2019	9,105,000	1,620,000
2007	4.00% to 4.30%	2027	6,000,000	4,415,000
2008	4.38% to 6.75%	2029	26,185,000	21,525,000
2009	3.00% to 4.50%	2030	2,585,000	2,195,000
2011	2.00% to 5.00%	2030	13,995,000	11,240,000
2012	2.00% to 3.00%	2023	2,320,000	1,890,000
TOTAL				<u>\$48,885,000</u>

Debt service requirements to maturity for water and sewer fund debt, including interest of \$19,843,085, are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$3,960,000	\$2,364,720	\$6,324,720
2016	3,695,000	2,217,470	5,912,470
2017	3,825,000	2,073,826	5,898,826
2018	3,795,000	1,920,695	5,715,695
2019	3,660,000	1,767,128	5,427,128
2020-2023	12,150,000	5,615,289	17,765,289
2024-2028	14,060,000	3,622,619	17,682,619
2029-2030	3,740,000	261,338	4,001,338
TOTAL	<u>\$48,885,000</u>	<u>\$19,843,085</u>	<u>\$68,728,085</u>

Law Enforcement Center

The Authority issued mortgage revenue bonds in 1989 to construct a 48-bed detention facility and administrative offices, for City use, and a 96-bed detention facility for surrounding agencies use (the Law Enforcement Complex). In 1991, the Authority purchased a 3.2-acre tract of land adjacent to the Law Enforcement Complex with proceeds from a property acquisition note, for future expansion. In 1993, additional mortgage revenue bonds were issued for a 96-bed expansion of the Law Enforcement Center, which was completed in January 1995.

Refunding Bonds

In 2005, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$294,336. This deferred amount on refunding was being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. There were no deferred or defeased amounts as of September 30, 2014.

Law Enforcement Center Fund debt outstanding at September 30, 2014 comprises the following issues:

Date Issued	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2005 Refund	5.00%	2015	\$2,355,000	\$485,000
2007B CO	6.45% to 6.45%	2028	790,000	650,000
TOTAL				<u>\$1,135,000</u>

Debt service requirements to maturity for Law Enforcement Center debt, including interest of \$349,139, are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$515,000	\$53,083	\$568,083
2016	30,000	39,023	69,023
2017	35,000	36,926	71,926
2018	35,000	34,669	69,669
2019	40,000	32,250	72,250
2020-2024	230,000	119,325	349,325
2025-2028	250,000	33,863	283,863
TOTAL	<u>\$1,135,000</u>	<u>\$349,139</u>	<u>\$1,484,139</u>

Drainage Utility Fund

The Drainage Utility Fund revenue bonds are payable from the gross revenues of the drainage utility system. Gross revenues are to be used first to pay operating and maintenance expenses of the system, and second, to maintain revenue bond funds in accordance with the bond covenants. Remaining revenues may then be used for any lawful purpose. The debt matures annually in varying amounts through 2027, and interest is payable semiannually.

In 2012, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$285,920 and resulted in an economic gain of \$333,855. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was \$238,267 at September 30, 2014.

Drainage Utility Fund debt outstanding at September 30, 2014 comprises the following issues:

Date Issued	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2007	4.00% to 4.30%	2027	\$2,200,000	\$1,620,000
2012	2.00% to 3.13%	2024	3,740,000	3,115,000
TOTAL				<u>\$4,735,000</u>

Debt service requirements to maturity for Drainage Utility debt, including interest of \$1,010,423, are as follows:

Fiscal Year	Principal	Interest	Total
2015	375,000	147,370	522,370
2016	390,000	137,970	527,970
2017	400,000	128,170	528,170
2018	405,000	118,070	523,070
2019	420,000	107,770	527,770
2020-2024	2,295,000	331,943	2,626,943
2025-2027	450,000	39,130	489,130
TOTAL	<u>\$4,735,000</u>	<u>\$1,010,423</u>	<u>\$5,745,423</u>

Changes in business-type activity debt

A summary of business-type activity debt transactions, including activity for the year ended September 30, 2014, is as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Water/Sewer Revenue Bonds	52,705,000	-	(3,820,000)	48,885,000	3,960,000
LEC Certificates of Obligation	1,625,000	-	(490,000)	1,135,000	515,000
Drainage Utility Revenue Bonds	5,105,000	-	(370,000)	4,735,000	375,000
Deferred Amounts:					
Premiums	439,729	-	(54,768)	384,961	
Discounts	(415,043)	-	44,564	(370,479)	
Total bonds & notes payable	59,459,686	-	(4,690,204)	54,769,482	4,850,000
Deferred charge on refunding	(685,665)	-	141,763	(543,902)	
Compensated absences	1,191,530	487,602	(352,536)	1,326,596	404,747
	<u>59,965,551</u>	<u>487,602</u>	<u>(4,900,977)</u>	<u>55,552,176</u>	<u>5,254,747</u>

For financial reporting purposes, the unamortized premiums and discounts have been netted against total bonds outstanding.

The Business-Type Activity long-term debt will be repaid, plus interest, from the operating revenues derived primarily from water sales, sewer service charges, and drainage service charges and from revenues derived from housing other agencies' prisoners or operating transfers from the general fund.

Discretely Presented Component Unit

Mansfield Economic Development Corporation

The Sales Tax Revenue Refunding Bonds are special limited obligations of the MEDC payable from proceeds of an additional ½ of 1% sales and use tax levied by the City. The bonds are serial obligations payable annually in varying amounts with interest payable semiannually.

MEDC debt outstanding at September 30, 2014 comprises the following issues:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2004	5.81% to 6.33%	2024	\$8,300,000	\$5,305,000
2004A	4.36% to 5.13%	2024	4,715,000	2,880,000
2012	2.00% to 4.00%	2032	3,090,000	2,845,000
TOTAL				<u>\$11,030,000</u>

Debt service requirements to maturity for MEDC debt, including interest of \$3,857,033, are as follows:

Fiscal Year	Principal	Interest	Total
2015	760,000	556,318	1,316,318
2016	800,000	519,938	1,319,938
2017	835,000	481,314	1,316,314
2018	880,000	440,055	1,320,055
2019	920,000	396,112	1,316,112
2020-2024	5,380,000	1,196,459	6,576,459
2025-2029	860,000	218,637	1,078,637
2030-2032	595,000	48,200	643,200
TOTAL	<u>\$11,030,000</u>	<u>\$3,857,033</u>	<u>\$14,887,033</u>

Changes in MEDC Debt

A summary of MEDC debt transactions, including activity for the year ended September 30, 2014, is as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
MEDC Revenue Bonds	11,755,000	-	(725,000)	11,030,000	760,000
Deferred Amounts:					
Premiums	20,568	-	(1,491)	19,077	
Discounts	(113,564)	-	8,880	(104,684)	
Total bonds & notes payable	11,662,004	-	(717,611)	10,944,393	760,000
Deferred charge on refunding	-	-	-	-	
Compensated absences	42,504	23,233	(21,796)	43,941	25,024
	<u>11,704,508</u>	<u>23,233</u>	<u>(739,407)</u>	<u>10,988,334</u>	<u>785,024</u>

G. Restricted Assets

The restricted assets of the Business-type Activities as of September 30, 2014 included the following legal use restrictions.

Enterprise Fund	Revenue Bond Sinking and Reserve Fund	Bond Construction Fund	Inmate Trust Fund	Total
Water and Sewer Fund	\$4,104,652	\$14,861,347	\$ -	\$18,965,999
Law Enforcement Complex	483,568	10,482	104,750	598,620
Drainage Utility	78,339	238,683	-	317,022
TOTAL	<u>\$4,666,559</u>	<u>\$15,110,512</u>	<u>\$104,750</u>	<u>\$19,881,641</u>

The ordinance authorizing the issuance of Water and Sewer System revenue bonds requires that the City establish a sinking fund (Revenue Bond Sinking and Reserve Fund) in an amount not less than the average annual requirement for the payment of principal and interest on all the revenue bonds. At September 30, 2014, the sinking fund balance is sufficient to satisfy such bond ordinance requirements. The bond ordinance also contains provisions, which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and the pledged revenues are equal to or greater than 1.25 times the average annual debt service requirements after giving effect to the proposed additional bonds and any proposed rate increases. In addition, the bond ordinance requires that the annual gross revenues of the Water and Sewer System, less annual operation and maintenance expenses (excluding depreciation and amortization expense), be at least 1.10 times the annual principal and interest requirements of all the outstanding revenue bonds.

The ordinance further requires that the proceeds from the sale of revenue bonds be expended for certain capital improvements to the Water and Sewer System. The unspent proceeds are maintained as restricted assets until such time as needed to fund the Water and Sewer System construction program.

The ordinance authorizing the issuance of the Certificates of Obligation requires that the City establish an interest and sinking fund to provide for principal and interest requirements as they become due.

H. Retirement Plan

Plan Description:

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' Website at www.TMRS.com.

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's project benefit allocated annually; the prior service contribution rate amortizes the underfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rates go into effect. The annual pension cost for 2013, 2012, and 2011 was \$4,173,052, \$3,944,031, and \$3,869,129, respectively, which was equal to the City's required and actual contributions. The required contributions were determined as part of the December 31, 2013 and 2012 actuarial valuations using the projected unit credit actuarial cost method.

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2013 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation date, December 31, 2013, is as follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent	Level Percent
Remaining			
Amortization Period	26.1 years; closed period	25.1 years; closed period	26.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation			
Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at Cost-of-Living	3.00%	3.00%	3.00%
Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress:

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013 (unaudited), the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$92,677,623	\$111,899,202	82.8%	\$19,221,579	\$28,526,524	67.4%
12/31/2012	82,380,703	96,569,889	85.3%	14,189,186	26,472,599	53.6%
12/31/2011	73,360,968	89,180,462	82.3%	15,819,494	25,790,850	61.3%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

I. Supplemental Death Benefits

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions:

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 were \$36,303, \$31,710, and \$42,684, respectively, which equaled the required contributions each year.

J. Other Post-Employment Benefits - OPEB

Plan Description

City employees retiring on TMRS will be provided the opportunity to receive health insurance benefits from the City from the City's existing healthcare plan. The City established by ordinance participation in a multi-employer defined benefit postemployment healthcare plan that covers retired employees of the City. The City established an irrevocable trust and contracted with an administrator as well as a custodial bank to manage the plan's assets or the retiree's medical benefits.

The plan does not issue a stand-alone financial report. For inquiries relating to the plan, please contact: The City of Mansfield, Business Services Division, 1200 East Broad Street, Mansfield, Texas 76063.

Measurement Focus and Basis of Accounting

The City of Mansfield, Texas Retiree Health Insurance Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the determination of the employer.

Benefits

City employees will be provided the opportunity to elect employer-subsidized health programs until the age of 65. After the age of 65, the City will pay the following percentage of employer-subsidized premium as a lifetime-only benefit. At the time of the actuarial valuation, the City paid retired employee premiums of \$891.82 for medical coverage and \$38.89 for dental coverage. The City does not subsidize family health coverage. The years of service must be worked for the City, and other creditable years of service are excluded when determining the percentage:

Years of Service with the City	Percentage of Employer- Subsidized Premium
20 and more	100%
19	95%
18	90%
17	85%
16	80%

15	75%
14	70%
13	65%
12	60%
11	55%
10	50%

At the time of the actuarial valuation, the City had 479 active plan members and only 51 retired plan members receiving benefits.

Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the plan upon retirement. Expenditures for postretirement healthcare and other benefits are recognized monthly and funded into the irrevocable trust. The City funds 100% of the ARC, which approximates the annual OPEB cost, and totaled \$1,212,510 for the fiscal year ended September 30, 2014. The City also funded 100% of the ARC, which approximates the annual OPEB cost, and totaled \$1,000,959 and \$703,567 for each of the fiscal years ended September 30, 2013 and 2012 respectively. The retirees are responsible for funding approximately 2% of the healthcare and other benefit premiums.

Eligible retired employees participating in the City's Retiree Health Insurance Plan pay their premiums directly to the City. The City paid the ARC, including the employee portions of healthcare premiums directly to the Trust in the amount of \$1,212,510 for fiscal year 2014.

Funding

The City makes an annual contribution to the plan approximately equal to the ARC. The City commissioned an updated actuarial valuation of the plan for October 1, 2013 for fiscal year 2014.

The funded status as of October 1, 2013 (unaudited), the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/2013	\$4,025,043	\$13,155,090	31%	\$9,130,047	\$28,061,984	32.54%
10/01/2012	3,233,404	10,608,407	30%	7,375,003	27,925,254	26.41%
10/01/2011	2,284,937	7,646,266	30%	5,361,329	25,173,254	21.3%

Note: ARC of \$1,212,510 for fiscal year 2014 as of September 30, 2014 is based on the current practice of funding the plan in a segregated GASB-qualified trust.

Actuarial Methods and Assumptions

Actuarial Cost Method - Projected Unit Credit

Actuarial Valuation Date - October 1, 2013

Discount Rate - 7%

Amortization method - 30 years, level dollar open amortization

Open amortization means a fresh start each year for the cumulative unrecognized amount.

Healthcare Cost Trends Rates – 8% initially graded downward 0.05% per year to 5.0% in year 7 and later.

Mortality - IRS 2008 Combined Static Mortality Table

Retirement Rate –

Attained Age	Rates per 100 Participants
50	3.0
51	1.5
55	7.5
58	10.0
60	25.0
61	10.0
65	100

Withdrawal Rate –

Attained Age	Rates per 100 Participants
25	19.50
30	18.80
35	17.68
40	15.90
45	13.42
50	9.74

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarial calculations reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Immediately following the notes, the schedule of funding progress is presented for the Texas Municipal Retirement System plan along with Retiree Health Insurance Other Postemployment Benefits plan.

K. Commitments and Contingencies

Various claims and lawsuits are pending against the City. In the opinion of the City's management, the potential loss on all claims, if any, will not be material to the City's financial statements.

Audits of Grant Activities

The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state grantor agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be material to the City's financial statements.

L. Contracts with Other Governmental Entities and Other Contracts

Water Supply

Raw water is supplied to the City through a contract between the City and the Tarrant Regional Water District (TRWD). The basic contract, which was renegotiated and approved by the TRWD and the City Council on September 10, 1979, provides for a contract period to run for the life of the bonds, which were issued by the TRWD to provide water to the City and thereafter for the life of the TRWD facilities serving the City. Water is provided to the City from the TRWD Cedar Creek Lake and Richland-Tehuacanna Reservoir. Under the contract, the City has a take-or-pay gallon requirement based on the greater of 1.3 million gallons or the average daily consumption for the previous five-year period. The rate to be charged to the City for raw water is based upon the TRWD cost of debt service, operation and maintenance expenses, and any other miscellaneous expenses in connection with its water supply facilities. These costs will be allocated on a proportionate share based upon actual water consumption of the City in relation to the actual use by the City of Fort Worth and the Trinity River Authority (TRA) after crediting the amount received by the TRWD from water sales to the City of Arlington and other customers. The current rate charged for raw water has been calculated to be \$0.97659 per 1,000 gallons, with a total cost of \$4,360,414 during fiscal year 2014. It is estimated that the raw water supply available to the City under the contract is adequate for the ultimate development of the City.

In addition, the City has a contract with the City of Arlington to purchase treated water up to 1.0 M.G.D. on a demand basis. The City has the option to renegotiate the Arlington water purchase contract on an as-needed basis.

Sewer Treatment

On August 23, 1974, the City Council approved a contract with the TRA to become a contracting party in the TRA's Central Regional Wastewater System, along with 19 other area cities and the Dallas/Fort Worth International Airport.

The contracting parties have agreed to pay the TRA its net cost of operation and maintenance, including debt service requirements, on the Central System. Payments made by the respective cities are pursuant to authority granted by Article 1109i, Vernon's Annotated Texas Civil Statutes, as amended, and Chapter 30, Texas Water Code, as amended, and constitute operating expenses of their waterworks and sewer systems.

The expense of operating TRA's Central System, including administrative overhead and amounts necessary to pay debt service, is paid monthly by the contracting parties based on a formula of dividing each contracting party's estimated contributing flow to the Central System for such year by the total estimated contributing flow by all contracting parties being served at the beginning of each such year, with a year-end adjustment based on actual metered contributing flow to the Central System by all contracting parties. For fiscal year 2014, the City's cost for sewer treatment under the contract was \$4,939,762.

Law Enforcement Complex Housing Commitments

On June 25, 1990, the City entered into an Intergovernmental Agreement Contract (IGA) with the United States Marshal's Service (USMS) to provide for the housing, safekeeping, and subsistence of adult male and female federal prisoners.

The City began housing prisoners from the Immigration and Naturalization Service pursuant to the terms and conditions of the USMS contract or IGA. On December 11, 1998, the City and the USMS agreed for the City to house federal prisoners and other related governmental agencies' prisoners at a cost of \$46.60 per day, effective June 1, 1999.

On November 1, 2001, the City and the City of Fort Worth, Texas, entered into an agreement under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, for the purpose of housing the City of Fort Worth's prisoners. This contract was renegotiated during fiscal year 2006, and a new agreement was reached between the City and the City of Fort Worth, Texas, commencing on October 1, 2006. The new agreement is an annual agreement that automatically renews for subsequent one-year terms, commencing on October 1 of each year and ending on September 30 of each year for nine (9) years after the Initial Term until September 30, 2016. There are various provisions in the contract defining both the purpose and nature of the duties of the City, and the City of Fort Worth, Texas, in housing the City of Fort Worth, Texas, prisoners. The general terms of the contract agree that the City will collect a monthly fee of \$388,969 or \$4,667,626 in the first year of the contract. Each subsequent term of the contract, the annual amount will increase 4% per year. There are various provisions in the contract that define additional payments for housing prisoners over a specified cap and a reduction in payments if the population of the prisoners drops below a certain number. These provisions give notice to each party that a material change has occurred in the purpose and management of housing the City of Fort Worth, Texas, prisoners and that adjustments to the terms of the contract should be mutually agreed upon by both parties.

The Contract is subject to termination by either party upon written notice provided 90 days before any annual renewal date. Upon such notice of intent, neither party is obligated to any further performance or consideration that has not already been rendered. If the City of Fort Worth, Texas, fails to appropriate funds sufficient to fulfill its obligations under this agreement, Fort Worth may terminate this agreement to be effective by whichever effective date is sooner: (1) thirty (30) days following delivery by Fort Worth to the City of written notice of Fort Worth's intent to terminate or (2) the last date for which funding has been appropriated by Fort Worth's City Council for Fort Worth to fulfill its obligations under this Agreement.

If any net losses or capital requirements should arise in the future, the City will be required to make cash advances and/or operating transfers from the general fund to fund these operating and capital requirements. The City cannot reasonably estimate the amounts, if any, of the advances or operating transfers that may be required.

Mansfield National Golf Club

In June 1999, the City entered into an agreement with MPFDC and Evergreen Alliance Golf Limited, L.P., a Delaware limited partnership, to construct an 18-hole golf course. The agreement named the property on which the course was constructed: Mansfield National Golf Club. Mansfield National Golf Club was constructed by Evergreen Alliance Golf Limited, L.P. (Alliance) during FY99 and FY00 on property owned by MPFDC in the City. The Mansfield National Golf Club opened in November 2000. During the course of the construction, Alliance assumed the financial obligation and risk of constructing the course on the MPFDC property. Upon completion of the construction of Mansfield National Golf Club, a long-term lease agreement was entered into by the MPFDC and Alliance to manage and operate the course for a period of 50 years. In the agreement, Alliance agreed to pay the MPFDC a Base Rent for occupying the property during the term of the Lease. The following summarizes the terms of the base rent:

Lease years 01 through and including 10:	\$ 0.00 per lease year
Lease years 11 through and including 20:	\$ 50,000 per lease year
Lease years 21 through and including 30:	\$100,000 per lease year
Lease years 31 through and including 40:	\$125,000 per lease year
Lease years 41 through and including 50:	\$175,000 per lease year

The value of the improvements made to the property, subject to and reserving the leasehold rights of Alliance as defined by the agreement, became the vested rights of MPFDC and subsequently the vested rights of the City. The rights of the value of improvements have been used as collateral for financing the cost of constructing the improvements. The improvements or rights of the value of the improvement are

not carried or recognized as an asset by the MPFDC. However, upon the dissolution of the lease agreement, the rights of the value of the improvements are to be recognized as an asset by the MPFDC. The MPFDC has the right of first refusal and the authority to approve or disapprove future assignments of the rights made by Alliance. In the event Alliance becomes insolvent, certain remedies are permitted by the agreement and in no circumstance is the MPFDC obligated to or committed to Alliance's creditors.

The City is accruing a lease receivable of \$90,000 per year to recognize future rental income over the term of the lease on a straight-line basis.

Sports Park – Big League Dreams

During fiscal year 2008, the City completed the construction of a multipurpose recreational sports park known as "Big League Dreams Mansfield Sports Park," BLD MSP. The City spent \$26.4 million on the facility, which includes eight lighted theme baseball/softball fields, one multipurpose facility, open park areas, and administrative offices on 40 acres tract of land.

The City contracted with a Texas Limited Partnership, Big League Dreams Mansfield, L.P., or BLD, to manage, operate, and maintain the park for 40 years effective upon the completion of the construction of BLD MSP. This agreement is referred to as a maintenance and operation agreement. BLD is an affiliate of Big League Dreams USA, LLC, or BLD USA, a California company, which has affiliates in several states including Texas, Arizona, and California. BLD USA also owns the intellectual rights and has a proprietary interest in the Total Image, Name and Marks, and Logo, BLD USA. The City has contracted with BLD USA to use their intellectual rights for BLD MSP through a license agreement. The term of this license agreement is concurrent to the term of the maintenance and operation agreement.

The terms of the agreement give BLD the right to operate and maintain the BLD MSP for an initial term of 30 years with the two separate options of extending the contract for 5 years in periods following the original term of 30 years. BLD is to maintain and operate the park from the use of the facility by the public. BLD is able to charge fees and is to pay for the cost of maintaining, insuring, and operating the park. For the right to maintain, insure, and operate the BLD MSP, BLD is to pay the City a minimum operating fee of \$100,000 per year with escalation provisions based upon annual gross revenues achievements. The payments are to commence after a waiver period of at least 12 months.

There are provisions for the termination of this agreement in the event of well-defined circumstances of default by either the City or BLD USA. In the event of an agreed-upon default, the City or BLD has exhaustive rights to remedy or cure the default. There is no right of assignment outside the assignment to an affiliate of either entity.

Water Park – Hawaiian Falls

In fiscal year 2008, the City completed the construction and capitalized the costs of a water park. The cost of the park capitalized was \$8.9 million.

To construct, operate, and maintain the water park, the City contracted with Mansfield Family Entertainment, LLC, MFE, commonly referred to as Hawaiian Falls. The term of the agreement is for a period of 40 years with two 5-year renewal options succeeding the term of 40 years. The agreement allows MFE to operate and maintain the park by leasing the water park from City. MFE has the right to charge fees to operate and maintain the park. The City granted a rent holiday or reprieve from annual lease payments for a period of 7 years. However, if the gross receipts generated from the operation of the water park exceed \$2,500,000 in any year within the 7-year rent holiday, MFE is to begin paying an annual lease payment of at least 5% of gross revenues thereafter.

By agreement, MFE acknowledges the title of City in and to land constituting the premises and the real property improvements including appurtenances constructed by either party and agrees never to contest such title.

M. Conduit Debt Obligations

In prior years, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities 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 are no series of Industrial Revenue Bonds outstanding as of the fiscal year-end.

N. 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's general liability and workers' compensation program is managed through the purchase of a policy through a municipal pool that is separately administered. The City's health insurance is administered through an outside provider. The City makes specified contributions for employees and their dependents under this plan. Additionally, the City also offers dental, life insurance, and accidental death and dismemberment plans through an independent provider in which the City makes specified contributions for employees only under these plans. There have been no significant reductions in insurance coverage for any of these programs since last year, and settlements have not exceeded insurance coverage for any of the past three years.

O. Subsequent Events

Bond Issuances

On December 8, 2014, the City issued \$11,700,000 in General Obligation Refunding Bonds, Series 2015; and \$15,870,000 in Combination Tax and Revenue Certificates of Obligation, Series 2015. The City issued \$9,540,000 in Waterworks and Sewer System Revenue Refunding Bonds, Series 2015. Also, the City issued \$2,880,000 in Sales Tax Revenue Refunding Bonds, New Series 2015 and \$5,630,000 in Sales Tax Revenue Refunding Bonds, Taxable New Series 2015. The purpose of the Combination Tax and Revenue Certificates of Obligations, Series 2015 are for the design, development, and construction of street improvements, public safety improvements and equipment.

P. New Accounting Pronouncements

For fiscal year 2014, the City has implemented Statements No. 65 and 66 of financial accounting standards issued by the GASB.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. This Statement improves financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement will be effective for the City in fiscal year 2015. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

In January 2013, the GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The provisions of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

In April of 2013, the GASB issued Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending non-exchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The provisions of Statement 70 are effective for financial statements for reporting beginning after June 15, 2013.

In November of 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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[CLOSING DATE]

\$ _____
CITY OF MANSFIELD, TEXAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2016

WE HAVE represented the City of Mansfield, Texas (the “Issuer”) as its bond counsel in connection with an issue of bonds (the “Bonds”) described as follows:

CITY OF MANSFIELD, TEXAS GENERAL OBLIGATION
REFUNDING AND IMPROVEMENT BONDS, SERIES 2016,
dated December 1, 2015, in the principal amount of \$ _____.

The Bonds mature, bear interest and may be transferred and exchanged as set out in the Bonds and in the Ordinance adopted by the City Council of the Issuer authorizing their issuance (the “Ordinance”).

WE HAVE represented the Issuer as its bond counsel for the purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; an escrow agreement (the “Escrow Agreement”) between the Issuer and Bank of Texas, N.A., as escrow agent (the “Escrow Agent”); the report

(the "Report") of Grant Thornton LLP, Certified Public Accountants (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; and customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless, otherwise defined, have the meanings set forth in the Ordinance.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the City of Mansfield, Texas, necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations; and
- (C) Firm banking and financial arrangements have been made for the discharge and final payment of the obligations being refunded pursuant to an Escrow Agreement entered into between the Issuer and the Escrow Agent on the date of delivery of the Bonds, and, therefore, such obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT, under existing law:

- (1) Interest on the Bonds is excludable from gross income for federal income tax purposes; and
- (2) The Bonds are not “private activity bonds” within the meaning of the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the “adjusted current earnings” of a corporation (other than an S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Issuer, the Issuer’s Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Issuer, the Issuer’s Financial Advisor and the Underwriters, respectively, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied on the Report of the Verification Agent, regarding the mathematical accuracy of certain computations. If such representations or the Report are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing covenants of the Ordinance, interest on the Bonds could become includable in gross income from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of, the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on 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 as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Ordinance 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.

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[CLOSING DATE]

\$ _____
CITY OF MANSFIELD, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
TAXABLE SERIES 2016

WE HAVE represented the City of Mansfield, Texas (the “Issuer”) as its bond counsel in connection with an issue of bonds (the “Bonds”) described as follows:

CITY OF MANSFIELD, TEXAS GENERAL OBLIGATION
REFUNDING BONDS, TAXABLE SERIES 2016, dated
December 1, 2015, in the principal amount of \$_____.

The Bonds mature, bear interest and may be transferred and
exchanged as set out in the Bonds and in the Ordinance adopted by
the City Council of the Issuer authorizing their issuance (the
“Ordinance”).

WE HAVE represented the Issuer as its bond counsel for the sole purpose of
rendering an opinion with respect to the legality and validity of the Bonds under the
Constitution and laws of the State of Texas. We have not investigated or verified original
proceedings, records, data or other material, but have relied solely upon the transcript of
proceedings described in the following paragraph. We have not assumed any
responsibility with respect to the financial condition or capabilities of the Issuer or the
disclosure thereof in connection with the sale of the Bonds. Our role in connection with
the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds
has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; an escrow agreement (the "Escrow Agreement") between the Issuer and Bank of Texas, N.A. as escrow agent (the "Escrow Agent"); the report (the "Report") of Grant Thornton LLP, Certified Public Accountants (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded; and customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless, otherwise defined, have the meanings set forth in the Ordinance.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the City of Mansfield, Texas, necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations; and
- (C) Firm banking and financial arrangements have been made for the discharge and final payment of the obligations being refunded pursuant to an Escrow Agreement entered into between the Issuer and the Escrow Agent on the date of delivery of the Bonds, and, therefore, such obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights

of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We observe that the Issuer has taken no action to cause any interest on the Bonds to be excludable from gross income for the purposes of federal income taxation, and therefore it is assumed that income derived from a Bond by an Owner is subject to U.S. federal income taxation. We express no opinion as to this or any other federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds.

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.

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[CLOSING DATE]

\$ _____
CITY OF MANSFIELD, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION,
SERIES 2016

WE HAVE represented the City of Mansfield, Texas (the “Issuer”), as its bond counsel in connection with an issue of certificates of obligation (the “Certificates”) described as follows:

CITY OF MANSFIELD, TEXAS COMBINATION TAX AND
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2016, dated
December 1, 2015 issued in the principal amount of \$ _____.

The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the “Ordinance”).

WE HAVE represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings

relating to the authorization and issuance of the Certificates. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Certificate No. 1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding obligations of the Issuer; and
- (B) A continuing ad valorem tax upon all taxable property within the City of Mansfield, Texas, necessary to pay the principal of and interest on the Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law; in addition, the payment of the principal of and interest on the Certificates is further secured by a pledge of the Surplus Revenues of the Issuer's Waterworks and Sewer System (as defined in the Ordinance), such pledge being limited to an amount not in excess of \$1,000; and the total indebtedness of the Issuer, including the Certificates, does not exceed any constitutional, statutory or other limitations.

THE RIGHTS OF THE OWNERS of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

BASED ON SUCH EXAMINATION, IT IS OUR FURTHER OPINION THAT, under existing law:

- (1) Interest on the Certificates is excludable from gross income for federal income tax purposes; and
- (2) The Certificates are not "private activity bonds" within the meaning of the Code, and, as such, interest on the Certificates is not subject to the alternative minimum tax on individuals and corporations except that interest on the Certificates will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated

investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Issuer, the Issuer's Financial Advisor and the Underwriters respectively, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Certificates for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing covenants of the Ordinance, interest on the Certificates could become includable in gross income from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates.

Owners of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Certificates).

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on 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 as to whether or not the Service will

commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

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