FirstSouthwest
Continuing Disclosure Services

(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated January 21, 2014

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

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel interest on the Certificates is excludable from gross income for federal income tax purposes, under existing law, and the Certificates are not private activity bonds. See "Tax Matters" 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

$1,255,000*
CITY OF MANSFIELD, TEXAS
(Tarrant, Johnson and Ellis Counties, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2014A

Dated Date: January 15, 2014 **Due: February 15, as shown on Page 4**
Interest to accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . Interest on the $1,255,000* City of Mansfield, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2014A (the "Certificates") will accrue from the date of their delivery to the Underwriter (the "Date of Delivery") and will be payable February 15 and August 15 of each year commencing August 15, 2014, 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 Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Regions Bank, Dallas, Texas (see "The Certificates - 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 "Ordinance") (see "The Certificates - 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) acquiring equipment and vehicles for fire and public safety purposes, (together, the "Project"), and (iii) paying the costs of the issuance of the Certificates.

CUSIP PREFIX: 564377

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriter 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, "Form of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriter by Locke Lord LLP, Dallas, Texas, Counsel for the Underwriter.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on February 26, 2014 (the "Date of Delivery").

BOSC, INC.
A SUBSIDIARY OF BOK FINANCIAL CORPORATION

* Preliminary, subject to change.

CUSIP Prefix: 564377 [(1)]

MATURITY SCHEDULE*

15-Feb Year	Principal Amount	Rate	Price or Yield	CUSIP Suffix
2016	$ 45,000			
2017	45,000			
2018	50,000			
2019	50,000			
2020	55,000			
2021	55,000			
2022	55,000			
2023	60,000			
2024	60,000			
2025	65,000			
2026	65,000			
2027	70,000			
2028	75,000			
2029	75,000			
2030	80,000			
2031	80,000			
2032	85,000			
2033	90,000			
2034	95,000			

(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 Standard and Poor's Financial Services, LLC 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 Underwriter 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 Certificates having stated maturities on and after February 15, 2024, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates - 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 Certificates 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 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 Underwriter 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 Underwriter. This Official Statement does not constitute an offer to sell Certificates 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Neither the City, its Financial Advisor nor the Underwriter makes any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("DTC") or its book-entry-only system, as such information has been provided by DTC.

The Certificates are exempt from registration with the Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Certificates 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 CERTIFICATES, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE RESPECTIVE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY 4

CITY OFFICIALS, STAFF AND CONSULTANTS 6
- ELECTED OFFICIALS 6
- SELECTED ADMINISTRATIVE STAFF 6
- CONSULTANTS AND ADVISORS 6

INTRODUCTION 7

THE CERTIFICATES 7

TAX INFORMATION 13
- TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT 17
- TABLE 1(a) - ADDITIONAL DEBT LIABILITIES 17
- TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY 18
- TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY 19
- TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY 19
- TABLE 5 - TEN LARGEST TAXPAYERS 19
- TABLE 6 - TAX ADEQUACY 20
- TABLE 7 - ESTIMATED OVERLAPPING DEBT 20

DEBT INFORMATION 21
- TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS 21
- TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION 22
- TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT 22
- TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS 22
- TABLE 12 – OTHER OBLIGATIONS 22

FINANCIAL INFORMATION 26
- TABLE 13 - CHANGES IN NET ASSETS 26
- TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY 27
- TABLE 14 - MUNICIPAL SALES TAX HISTORY 28
- TABLE 15 - CURRENT INVESTMENTS 31

TAX MATTERS 31

CONTINUING DISCLOSURE OF INFORMATION 33

OTHER INFORMATION 34
- RATINGS 34
- LITIGATION 34
- REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE 35
- LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS 35
- LEGAL MATTERS 35
- FINANCIAL ADVISOR 36
- UNDERWRITING 36
- FORWARD-LOOKING STATEMENTS DISCLAIMER 36
- MISCELLANEOUS 37

APPENDICES

- GENERAL INFORMATION REGARDING THE CITY .... A
- EXCERPTS FROM THE ANNUAL FINANCIAL REPORT .. B
- FORM OF BOND COUNSEL'S OPINIONS C

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 Certificates 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 CERTIFICATES .... The Certificates will be issued as $1,255,000* Combination Tax and Revenue Certificates of Obligation, Series 2014A. The Certificates are issued as serial certificates maturing on February 15 in the years 2016 through 2034 (see "The Certificates – Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the Date of Delivery and is payable August 15, 2014, and each February 15 and August 15 thereafter until maturity or prior redemption (see "The Certificates – Description of the Certificates" and "The Certificates – Optional Redemption").

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 "Ordinance") (see "The Certificates – Authority for Issuance").

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 Certificates – Authority for Issuance").

REDEMPTION .... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2024, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates - Optional Redemption").

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

USE OF PROCEEDS .... 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) acquiring equipment and vehicles for fire and public safety purposes, (together, the "Project"), and (iii) paying the costs of the issuance of the Certificates.

RATINGS .... The Certificates 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").

---

* Preliminary, subject to change.

BOOK-ENTRY-ONLY SYSTEM .... The definitive Certificates 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 Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial 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 Certificates - 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
2010	56,368	$ 4,109,806,576	$ 72,910	$ 99,155,000	$ 1,759	2.41%	99.70%
2011	56,850	4,027,005,764	70,836	95,745,000	1,684	2.38%	99.40%
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%	99.05% (4)
2014	59,230	4,650,415,934	78,515	102,165,000 (3)	1,725 (3)	2.20% (3)	57.71% (5)

(1) Source: City Planning Department and the 2010 Census.
(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. Includes the Certificates; preliminary, subject to change. Also includes the $6,710,000 General Obligation Refunding Bonds, Series 2014 and $16,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 which were delivered on January 8, 2014.
(4) Unaudited.
(5) Collections as of December 31, 2013.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2013[1]	2012	2011	2010	2009
Beginning Fund Balance	$ 10,571,459	$ 9,032,717	$ 7,982,940	$ 7,187,058	$ 4,378,536
Total Revenue	39,370,595	38,011,971	36,807,434	34,916,079	36,921,710
Total Expenditures	39,271,053	36,797,730	34,673,419	33,611,000	34,672,743
Total Other Sources (Uses)	(80,558)	324,501	(1,084,238)	(509,197)	559,555
Net Funds Available	18,984	1,538,742	1,049,777	795,882	2,808,522
Ending Fund Balance	$ 10,590,443	$ 10,571,459	$ 9,032,717	$ 7,982,940	$ 7,187,058

(1) Unaudited.

For additional information regarding the City, please contact:

Clayton W. Chandler Peter K. Phillis City of Mansfield 1200 E. Broad Street Mansfield, Texas 76063 (817) 276-4200	or	W. Boyd London, Jr. Nick Bulaich First Southwest Company 325 North Saint Paul Suite 800 Dallas, Texas 75201 (214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	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, 2012	May-15	Senior Director of Government Affairs and Community Relations
Darryl Haynes Councilmember Place 4	Re-elected May, 2012	May-15	Corporate Risk Manager
Cory Hoffman Councilmember Place 5	Re-elected May, 2012	May-15	CFO, CPA
Wendy Burgess Councilmember Place 6	Elected May, 2011	May-14	Business Owner
Larry Broseh Councilmember Place 7	Re-elected May, 2011	May-14	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	29 Years	39 Years
Chris Burkett, PE	Assistant City Manager	30 Years	37 Years
Peter K. Phillis, CPA	Director of Business Services	16 Years	21 Years
Vicki Collins	City Secretary	27 Years	27 Years
E. Allen Taylor, Jr.	City Attorney	17 Years	26 Years
Steve Freeman	Director of Public Works	19 Years	19 Years

CONSULTANTS AND ADVISORS

Auditors .... KPMG LLP
Dallas, Texas

Bond Counsel .... Bracewell & Giuliani LLP
Dallas, Texas

Financial Advisor .... First Southwest Company
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$1,255,000*
CITY OF MANSFIELD, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2014A

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $1,255,000* City of Mansfield, Texas Combination Tax and Revenue Certificates of Obligation, Series 2014A (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates (the "Ordinance").

There follows in this Official Statement descriptions of the Certificates 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, 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 2014 population is 59,230. The City covers approximately 38.6 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated January 15, 2014, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates 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, 2014. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the 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 Certificates - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . 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 Ordinance passed by the City Council.

SECURITY AND SOURCE OF PAYMENT . . . 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 Ordinance.

* Preliminary, subject to change.

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 Certificates having stated maturities on and after February 15, 2024, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (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 Certificates, 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 Certificates 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 CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE 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 Certificates 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 Certificates 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 Certificates will send any notice of redemption or other notices with respect to the Certificates 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 Certificates called for redemption or any other action premised or any such notice.

Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates 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 Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the 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 Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "The Certificates - Book-Entry-Only System" herein.

DEFEASANCE . . . The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Certificates 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 Certificates 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 Certificates; 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 Certificates. If any of such Certificates 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 Ordinance.

Under current Texas law, upon the making of a deposit as described above, such Certificates 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 Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates 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 Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates 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 Certificates. Because the Ordinance does 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 Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates 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 Certificates, 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 Certificates), 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 Certificates. The Certificates 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 Certificates, 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 Certificates of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates 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 Certificates 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, Certificates 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, certificates 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 Certificates 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 Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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 Underwriter.

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System of the Certificates is discontinued, printed certificates will be issued to the DTC Participants or the holder, as the case may be, and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The Certificates - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Regions Bank, Dallas, Texas. In the Ordinance, 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 Certificates 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 Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Certificates 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 Certificates 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 Certificates – 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 Certificates 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 Certificates, payment of principal of and interest on the Certificates will be made as described in "The Certificates - 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 Certificates and thereafter, the Certificates 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. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate 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 a Certificate.

REPLACEMENT CERTIFICATES . . . If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount and series as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of an substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that such Certificate 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 Certificate 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 Certificates 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 a Certificate 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.

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance establishes as "events of default" (i) the failure to make payment of principal of or interest on any of the Certificates 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 Ordinance, 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 Certificates upon the failure of the City to observe any covenant under the Ordinance. 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 Certificates, 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 Certificates 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.3rd 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 Certificates, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Certificates.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, 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 Certificateholders 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 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.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

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

Souces:	
Par Amount	$ -
Reoffering Premium	
TOTAL SOURCES	$ -
Uses:	
Deposit to Project Construction Fund	$ -
Underwriter's Discount	
Costs of Issuance	
TOTAL USES	$ -

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.

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.

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.

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 2013 assessed value is $175,701,125, representing $94,281,828 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 $29,118,170; the 2013 taxable assessed value of the property in Zone Two is $30,825,760, representing $1,707,590 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

2013/14 Market Valuation Established by the Appraisal Districts (excluding totally exempt property and property in arbitration)		$ 5,145,329,823
Less Exemptions/Reductions at 100% Market Value:		
Over 65 Exemptions	$ 104,135,435	
Disability	1,976,633	
Veterans	18,832,072	
Homestead Cap	27,113	
Agricultural Use Reductions	175,989,176	
Freeport Exemption	173,275,711	
Pro-rate Absolute	746,839	
Pollution Control	161,877	
Tax Abatement Reductions	19,009,955	
Other Exemptions	759,078	494,913,889
2013/14 Taxable Assessed Valuation		$ 4,650,415,934
Tax Supported Debt Payable from Ad Valorem Taxes		
Tax Supported Debt (as of 9/30/13) (1)	$ 109,295,000	
The Certificates(2)	1,255,000	
Tax-Supported Debt Payable from Ad Valorem Taxes		$ 110,550,000
Interest and Sinking Fund (as of 9/30/13)(3)		$ 596,118
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		2.38%

2014 Estimated Population - 59,230

Per Capita Taxable Assessed Valuation - $78,515

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $1,866

(1) Includes the $6,710,000 General Obligation Refunding Bonds, Series 2014 and $16,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 which were delivered on January 8, 2014.
(2) Preliminary, subject to change.
(3) Unaudited.

TABLE 1(a) - ADDITIONAL DEBT LIABILITIES

Please refer to "Pension Fund", beginning on page 22, 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.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Table 2 - Taxable Assessed Valuations by Category

	Taxable Appraised Value for Fiscal Year September 30,					
	2014		2013		2012	
Category			Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 3,115,931,508	60.25%	$ 2,936,585,549	58.05%	$ 2,880,405,357	58.91%
Real, Residential, Multi-Family	213,722,525	4.13%	200,042,046	3.95%	180,417,444	3.69%
Real, Vacant Lots/Tracts	93,499,567	1.81%	103,095,072	2.04%	105,339,141	2.15%
Real, Acreage (Land Only)	179,159,446	3.46%	184,419,062	3.65%	195,440,377	4.00%
Real, Farm and Ranch Improvements	4,016,084	0.08%	4,615,029	0.09%	6,861,465	0.14%
Real, Commercial	675,494,983	13.06%	655,221,427	12.95%	613,981,728	12.56%
Real, Industrial	93,565,831	1.81%	88,935,435	1.76%	90,957,708	1.86%
Real and Tangible Personal, Utilities	63,495,925	1.23%	79,971,523	1.58%	69,184,601	1.42%
Tangible Personal, Commercial	462,604,516	8.94%	430,638,737	8.51%	317,372,055	6.49%
Tangible Personal, Industrial	160,774,588	3.11%	201,258,032	3.98%	180,797,678	3.70%
Tangible Personal, Mobile Homes	8,968,172	0.17%	8,798,919	0.17%	12,344,420	0.25%
Real Property, Inventory	23,310,426	0.45%	28,643,875	0.57%	29,681,392	0.61%
Mineral Lease Properties	77,161,981	1.49%	136,067,818	2.69%	206,583,443	4.23%
Total Appraised Value Before Exemptions	$ 5,171,705,552	100.00%	$ 5,058,292,524	100.00%	$ 4,889,366,809	100.00%
Less: Property in Arbitration	26,375,729		13,234,841		12,216,025	
Less: Total Exemptions/Reductions	494,913,889		555,442,336		480,454,086	
Taxable Assessed Value	$ 4,650,415,934		$ 4,489,615,347		$ 4,396,696,698	

	Taxable Appraised Value for Fiscal Year September 30,			
	2011		2010	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 2,797,965,687	61.38%	$ 2,886,634,848	59.71%
Real, Residential, Multi-Family	143,603,474	3.15%	148,738,628	3.08%
Real, Vacant Lots/Tracts	135,404,351	2.97%	108,911,809	2.25%
Real, Acreage (Land Only)	150,279,949	3.30%	227,517,067	4.71%
Real, Farm and Ranch Improvements	5,820,347	0.13%	7,185,272	0.15%
Real, Commercial	561,448,220	12.32%	620,586,833	12.84%
Real, Industrial	56,700,154	1.24%	96,425,662	1.99%
Real and Tangible Personal, Utilities	270,413,263	5.93%	175,976,842	3.64%
Tangible Personal, Commercial	235,373,162	5.16%	286,166,471	5.92%
Tangible Personal, Industrial	171,248,225	3.76%	203,081,172	4.20%
Tangible Personal, Mobile Homes	9,147,884	0.20%	13,556,922	0.28%
Real Property, Inventory	20,656,679	0.45%	59,781,901	1.24%
Mineral Lease Properties	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 4,558,061,395	100.00%	$ 4,834,563,427	100.00%
Less: Property in Arbitration	135,843,219		234,991,670	
Less: Total Exemptions/Reductions	395,212,412		489,765,181	
Taxable Assessed Value	$ 4,027,005,764		$ 4,109,806,576	

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
2010	56,368	$ 4,109,806,576	$ 72,910	$ 99,155,000	2.41%	$ 1,759
2011	56,850	4,027,005,764	70,836	95,745,000	2.38%	1,684
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 [(3)]	2.20% [(3)]	1,725 [(3)]

(1) Source: City Planning Department and the 2010 Census.
(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. Includes the Certificates; preliminary, subject to change Also includes the $6,710,000 General Obligation Refunding Bonds, Series 2014 and $16,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 which were delivered on January 8, 2014.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Total Tax Rate	General Fund	Interest and Sinking Fund	% Current Collections	% of Total Collections
2010	$ 0.7100	$ 0.4437	$ 0.2663	98.75%	99.70%
2011	0.7100	0.4569	0.2531	99.06%	99.40%
2012	0.7100	0.4543	0.2557	98.90%	98.90%
2013	0.7100	0.4511	0.2589	98.36% [(1)]	99.05% [(1)]
2014	0.7100	0.4625	0.2475	57.71% [(2)]	57.71% [(2)]

(1) Unaudited.
(2) Collections as of December 31, 2013.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	FYE 2014 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Mouser Electronics	Manufacturing	$ 107,100,328	2.34%
Mid-America Apartments Lp	Apartments	46,800,000	1.02%
Mansfield Kdc III Lp Etal	Real Estate	41,319,371	0.90%
Oncor Electric Delivery Co	Utilities	33,186,632	0.72%
Klein Tools Inc.	Manufacturing	31,628,620	0.69%
Dolce Living Mansfield LLC	Apartments	29,100,000	0.63%
Wal-Mart Stores Inc.	Retail	28,821,940	0.63%
Broadstone Towne Crossing	Apartments	26,050,000	0.57%
Apartment Reit Towne Crossing	Apartments	22,000,000	0.48%
Chemguard Inc.	Fire Protection Supplies & Equipment	21,937,603	0.48%
		$ 387,944,494	8.46%

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 Certificates - Tax Rate Limitation".

Table 6 - Tax Adequacy[1]

2014 Principal and Interest Requirements	$	12,334,927
$0.2680 Tax Rate at 99% Collection Produces	$	12,338,484
Average Annual Principal and Interest Requirements, 2014 - 2034	$	7,024,823
$0.1526 Tax Rate at 99% Collection Produces	$	7,025,569
Maximum Principal and Interest Requirements, 2014	$	12,334,927
$0.2680 Tax Rate at 99% Collection Produces	$	12,338,484

(1) Includes the Certificates; preliminary, subject to change. Also includes the $6,710,000 General Obligation Refunding Bonds, Series 2014 and $16,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 which were delivered on January 8, 2014.

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.

Taxing Jurisdiction	2013/14 Taxable Assessed Value	2013/14 Tax Rate	Total G.O. Tax Debt (9/30/13)	Estimated % Applicable	City's Overlapping G.O. Tax Debt (9/30/13)	Authorized But Unissued Debt As Of (9/30/13)
City of Mansfield	$ 4,650,415,934	$ 0.71000	$ 110,550,000 (1)	100.00%	$ 110,550,000 (1)	$ 1,535,000
Ellis County	10,680,338,099	0.41360	53,121,262	0.16%	84,994	-
Johnson County	11,194,578,251	0.37115	11,339,579	1.78%	201,845	-
Mansfield Independent School District	9,030,593,585	1.52710	691,174,963	47.13%	325,750,760	148,530,000
Midlothian Independent School District	2,879,046,951	1.54000	228,992,167	0.83%	1,900,635	20,500,000
Tarrant County	124,439,299,271	0.26400	301,585,000	3.41%	10,284,049	136,020,000
Tarrant County Hospital District	124,580,848,850	0.22790	25,375,000	3.41%	865,288	-
Tarrant County College District	124,998,656,841	0.14950	15,485,000	3.41%	528,039	-

Total Direct and Overlapping G. O. Tax Debt	$ 450,165,608
Ratio of Direct and Overlapping G.O. Tax Debt to 2013/14 Taxable Assessed Valuation	9.68%
Per Capita Overlapping G. O.Tax Debt	$ 7,600

(1) Includes the Certificates; preliminary subject to change. Also includes the $6,710,000 General Obligation Refunding Bonds, Series 2014 and $16,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 which were delivered on January 8, 2014.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ended 30-Sep	Outstanding Debt(1)(2) Principal	Outstanding Debt(1)(2) Interest	Outstanding Debt(1)(2) Total	The Certificates(3) Principal	The Certificates(3) Interest	The Certificates(3) Total	Total Debt Service	% of Principal Retired
2014	$ 8,385,000	$ 3,926,361	$ 12,311,361	$ -	$ 23,566	$ 23,566	$ 12,334,927	
2015	7,965,000	3,925,951	11,890,951	-	50,200	50,200	11,941,151	
2016	7,905,000	3,667,140	11,572,140	45,000	49,300	94,300	11,666,440	
2017	7,750,000	3,411,716	11,161,716	45,000	47,500	92,500	11,254,216	
2018	7,535,000	3,150,984	10,685,984	50,000	45,600	95,600	10,781,584	35.89%
2019	7,150,000	2,884,623	10,034,623	50,000	43,600	93,600	10,128,223	
2020	7,010,000	2,610,430	9,620,430	55,000	41,500	96,500	9,716,930	
2021	6,830,000	2,334,758	9,164,758	55,000	39,300	94,300	9,259,058	
2022	6,440,000	2,068,044	8,508,044	55,000	37,100	92,100	8,600,144	
2023	5,900,000	1,813,580	7,713,580	60,000	34,800	94,800	7,808,380	66.29%
2024	6,215,000	1,553,037	7,768,037	60,000	32,400	92,400	7,860,437	
2025	5,540,000	1,286,897	6,826,897	65,000	29,900	94,900	6,921,797	
2026	4,650,000	1,040,426	5,690,426	65,000	27,300	92,300	5,782,726	
2027	4,355,000	817,144	5,172,144	70,000	24,600	94,600	5,266,744	
2028	3,900,000	611,034	4,511,034	75,000	21,700	96,700	4,607,734	88.90%
2029	3,055,000	437,053	3,492,053	75,000	18,700	93,700	3,585,753	
2030	1,985,000	320,622	2,305,622	80,000	15,600	95,600	2,401,222	
2031	2,070,000	235,845	2,305,845	80,000	12,400	92,400	2,398,245	
2032	1,920,000	153,473	2,073,473	85,000	9,100	94,100	2,167,573	
2033	1,520,000	83,931	1,603,931	90,000	5,600	95,600	1,699,531	98.82%
2034	1,215,000	26,578	1,241,578	95,000	1,900	96,900	1,338,478	100.00%
	$ 109,295,000	$ 36,359,624	$ 145,654,624	$ 1,255,000	$ 611,666	$ 1,866,666	$ 147,521,290	

(1) "Outstanding Debt" does not include lease/purchase obligations.
(2) Includes the $6,710,000 General Obligation Refunding Bonds, Series 2014 and $16,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 which were delivered on January 8, 2014.
(3) Average life of the Certificates is 12.185 years. Interest calculated at an average rate of 4.000% for purposes of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/14 [(1)]		$ 12,334,927
Interest and Sinking Fund, September 30, 2013 [(2)]	$ 596,118	
Law Enforcement Center Debt Service Transfer	568,606	
Anticipated Capitalized Interest from the Series 2014 Certificates	371,831	
Prior Year Delinquent Taxes	80,823	
Delinquent Penalty & Interest	65,929	
Interest Earnings	609	
Budgeted Interest and Sinking Fund Tax Levy	11,510,244	13,194,160
Estimated Balance, 9/30/14		$ 859,233

(1) Includes the $6,710,000 General Obligation Refunding Bonds, Series 2014 and $16,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 which were delivered on January 8, 2014.
(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 $6,500,000 of additional general obligation debt in the fourth quarter of calendar year 2014.

TABLE 12 – OTHER OBLIGATIONS

The City has no other unfunded obligations.

PENSION FUND

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 state-wide 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 TMRS. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions were 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 2012	Plan Year 2013
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years require for vesting	5	5
Service retirment 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 projected 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 2012, 2011, and 2010 was $3,910,003, $3,869,129, and $3,643,202, respectively, which was equal to the City's required and actual contributions.

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2012 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent	Level Percent
Remaining Amortization Period	27.1 years; closed period	26.1 years; closed period	25.1 years; closed period
Amortization Period for new Gaines/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*	7.0%	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	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2012 is as follows:

Actuarial Valuation Date December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2011	$ 73,360,968	$ 89,180,462	82.3%	$ 15,819,494	$ 25,790,850	61.3%
2012	82,380,703	96,569,889	85.3%	14,189,186	26,472,599	53.6%

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

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 SDBP 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 2012, 2011, and 2010 were $31,710, $42,684, and $40,809, 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 $864.96 for medical coverage and $44.42 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 426 active plan members and only 37 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 totaled $703,597 for the fiscal year ended September 30, 2012. The City also funded 100% of the ARC, which approximates the annual OPEB cost, and totaled $585,684 for each of the fiscal years ended September 30, 2012 and 2011. 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 $703,597 for fiscal year 2012.

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, 2011, in fiscal year 2012.

The funded status as of September 30, 2012 (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
9/30/2012	$ 2,284,937	$ 7,646,266	30%	$ 5,361,329	$ 25,173,254	21.30%
9/30/2009	801,167	4,944,949	16%	4,143,782	26,475,384	15.65%

Note: ARC of $703,597 for fiscal year 2012 as of September 30, 2012 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, 2011
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 10% initially graded downward 1.5% per year to 4.0% in year 5 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 2013[(1)]	Governmental Activities 2012	Governmental Activities 2011	Governmental Activities 2010	Governmental Activities 2009
REVENUES:					
Program Revenues:					
Charges for services	$ 11,549,838	$ 9,818,836	$ 8,429,163	$ 6,959,032	$ 8,097,789
Operating grants and contributions	187,403	441,893	364,764	613,052	432,091
Capital grants and contributions	244,787	539,094	1,125,297	771,256	3,494,768
General revenues:					
Property taxes	31,389,241	30,823,689	30,513,927	30,365,985	29,004,477
Other taxes	16,338,135	15,845,874	14,947,185	14,284,113	13,686,324
Other	998,295	592,960	1,288,101	381,618	1,533,245
Total Revenues	$ 60,707,699	$ 58,062,346	$ 56,668,437	$ 53,375,056	$ 56,248,694
EXPENSES:					
General government	11,356,226	6,685,947	6,196,081	6,141,923	6,574,354
Public safety	24,726,000	22,640,074	21,539,651	20,515,130	20,227,123
Public works	12,652,307	15,114,690	14,578,732	14,027,330	15,053,583
Culture and recreation	7,424,276	8,488,420	7,762,084	8,194,975	7,897,327
Interest on long-term debt	4,316,583	4,461,188	5,137,794	5,317,976	5,424,223
Total Expenses	$ 60,475,392	$ 57,390,319	$ 55,214,342	$ 54,197,334	$ 55,176,610
Increase in net assets before transfers	232,307	672,027	1,454,095	(822,278)	1,072,084
Transfers	(326,157)	353,583	(558,323)	(259,449)	912,552
Increase in net assets	(93,850)	1,025,610	895,772	(1,081,727)	1,984,636
Beginning Net assets	234,782,424	233,756,814	232,861,042	233,942,769	231,958,133
Ending Net assets	$ 234,688,574	$ 234,782,424	$ 233,756,814	$ 232,861,042	$ 233,942,769

(1) Unaudited. KPMG LLP, our 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 that report. KPMG LLP also has not performed any procedures relating to this official statement.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2013[(1)]	2012	2011	2010	2009
Revenues:					
Taxes, Penalties and Interest	$ 31,492,246	$ 31,113,871	$ 30,595,174	$ 29,478,784	$ 30,243,760
Licenses and Permits	1,271,850	1,722,936	1,581,082	1,461,752	1,118,244
Intergovernmental	131,216	307,549	220,117	25,501	22,544
Charges for Services	3,526,534	2,896,301	2,659,754	2,582,414	2,749,478
Fine and Forfeitures	2,466,430	1,593,739	1,439,350	1,085,191	937,485
Interest	11,715	6,976	3,987	1,486	32,619
Contributions	14,500	-	5,333	32,006	269,227
Miscellaneous	456,104	370,599	302,637	248,945	1,548,353
Total Revenues	$ 39,370,595	$ 38,011,971	$ 36,807,434	$ 34,916,079	$ 36,921,710
Expenditures:					
General Government	$ 9,108,816	$ 5,984,511	$ 5,518,720	$ 5,492,132	$ 5,655,190
Public Safety	22,892,602	21,836,378	20,352,292	19,302,238	19,159,065
Public Works	2,668,685	5,067,417	4,724,243	4,857,716	5,474,166
Cultural and Recreation	3,079,842	3,893,969	3,958,746	3,958,914	4,327,262
Capital Outlay	1,521,108	15,455	119,418	-	57,060
Total Expenditures	$ 39,271,053	$ 36,797,730	$ 34,673,419	$ 33,611,000	$ 34,672,743
Other Financing Sources (Uses):					
Unreserved, current	$ -	$ -	$ -	$ -	$ -
Sale of City Property	259,453	22,317	33,831	-	-
Transfers In	810,532	662,552	662,552	662,552	662,552
Transfers Out	(1,150,543)	(360,368)	(1,780,621)	(1,171,749)	(102,997)
Total Other Sources (Uses)	$ (80,558)	$ 324,501	$ (1,084,238)	$ (509,197)	$ 559,555
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	$ 18,984	$ 1,538,742	$ 1,049,777	$ 795,882	$ 2,808,522
Beginning Fund Balance	10,571,459	9,032,717	7,982,940	7,187,058	4,378,536
Ending Fund Balance	$ 10,590,443	$ 10,571,459	$ 9,032,717	$ 7,982,940	$ 7,187,058

(1) Unaudited. KPMG LLP, our 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 that report. KPMG LLP also has not performed any procedures relating to this official statement.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

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 Certificates. 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. In 2004, Congress extended the moratorium until November 1, 2007. On November 1, 2007 the President signed into law a continuation of the moratorium passed by Congress that extends the moratorium until November 1, 2014. The impact of this moratorium on future municipal sales tax is not determinable.

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)
2009	$ 7,074,417	25.11%	$ 0.1726	$ 126.44
2010	7,145,110	23.37%	0.1739	126.76
2011	7,244,020	25.34%	0.1799	127.42
2012	7,779,719	24.92%	0.1769	135.31
2013	8,108,315 (3)	25.44%	0.1806	139.54

(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) 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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance. 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, 2012, prepared in accordance with the GASB Statements, are in included in Appendix B hereto.

Government-wide and Fund Financial Statements . . . The governmental-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 thought 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 ensuring 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, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value 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, 2013, the City's invested funds were invested in the following categories:

Description of Investment	Percent of Portfolio	Total Investment [(1)]
AIM Money Market Fund	0.59%	$ 446,171
Bank of America Money Market Rerserves Capital, Cl	31.73%	23,830,444
TEXSTAR (investment pool)	34.31%	25,765,940
Texas CLASS (investment pool)	33.37%	25,063,692
	100.00%	$ 75,106,247

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

TAX MATTERS

TAX EXEMPTION . . . In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law (i) interest on the Certificates is excludable from gross income for federal income tax purposes and (ii) the Certificates are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the 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 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 Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of 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 and, in addition, will rely on representations by the City, the City's Financial Advisor and the Underwriter of the Certificates with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Underwriter of the Certificates, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the 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 Certificates, is included in a corporation's "adjusted current earnings," ownership of the 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 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 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 Certificates could adversely affect the value and liquidity of the Certificates regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers 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, 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 Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the 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 Certificates, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM . . . The issue price of all or a portion of the Certificates may exceed the stated redemption price payable at maturity of such Certificates. Such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Certificate 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 Certificate 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 Certificate 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 Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates 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 Certificates 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 Certificate 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 Certificates.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT CERTIFICATES . . . The issue price of all or a portion of the Certificates may be less than the stated redemption price payable at maturity of such Certificates (the "Original Issue Discount Certificates"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate constitutes original issue discount with respect to such Original Issue Discount Certificate in the hands of any owner who has purchased such Original Issue Discount Certificate in the initial public offering of the Certificates. 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 Certificate equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Certificate 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 Certificates under the caption "Tax Matters - Tax Exemption" and "Tax Matters — 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 Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate 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 Certificate was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter for the Certificates has purchased the Certificates for contemporaneous sale to the public and (ii) all of the Original Issue Discount Certificates 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 Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Certificate 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 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 Certificate 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 Certificate.

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

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 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 Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material 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 certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2013.

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 updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become 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 City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in 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 Certificates: (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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Certificates, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City[1]; (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

---

[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.

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.

AVAILABILITY OF INFORMATION . . . All information and documentation filings required to be made by the City in accordance with its undertaking made for the Certificates 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 material 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 Certificates at any future date. The City disclaims any contractual or tort liability for 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 Certificates 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 Certificates 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 Certificates 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 Certificates. 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 Certificates in the primary offering of the Certificates. 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 Certificates 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 Certificates.

LITIGATION

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

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.

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 CERTIFICATES FOR SALE

The sale of the Certificates 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 Certificates 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 Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Initial Bond 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 Certificates issued in compliance with the provisions of the Ordinance are valid and legally binding obligations of the City and the interest on the Certificates is excludable from gross income for federal income tax purposes under existing law and the Certificates are not private activity bonds, subject to the matters described under "Tax Matters " 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 Certificates in the Official Statement under the captions "Sources and Use of Proceeds, "The Certificates" (except for the subcaptions "Book-Entry-Only System" and "Certificateholders Remedies"), "Tax Matters" and "Continuing Disclosure of Information" (except for the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Certificates for Sale," "Legal Investments and Eligibility to Secure Public Fund in Texas", and "Legal Matters" under the caption "Other Information" and is of the opinion that the information relating to the Certificates 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 Certificates, such information conforms to the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The legal opinions will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by Locke Lord LLP, Dallas, Texas, Counsel to the Underwriter. The legal fees to be paid to Underwriter's Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates 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 is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. First Southwest Company, 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 Certificates, 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.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at an underwriting discount of $______________. The Underwriter 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 Underwriter 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 Underwriter.

The Underwriter is BOSC, Inc., which is not a bank, and the Certificates are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement only that relates to their respective issue or issues of the Certificates in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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

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 Ordinance authorizing the issuance of the Certificates 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 Certificates by the Underwriter.

____
Mayor
City of Mansfield, Texas

ATTEST:

____
City Secretary

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THIS PAGE INTENTIONALLY LEFT BLANK

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 2014 population at 59,230 reflecting a 113.30% 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 $13.5 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 has assisted 12 companies with increasing their presence in Mansfield; three expansions and nine new developments. The new developments include Klein Tools, a company that manufactures high quality hand tools who is creating almost 600 jobs and $76 million in capital investment, Texas Refinery, who specializes in blending industrial lubricants and is making a $20 million capital investment and Cam-Tech who manufacture parts for the aerospace industry and who will create 50 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

Company	Product Line	Number of Employees
Mouser Electronics	Distribution of Electronics Parts	980
Methodist Mansfield Medical Center	Full Service Hospital	735
Wal-Mart Super Center	Superstore	400
Kroger	Grocery Stores(2)	320
Super Target	Super center	250
Trinity Forge	Drop Forger	225
Lifetime Fitness	Fitness Center	200
SJ Louis Construction of TX.	Utility Contractor	200
Walnut Creek Country Club	Country Club	190
Best Buy	Electronics Store	180
Kindred Hospital	Treatment Center	155
On The Border	Mexican Restaurant	150
Ramtech Building Systems	Manufacturer of Modular Office Buildings	150
Lowe's	Home Improvement Store	146
Home Depot	Home Improvement Store	145
Conveyors, Inc.	Manufacturer Conveyor Equipment	120
Term Billing /Intermedix	Medical Billing	116
Ropak Packaging Southwest	Producer of Injection Molded Plastic Buckets	115
Gamma Engineering	CNC Machining	100
Wal-Mart Neighborhood Market	Grocery Store	100
LyondellBasell/Equistar Chemicals	Manufacturer of Plastic Polymers used in Auto Ind	100
Skyline Industries	RV Manufacturer	93
Southern Champion Tray	Manufacturer of Paperboard Folding Cartons	90
Chemguard/Tyco	Manufacturer of Fire Fighting Suppression Product	85

HISTORICAL EMPLOYMENT DATA (ANNUAL AVERAGE DATA) [(1)]

City of Mansfield	2013[(2)]	2012	2011	2010	2009
Labor Force	31,477	30,834	30,095	25,173	24,963
Employed	29,808	29,099	28,129	23,398	23,169
Unemployed	1,669	1,735	1,966	1,775	1,794
% Unemployment	5.3%	5.6%	6.5%	7.1%	7.2%

Tarrant County	2013[(2)]	2012	2011	2010	2009
Labor Force	972,945	953,692	934,168	908,651	898,086
Employed	912,760	891,025	861,103	833,527	828,594
Unemployed	60,185	62,667	73,065	75,124	69,492
% Unemployment	6.2%	6.6%	7.8%	8.3%	7.7%

(1) Source: Texas Employment Commission.
(2) Through October 2013.

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 121 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	Commercial and Industrial		Residential		
9/30	Number	Amount	Number	Amount	Grand Total
2009	45	$ 74,859,785	224	$ 92,586,793	$ 167,446,578
2010	13	55,270,300	282	56,041,118	111,311,418
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 [(1)]	46	96,289,168	205	59,260,578	155,549,746

(1) As of September 30, 2013, unaudited.

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
Bankston Meadows	38	1.5	121
Cedar Oaks	12	1.0	38
Garden Heights Phs 1 & 2	106	2.5	338
Hunter Oaks Estates Phs 1 - 4	2	1.0	6
King's Mill, Phases 1 - 3	10	1.0	32
Knightsbridge	7	1.0	22
Lakes of Creekwood Sec 1 - 3	5	1.5	16
Links Crossing at Walnut Creek	9	1.5	29
Lone Star Ranch - Phs 1	65	2.0	207
Remington Ranch Phases 1 - 3	12	1.5	38
Strawberry Fields, Phases 1 & 2	4	1.0	13
Vista National - Phase 2	18	2.0	57
Waterford Park	7	2.0	22
Windmere Estates	5	1.5	16
Total	300		957

Estimate of Preliminary Platted Residential Lots for Future Development

Development	Number of Lots to be Developed	Total Projected n
Colby Crossing	55	175
Cardinal Park Estates	50	160
Twin Creek West	23	73
Bower Ranch Phases	267	852
Five Oaks Crossing	134	427
Lone Star Ranch Phase 2	99	316
	628	2,003

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Estimate of Platted Commercial and Industrial Acreage Available for Development

Development	Number of Acres	Uses
Bontke & Hodges Addition	1.186	Heavy Industrial
Broad Street Medical Addition	8.23	Office/Commercial
Cannon Professional Plaza	0.648	Office
Creekside Plaza	1.240	Office
Enclave, The	2.760	Office
Heritage Industrial Park	71.250	Commercial/Industrial
Heritage Estates	18.126	Retail/Commercial
Hillcrest Addition	4.580	Commercial/Industrial
Hillcrest Business Park	5.713	Commercial/Industrial
J.M. Thomas	1.357	Retail/Commercial
Lifetime Mansfield	1.045	Retail/Commercial
Knapp Sisters Business Park	0.951	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 Hospital Addition	1.378	Retail/Commercial
Mansfield Industrial Park East	4.279	Commercial/Industrial
Mansfield Marketplace	25.676	Retail/Commercial
Addition	8.045	Office/Commercial
Mansfield Town Center East	6.399	Retail/Commercial
Matlock Center	3.221	Retail/Office
McCaslin Business Park	12.362	Commercial/Industrial
Mouser Addition	10.000	Commercial/Industrial
R.T. Ray	6.592	Light Industrial
Racetrac Addition	1.670	Retail/Commercial
QT Addition	2.172	Retail/Commercial
Sar Medical Plaza	4.430	Office
Sentry Industrial Park	15.412	Heavy Industrial
Tuscany at Walnut Creek	2.769	Office/Commercial
Walnut Creek Corner	4.460	Retail/Commercial
Walnut Creek Village	1.630	Retail/Commercial
Worldaire Addition	2.177	Light Industrial
Total	237.79	

APPENDIX B

EXCERPTS FROM THE

CITY OF MANSFIELD, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2012

The information contained in this Appendix consists of excerpts from the City of Mansfield, Texas Annual Financial Report for the Year Ended September 30, 2012, 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.

THIS PAGE INTENTIONALLY LEFT BLANK

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

Independent Auditor's Report

The Honorable Mayor, City Council, and City Manager,
City of Mansfield, Texas:

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 14 through 27, the budgetary comparison information on pages 71 through 72 and 76 through 77, and the schedules of funding progress on page 70 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and capital assets used in the operation of governmental funds schedules have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual nonmajor fund financial statements and schedules and 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 the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

KPMG LLP

January 31, 2013

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, 2012. 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 assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$376 million (net assets). Of this amount, \$30 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City recognized \$95 million in revenue from various sources of taxes, services, and capital contributions and recognized \$87 million in expenses for servicing the City's governmental and business activities.

- At of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30.8 million. Approximately 32% of this \$30.8 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 \$9.9 million or 27% of total general fund expenditures.

- The City's total debt obligations decreased by \$2.28 million (1.24%) during the current fiscal year. This is from \$26.49 million in new and refunding bond proceeds offset by \$28.77 in scheduled principal payments during the year. The key factors affecting the City's debt position are as follows:

  Issuance of General Obligations Refunding Bonds of \$5.855 million for annual savings on principal and interest payments of refunded bonds

  Issuance of Certificates of Obligations Bonds of \$3.415 million for the purpose of street improvements and traffic mitigation

  Issuance of Certificates of Obligations Bonds of \$3.075 million for the purpose of water park improvements

  Issuance of Sales Tax Revenue Bonds of \$3.09 million for the purpose of street improvements and traffic mitigation

  Issuance of \$4.995 million in Sales Tax Revenue Refunding Bonds for annual savings on principal and interest payments of refunded bonds

  Issuance of \$2.32 million in Water and Sewer System Revenue Bonds for annual savings in debt service payments by paying off previously issued debt and issuing less expensive debt

  Issuance of \$3.74 million in Drainage Utility Refunding Revenue Bonds for annual savings in debt service payments by paying off previously issued debt and issuing less expensive debt

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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 periods (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 Mansfield Tax Increment Financing Reinvestment Zone Number One (TIRZ), a legally separate entity, is a geographically defined region within the City established by the City. The purpose of the reinvestment zone is pay for public infrastructure to be owned by the City within the region. The TIRZ is included as 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, all of which are considered to be major funds. Data from the other 5 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $375,621,996 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (91%) 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 Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other	$ 39,140,536	$ 35,877,385	$ 45,827,354	$ 42,856,421	$ 84,967,890	$ 78,733,806
Capital	310,529,627	312,500,724	162,222,418	162,738,181	472,752,045	475,238,905
Total assets	349,670,163	348,378,109	208,049,772	205,594,602	557,719,935	553,972,711
Liabilities:						
Long-Term	109,854,705	110,836,251	64,100,801	68,245,429	173,955,506	179,081,680
Other	5,033,034	3,785,044	3,109,399	2,733,315	8,142,433	6,518,359
Total liabilities	114,887,739	114,621,295	67,210,200	70,978,744	182,097,939	185,600,039
Net assets:						
Invested in assets, net related debt	225,017,186	225,082,719	115,837,241	112,360,271	340,854,427	337,442,990
Restricted	490,023	619,135	4,319,670	4,330,931	4,809,693	4,950,066
Unrestricted	9,275,215	8,054,960	20,682,661	17,924,656	29,957,876	25,979,616
Total net assets	$234,782,424	$233,756,814	$140,839,572	$134,615,858	$375,621,996	$368,372,672

As of September 30, 2012, an additional portion of the City's net assets, $4,809,693 or 1.28%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $29,957,876, 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 assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

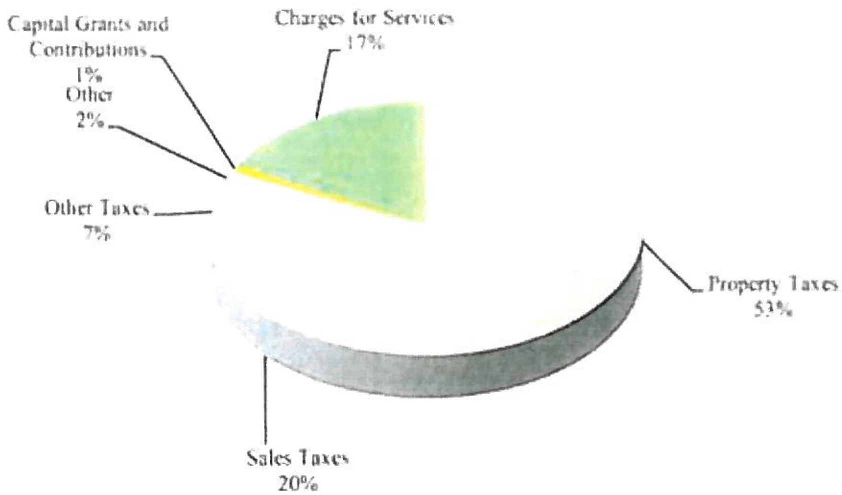
City's Changes in Net Assets

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Beg - Net Assets	233,756,814	232,861,042	134,615,858	126,147,162	368,372,672	359,008,204
Revenues	$58,062,346	$56,668,437	$36,594,376	$35,567,829	$94,656,722	$92,236,266
Expenses	57,390,319	55,214,342	30,017,079	27,594,498	87,407,398	82,808,840
Transfers, net	353,583	(558,323)	(353,583)	495,365	-	(62,958)
Subtotal	1,025,610	895,772	6,223,714	8,468,696	7,249,324	9,364,468
End - Net Assets	$234,782,424	$233,756,814	$140,839,572	$134,615,858	$375,621,996	$368,372,672

Governmental Activities

City governmental activity revenue for fiscal year 2012 increased $1.4 million from fiscal 2011. Revenues in fiscal year 2011 were $56.7 million compared to this fiscal year revenue of $58.1 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 2012. The increases came from new property taxes from new development, more in sales taxes and better than expected collections in other taxes from improved franchise fees. These increases were offset by decreases in royalty payments from gas wells from the prior year. Most of these increases were modest increases over prior year and primarily related to the improvements in the overall economy and the additions new retail and residents in the City from the fiscal year ended 2012.

Governmental Activities - Revenues by Source

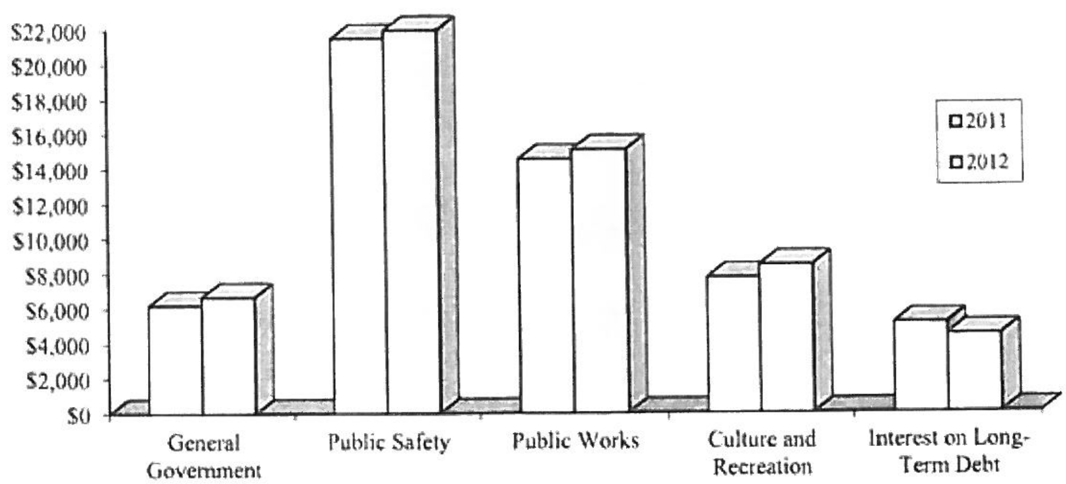


Expenses increased in fiscal year 2012 compared to expenses in fiscal year 2011 by 3.94% or $2.2 million. The expectation of a continued demand for certain services reprioritized funding in fiscal 2012 compared to prior year. The realignment of expenses reduced cultural and recreational services, increased infrastructure repairs, and added costs to public safety, which has been a priority of the administration in recent years. The increases occurred in public safety because it has greatest number of employees working for the City and in public works because of the need to repair some 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 2012, the City recognized $9.56 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 $2.0 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 spent $4.5 million in interest expense related to the borrowing of $105.4 million in governmental activities. This was 7.78% of the total expenses recognized for fiscal 2012. 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 added $1.03 million to the City net assets. Key elements of this increase are as follows:

City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES -						
Program Revenues:						
Charges for Services	$9,818,836	$8,429,164	$34,942,578	$34,443,100	$44,761,414	$42,872,264
Operating grants and Contributions	441,893	364,763	818,428	-	1,260,321	364,763
Capital Grants and Contributions	539,094	1,125,297	239,100	549,147	778,194	1,674,444
General Revenues:						
Property taxes	30,823,689	30,513,927	570,438	571,050	31,394,127	31,084,977
Sales taxes	11,699,603	10,893,765	-	-	11,699,603	10,893,765
Other taxes	4,146,271	3,514,711	-	-	4,146,271	3,514,711
Other	592,960	1,826,810	23,832	4,532	616,792	1,831,342
Total Revenues	58,062,346	56,668,437	36,594,376	35,567,829	94,656,722	92,236,266
EXPENSES -						
General government	6,685,947	6,196,081	-	-	6,685,947	6,196,081
Public safety	22,640,074	21,539,651	-	-	22,640,074	21,539,651
Public works	15,114,690	14,578,732	-	-	15,114,690	14,578,732
Culture and recreation	8,488,420	7,762,084	-	-	8,488,420	7,762,084
Interest on debt	4,461,188	5,137,794	-	-	4,461,188	5,137,794
Water and Sewer	-	-	20,552,771	18,358,119	20,552,771	18,358,119
Law Enforcement	-	-	8,712,311	8,373,281	8,712,311	8,373,281
Drainage	-	-	751,997	863,098	751,997	863,098
Total Expenses	57,390,319	55,214,342	30,017,079	27,594,498	87,407,398	82,808,840
Subtotal	672,027	1,454,095	6,577,297	7,973,331	7,249,324	9,427,426
TRANSFERS, net	353,583	(558,323)	(353,583)	495,365	-	(62,958)
Subtotal	1,025,610	895,772	6,223,714	8,468,696	7,249,324	9,364,468
BEG - NET ASSETS	233,756,814	232,861,042	134,615,858	126,147,162	368,372,672	359,008,204
END - NET ASSETS	$234,782,424	$233,756,814	$140,839,572	$134,615,858	$375,621,996	$368,372,672

Governmental Activities – Expenses (in thousands)



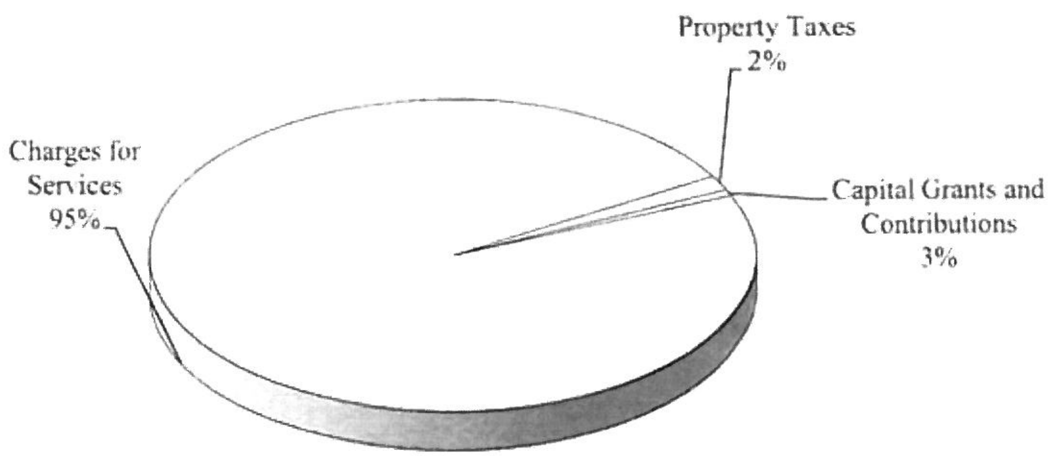
Business-Type Activities

Revenues and expenses for the City's business-type activities increased over the previous fiscal. Revenues of \$36.6 million exceeded total expenses, \$30.02 million, and equity transfers of, \$(.4) million, by \$6.2 million. This increased the net assets of the business-type activities from \$134.6 million to \$140.8 million by the end of fiscal year 2012. Comparatively, Business-Type Revenues exceeded prior year Business-Type Revenues by 2.89% or \$1.03 million. Revenues for fiscal year 2012 were \$36.6 million and revenues for fiscal year 2011 were \$35.6 million. Expenses for fiscal year 2012 were \$30.0 million before equity transfers of \$(.4) million and expenses for fiscal year 2011 were \$27.6 million before equity transfers of \$.5 million. The increase in net assets is 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 2012 were comparable to the results of fiscal year 2011.

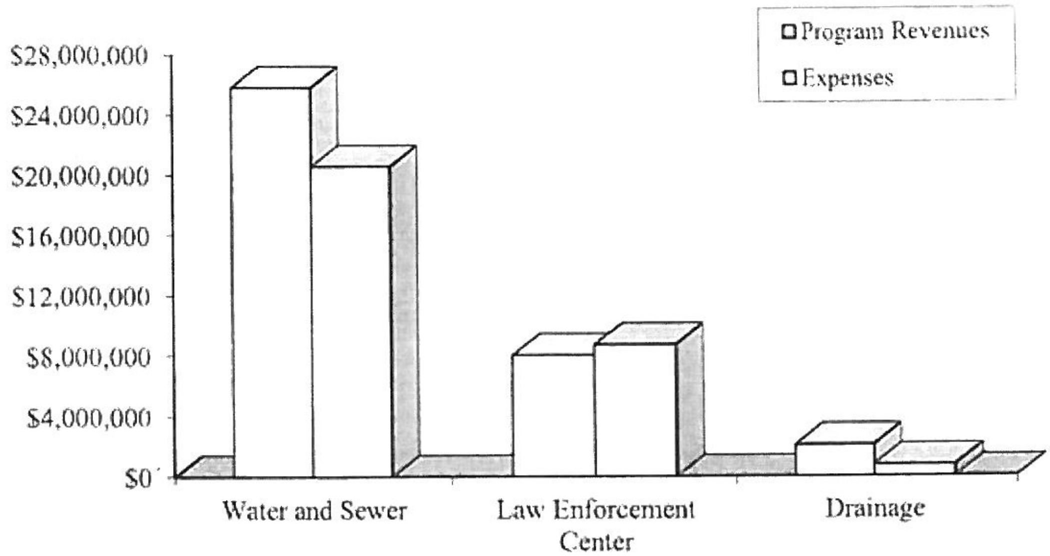
Capital contributions have been a revenue source for the Business-Type Activities. These capital contributions are from the public improvements donated by developers. The City requires developers to pay for the cost of public improvements or infrastructure needed to support their developments, and in fiscal year 2012, developers contributed public improvements or assets of \$239,100. These assets are considered revenue in the year of acceptance or contribution. Generally, these capital contributions are non-cash contributions from developers and are in the form of water and sewer lines and contributed as the developer finishes out the developments.

The other significant revenue in the business-type activities is a property tax that is levied through the taxing authority of the City. The purpose of this levy is to pay debt for the construction costs of the City's Law Enforcement Center Fund. The City's Law Enforcement Center keeps the fees or Charges for Services generated from contracts 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.

Business-Type Activities – Revenues by Source



Business-Type Activities - Program Revenues and Expenses



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 $30,786,393, an increase of $1,538,742 in comparison with the prior year. The increase is from the use of funds on capital projects that are ultimately capitalized as well as an increase working capital in the general fund of $1,538,742. Approximately 32.12% of this total amount or $9,887,317 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is dedicated for specifically legally committed and spendable purposes to indicate that it is not available for new spending because it has already been committed 1) to liquidate prepaid expenses and inventory items, $95,370; 2) to pay debt service or for future construction contracts, $16,837,990; 3) to pay for committed purposes, $3,272,836, such as park improvement; and 4) to pay for assigned purposes, $692,880, 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, fund balance of the general fund was $10,571,459. 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 26.86% of total general fund expenditures.

The fund balance of the City's general fund increased $1,538,742 during the fiscal year 2012. The key reason for the increase is as follows:

- Actual revenues exceeded actual expenditures by $1,214,241, which was increased by the net effect of other financing uses of $324,501. Other financing uses paid for the cost of operating the City's portion of the Law Enforcement Center. The City's Water and Sewer Utility operation made a payment in-lieu of taxes to the City for the use of the City's right of way. This amount was $662,552 and offset the total other financing uses of $(360,368) in fiscal year 2012.

- The City's general fund saw an increase in total revenues year over year by $1,204,537. Operating costs increased $2,124,311. The primary increase in revenues was from Sales Tax. Other fees increased primarily from the implementation of two new programs by the City to recover costs of services related to new costs of services created by oil and gas companies. The City raised the fees assessed or charged to oil and gas companies for the City's review, and inspection of the well sites located in the City. The other revenue increases were from the overall expansion of the City's economy from the new growth the City enjoyed from the prior year. These revenue increases were in Property Taxes, which were from better than expected collections of delinquent taxes, Sales Taxes, and Other Taxes or Franchise Fees.

- 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 2012 and personnel costs were managed and funded based on demand for services.

The debt service fund has a fund balance of $668,959, which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was $(233,422). The decrease is from the City budgeting to spend debt reserves. 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, except for an amount of debt that is paid through the City's Law Enforcement Center. For budgetary purposes and compliance with the statutory reporting requirements, the City discloses the amount of debt paid by ad valorem taxes. The payment of the tax-pledged debt paid by ad valorem taxes for the Law Enforcement Center is recorded in the Law Enforcement Center Fund, a Proprietary Fund, and was in the amount of $570,438 for fiscal year 2012.

The street construction's fund balance decreased by $(704,919) during fiscal year 2012. This fund's fund balance decreased as a result of construction payments of $5,709,850 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 $785,564 in fiscal year 2012. The City's Economic Development Corporation also contributed $142,606 for land and infrastructure improvement during fiscal year 2012.

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 assets (deficit) of the Water and Sewer Fund at the end of the year amounted to $20,047,213 those for the Law Enforcement Center amounted to $(544,231) and those for the Drainage Utility Fund amounted to $1,189,679. Factors affecting the performance of these activities are as follows:

- The City treats lake water and sells it to consumers for a fee. These fees have remained relatively constant over the past decade; but in 2006, the City restructured the Water and Sewer rates to comply with conservation requirements of the State of Texas. In 2009 and 2010, the City subsequently raised rates to offset the decrease in capital assessment fees and the increased costs from the City's primary water supplier. The new rate design has not significantly affected or reduced consumption in the Water and Sewer Fund. Weather influences the system revenue. Weather extremes test the City's ability to produce water for consumption and it challenges 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. Fiscal year 2012 was a normal year in terms of precipitation.

- During fiscal year 2012, the City distributed 4.0 billion gallons of water while billing customers for 3.8 billion gallons of water usage or 95% of the actual plant's production. In fiscal year 2011, the City billed for 3.9 billion gallons of water usage compared to actual plant production of 4.5 billion. Actual water and sewer revenue in fiscal year 2012 decreased compared to fiscal year 2011 because of cooler temperatures in fiscal year 2012 versus the record-breaking heat temperatures in fiscal year 2012. Actual water and sewer revenue in 2012 was $ 23.2 million compared to $24.2 million in fiscal 2011. Demand for water decreased in fiscal year 2012 because of lower temperatures even though the total number of customers increased year over year by 150 new accounts. The water and sewer activity of the business-type activities produced operating income of $8.0 million for fiscal year 2012 as compared to $10.9 million in fiscal year 2011.

- Unrestricted net assets increased in the Water and Sewer Fund by $2,890,529. Operating expenses increased $1,589,133 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 $3,355,981 for raw water in fiscal year 2012 compared to $2,839,570 in fiscal year 2011 and the City spent $3,817,163 to treat the City wastewater in fiscal 2012.

- The Law Enforcement Center Fund had operating loss of $(550,453) this fiscal year. The operating loss is attributable to the costs of operating a municipal jail, which are offset by property taxes and transfers from the General Fund, which pay for the City's portion of jail services.

- The Drainage Utility Fund revenue had operating income of $1,468,725 this fiscal year. Drainage Fees exceeded $1.3 million and expenses excluding depreciation and before debt service were $503,105. This program is driven from the growth of new development, and since growth has slowed over the last three years, the City has been active in developing compliance programs to meet new environmental requirements established by state and federal regulatory agencies.

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 $2,192,519 for fiscal year ended 2012:

- Property Taxes fell below budgeted estimates by $318,594 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 $503,685 as the effects of the national economy loosened its hold on consumer spending in Mansfield, Texas, during fiscal 2012. New development occurred in 2012 that created new sales tax collections as well. Development added 100,000 square feet of additional retail space.

- Franchise fees exceeded budgeted estimates by $438,376 as the City has seen an increase in franchise fees from wireless companies operating in the City. The summer of 2012 was hotter than normal, which led to a greater collection of franchise fees from the electric company.

- Licenses and permits exceeded budgeted estimates by $789,024. The budgeted building activity revenue was conservatively estimated in 2012. 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. Building permits exceeded prior year activity slightly, but the City aggressively budgeted this estimate below actual because of the lasting impact of permanent costs being added to the City's overall operating cost and the lasting effect of the housing recovery.

- Interest income exceeded budgeted estimates by $1,976.

- Expenditures were 103.73% of budgeted estimates for fiscal year ended 2012. The City opted to spend more money in 2012 for streets repairs than it originally anticipated.

- Expenditures are allowed for the maintenance of the City's existing service program. There was a reprioritization of funding and additional funding allowed for the improvement of the morale of the employee group as the City Council permitted additional compensation for the employee group in fiscal year 2012. The compensation was distributed equally to the workforce as management generated the savings by managing the cost of City's human resources. Management has been very effective in targeting savings from the management of personnel costs. Fiscal year 2012 was no exception.

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, 2012 amounts to $472,752,045 (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	
	2012	2011	2012	2011	2012	2011
Land	$92,748,243	$92,748,243	$3,030,197	$1,996,738	$95,778,440	$94,744,981
Buildings and system	55,352,708	53,028,176	116,989,717	118,993,751	172,342,425	172,021,927
Improvements	6,446,345	7,301,379	2,540,282	2,541,348	8,986,627	9,842,727
Machinery and equipment	4,474,046	4,776,481	643,552	611,018	5,117,598	5,387,499
Infrastructure	144,191,841	146,103,658	34,907,222	35,599,059	179,099,063	181,702,717
Construction in progress	7,316,444	8,542,787	4,111,448	2,996,267	11,427,892	11,539,054
Total	$310,529,627	$312,500,724	$162,222,418	$162,738,181	$472,752,045	$475,238,905

Governmental Capital Assets

Roadway expansion and improvements remain a primary element of the City's public works program. In 2012, 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 $58 million in new street improvements over the next 10 years.

Street projects in fiscal year 2012:

- One of the streets that have seen extensive reworking and improvement is Calendar Road, which is in the northwest area of the City. The City is seeing some residential and commercial development occurring in its northwestern corridor, which has prompted some of these infrastructure improvements.

- Several small arterial streets are under construction and design throughout neighborhoods.

- In total, the City spent $5,709,850 in street improvements and related work during fiscal year 2012.

Most of the capital assets that were added to construction in progress or the asset base of the City during fiscal year 2012 were planned or budgeted expenditures during fiscal year 2012. 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 20% of the City's more than $110 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 $7.6 million on the drainage improvements as of September 30, 2012 and has over $1,114,187 in the construction in progress stage.

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

Long-Term Debt

At the end of the current fiscal year, the City had total principal outstanding of $181,790,000. Of this amount, $95,290,000 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 $12,450,000 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 2012
Security Instrument:				
Tax obligation bonds	$93,200,000	$2,090,000	$ -	$ 95,290,000
Sales tax revenue bonds	12,180,000	-	12,450,000	24,630,000
Revenue bonds	-	61,870,000	-	61,870,000
Total	$ 105,380,000	$ 63,960,000	$12,450,000	$181,790,000

The City's total debt decreased ($2,280,000) or 1.24% during the current fiscal year. Key factors for the decrease are from the issuance of additional bonds and refunding bonds, which were offset by principal payments on existing outstanding debt. The City issued $9,580,000 in new bonds proceeds and issued $16,910,000 in refunding bonds. The City maintains bond ratings from three investment houses:

Company	General Fund Bonds	Water and Sewer Revenue Bonds	Sales Tax Revenue Bonds	Drainage Revenue Bonds
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 FY2011/2012 Property Tax Rate was $.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 $78,700,871 per year could be raised before reaching the maximum allowable tax base on the current year's appraised net taxable value of $4,396,696,698.

Economic Factors: Next Year's Budgets and Rates

The City Economy

- New residential construction is expected to add 480 units with approximately 172 single-family units in 2013. 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 2013 fiscal year, the City maintained the building services-related revenue with expectations similar to that of 2012. The City's tax year is one year in arrears thus the housing starts in calendar year 2011 are for budget year or fiscal year 2013.

- The City's annual growth in property valuation has increased 11% annually on average for the past ten years. For fiscal years 2013 and 2014, the City's valuations are expected to increase 3% and 3%, respectively. Generally, the City has seen the effect of the residential marketplace, which has been offset by the inertia of new growth and the value of the new growth as it is measured in terms of the quality of life. This intangible trait has developed fairly recently over the last decade, which is now being tested and seems to be adding value to existing residential communities within the City causing some residential communities to stabilize rather quickly in the face of recent declines in existing property valuation during fiscal 2011. The City is also 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 2013 and 2014. The expected budgeted sales tax receipts in 2013 are at 2012 actual estimates, with the expectation that this estimate may be attained or surpassed toward the end of 2013. Fiscal year 2014 is expected to remain relatively flat or equivalent to expectations in 2013.

- Retail developments and improvements continue into 2013 and 2014. 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, i.e., 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 benefits from its strategic location, which is approximately 20 miles from Fort Worth and 32 miles from Dallas.

- 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.

All these variables were considered in preparing the City's budget for the 2013 fiscal year.

The City's 2013 General Fund Operating Revenue Budget increased approximately 5% or $2 million over the fiscal year 2012 budget. Most of this revenue growth was from new commercial development in the City that generated additional sales tax of almost $600,000 and the unexpected improvement in the residential permits activity into 2013. The tax rate was held constant this year at $.71 per $100 in assessed valuation of property within the City limits. Unassigned fund balance is expected to grow over fiscal year 2012. Any additional appropriations made during fiscal year 2013 will be offset through the management of the operating expenditures of the General Fund during the course of fiscal year 2013.

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 Assets
As of September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	MEDC
ASSETS				
Cash and cash equivalents	$ 33,327,153	$ 20,344,041	$ 53,671,194	$ 6,565,744
Receivables (net of allowance for uncollectibles)	2,364,225	4,108,908	6,473,133	305,538
Lease receivable	986,113	-	986,113	-
Inventories	61,228	272,450	333,678	-
Prepaids	34,142	-	34,142	-
Deferred issuance costs	2,367,675	1,069,677	3,437,352	280,590
Restricted assets:				
Cash and cash equivalents	-	20,032,278	20,032,278	6,535,721
Capital assets (net of accumulated depreciation):				
Land	92,748,243	3,030,197	95,778,440	7,807,082
Buildings and systems	55,352,708	116,989,717	172,342,425	-
Improvements other than buildings	6,446,345	2,540,282	8,986,627	105,460
Machinery and equipment	4,474,046	643,552	5,117,598	-
Infrastructure	144,191,841	34,907,222	179,099,063	-
Construction in progress	7,316,444	4,111,448	11,427,892	983,810
Total assets	349,670,163	208,049,772	557,719,935	22,583,945
LIABILITIES				
Accounts payable and other current liabilities	5,033,034	886,608	5,919,642	509,701
Liabilities payable from restricted assets	-	2,222,791	2,222,791	-
Noncurrent liabilities:				
Due within one year	9,407,690	4,863,395	14,271,085	708,595
Due in more than one year	100,447,015	59,237,406	159,684,421	11,687,145
Total liabilities	114,887,739	67,210,200	182,097,939	12,905,441
NET ASSETS				
Invested in capital assets, net of related debt	225,017,186	115,837,241	340,854,427	3,316,923
Restricted for:				
Debt Service	490,023	4,319,670	4,809,693	-
Unrestricted	9,275,215	20,682,661	29,957,876	6,361,581
Total net assets	$ 234,782,424	$ 140,839,572	$ 375,621,996	$ 9,678,504

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, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: MEDC
Primary government:								
Governmental activities:								
General government	$ 6,685,947	$ 4,626,755	$ -	$ -	$ (2,059,192)	$ -	$ (2,059,192)	$ -
Public safety	22,640,074	2,394,413	240,705	-	(20,004,956)	-	(20,004,956)	-
Public works	15,114,690	1,609,960	75,076	539,094	(12,890,560)	-	(12,890,560)	-
Culture and recreation	8,488,420	1,187,708	126,112	-	(7,174,600)	-	(7,174,600)	-
Interest on long-term debt	4,461,188	-	-	-	(4,461,188)	-	(4,461,188)	-
Total governmental activities	57,390,319	9,818,836	441,893	539,094	(46,590,496)	-	(46,590,496)	-
Business-type activities:								
Water	14,440,888	17,437,123	-	239,100	-	3,235,335	3,235,335	-
Sewer	6,111,884	8,220,411	-	-	-	2,108,527	2,108,527	-
Law enforcement center	8,712,309	8,024,673	-	-	-	(687,636)	(687,636)	-
Drainage	751,998	1,260,371	-	818,428	-	1,326,801	1,326,801	-
Total business-type activities	30,017,079	34,942,578	-	1,057,528	-	5,983,027	5,983,027	-
Total primary government	$ 87,407,398	$ 44,761,414	$ 441,893	$ 1,596,622	$ (46,590,496)	$ 5,983,027	$ (40,607,469)	$ -
Component units:								
MEDC	2,915,319	64,887	-	-	-	-	-	(2,850,432)
Total component units	$ 2,915,319	$ 64,887	$ -	$ -	$ -	$ -	$ -	$ (2,850,432)
General revenues:								
Property taxes					30,823,689	570,438	31,394,127	-
Sales taxes					11,699,603	-	11,699,603	3,899,868
Franchise taxes					3,536,837	-	3,536,837	-
Mixed drink taxes					101,389	-	101,389	-
Hotel/Motel taxes					508,045	-	508,045	-
Unrestricted investment earnings					16,003	23,832	39,835	3,255
Gas royalty income					541,230	-	541,230	37,566
Gain (loss) on sale of capital assets					35,727	-	35,727	-
Transfers					353,583	(353,583)	-	-
Total general revenues					47,616,106	240,687	47,856,793	3,940,689
Change in net assets					1,025,610	6,223,714	7,249,324	1,090,257
Net assets - beginning					233,756,814	134,615,858	368,372,672	8,588,247
Net assets - ending					$ 234,782,424	$ 140,839,572	$ 375,621,996	$ 9,678,504

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

City of Mansfield
Balance Sheet
Governmental Funds
As of September 30, 2012

	General	Debt Service	Street Construction	Building Construction	TIRZ	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash, cash equivalents, and investments	$ 11,538,978	$ 668,959	$ 9,261,808	$ 379,784	$ 1,421,405	$ 10,056,219	$ 33,327,153
Receivables (net of allowance for uncollectibles)	1,686,402	122,315	-	-	-	555,508	2,364,225
Inventory	-	-	-	-	-	61,228	61,228
Due from other funds	-	-	-	-	-	-	-
Prepaids	34,142	-	-	-	-	-	34,142
Total assets	$ 13,259,522	$ 791,274	$ 9,261,808	$ 379,784	$ 1,421,405	$ 10,672,955	$ 35,786,748
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 836,278	$ -	$ 844,573	$ -	$ -	215,809	1,896,660
Accrued liabilities	1,375,009	-	591,670	-	-	47,826	2,014,505
Retainage payable	-	-	146,723	287,091	-	-	433,814
Deferred revenue	476,776	122,315	-	-	-	56,285	655,376
Total liabilities	2,688,063	122,315	1,582,966	287,091	-	319,920	5,000,355
Fund balances:							
Nonspendable	34,142	-	-	-	-	61,228	95,370
Restricted	-	668,959	7,678,842	92,693	1,421,405	6,976,091	16,837,990
Committed	-	-	-	-	-	3,272,836	3,272,836
Assigned	650,000	-	-	-	-	42,880	692,880
Unassigned	9,887,317	-	-	-	-	-	9,887,317
Total fund balances	10,571,459	668,959	7,678,842	92,693	1,421,405	10,353,035	30,786,393
Total liabilities and fund balances	$ 13,259,522	$ 791,274	$ 9,261,808	$ 379,784	$ 1,421,405	$ 10,672,955	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	310,529,627
Lease receivables in the governmental activities are not financial resources and, therefore, are not reported in the funds.	986,113
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	655,376
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(108,175,085)
Net assets of governmental activities	$ 234,782,424

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, 2012

	General	Debt Service	Street Construction	Building Construction	TIRZ	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	$ 19,675,910	$ 10,644,739	$ -	$ -	$ 379,839	$ -	$ 30,700,488
Sales	7,799,735	-	-	-	-	3,899,868	11,699,603
Franchise	3,536,837	-	-	-	-	-	3,536,837
Mixed drink	101,389	-	-	-	-	-	101,389
Hotel/motel	-	-	-	-	-	508,044	508,044
Licenses and permits	1,722,936	-	-	-	-	541,230	2,264,166
Intergovernmental	307,549	-	-	-	-	79,915	387,464
Charges for services	2,896,301	-	-	-	-	826,182	3,722,483
Fines	1,593,739	-	-	-	-	151,710	1,745,449
Interest earnings	6,976	144	1,178	-	924	6,781	16,003
Contributions and donations	-	-	-	-	-	54,429	54,429
Impact fees	-	-	785,564	-	-	481,102	1,266,666
Miscellaneous	370,599	23,217	824,396	-	-	146,979	1,365,191
Total revenues	38,011,971	10,668,100	1,611,138	-	380,763	6,696,240	57,368,212
EXPENDITURES							
Current:		-					
General government	5,984,511	-	6,207	-	-	-	5,990,718
Public safety	21,836,378	-	-	-	-	-	21,836,378
Public works	5,067,417	-	-	-	-	93,083	5,160,500
Culture and recreation	3,893,969	-	-	-	-	3,047,352	6,941,321
Debt service:							
Principal	-	6,860,000	-	-	-	1,090,000	7,950,000
Interest	-	4,104,131	-	-	-	476,576	4,580,707
Fiscal charges	-	403,815	-	-	-	196,285	600,100
Bond issuance cost	-	130,761	80,475	75,000	-	128,893	415,129
Capital outlay:			-	-			-
Land	7,000	-	-	-	-	-	7,000
Highways and streets	-	-	5,709,850	-	66,179	-	5,776,029
Buildings	-	-	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-	319,669	319,669
Equipment	8,455	-	-	-	-	761,014	769,469
Parks	-	-	-	2,985,935	-	280,287	3,266,222
Total expenditures	36,797,730	11,498,707	5,796,532	3,060,935	66,179	6,393,159	63,613,242
Excess (deficiency) of revenues over (under) expenditures	1,214,241	(830,607)	(4,185,394)	(3,060,935)	314,584	303,081	(6,245,030)
OTHER FINANCING SOURCES (USES)							
Transfers in	662,552	62,610	-	-	-	51,399	776,561
Transfers out	(360,368)	-		(28,961)	-	(33,649)	(422,978)
Sale of city property	22,317	-	-	-	-	14,996	37,313
Refunding bonds issued		5,855,000				4,995,000	10,850,000
Bonds issued	-	-	3,415,000	3,075,000	-	-	6,490,000
Premium on bonds issued	-	224,478	101,334	-	-	41,008	366,820
Discounts on bonds issued		(49,903)	(35,859)	-		(25,826)	(111,588)
Payment to refunded bond escrow agent	-	(5,495,000)	-	-	-	(4,690,000)	(10,185,000)
Total other financing sources and uses	324,501	597,185	3,480,475	3,046,039	-	352,928	7,801,128
Net change in fund balances	1,538,742	(233,422)	(704,919)	(14,896)	314,584	656,009	1,556,098
Fund balances - beginning	9,032,717	902,381	8,383,761	107,589	1,106,821	9,697,026	29,230,295
Fund balances - ending	$ 10,571,459	$ 668,959	$ 7,678,842	$ 92,693	$ 1,421,405	$ 10,353,035	$ 30,786,393

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, 2012

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

Net change in fund balances total governmental funds	$ 1,556,098
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.	(2,508,606)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	537,509
Lease revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenue in the funds.	(3,889)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	123,202
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.	1,321,296
Changes in net assets of governmental activities	$ 1,025,610

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

City of Mansfield, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2012

	Business-Type Activities Enterprise Funds			
	Water and Sewer	Law Enforcement Center	Drainage Utility	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 19,104,875	$ -	$ 1,239,166	$ 20,344,041
Accounts receivable (net of allowance for uncollectibles)	3,569,049	375,926	163,933	4,108,908
Inventories	256,102	16,348	-	272,450
Current assets	22,930,026	392,274	1,403,099	24,725,399
Current restricted assets				
Cash and cash equivalents	19,061,223	183,045	788,010	20,032,278
Total current assets	41,991,249	575,319	2,191,109	44,757,677
Noncurrent assets				
Deferred charges	853,956	33,125	182,596	1,069,677
Capital assets				
Land	138,191	234,528	2,657,478	3,030,197
Buildings and systems	179,098,844	7,349,971	4,339,652	190,788,467
Improvements other than buildings	62,818	2,623,773	-	2,686,591
Machinery and equipment	2,191,835	1,041,301	91,732	3,324,868
Construction in progress	2,997,261	-	1,114,187	4,111,448
Less accumulated depreciation	(36,994,666)	(4,157,902)	(566,585)	(41,719,153)
Total capital assets (net of accumulated depreciation)	147,494,283	7,091,671	7,636,464	162,222,418
Total noncurrent assets	148,348,239	7,124,796	7,819,060	163,292,095
Total assets	190,339,488	7,700,115	10,010,169	208,049,772
LIABILITIES				
Current liabilities:				
Accounts payable	346,905	121,995	71,534	540,434
Compensated absences	147,864	190,531		338,395
Accrued liabilities	115,818	225,212	5,145	346,175
Current liabilities	610,587	537,738	76,679	1,225,004
Current liabilities payable from restricted assets:				
Customer deposits payable	1,269,200	-	-	1,269,200
Revenue bonds payable	3,700,000	-	360,000	4,060,000
Certificates of obligation payable	-	465,000	-	465,000
Accrued interest payable	435,288	17,151	27,612	480,051
Accounts payable	234,622	10,907	76,503	322,032
Retainage payable	89,283	-	32,626	121,909
Accrued liabilities	14,701	14,897	-	29,598
Current liabilities payable from restricted assets	5,743,094	507,955	496,741	6,747,790
Total current liabilities	6,353,681	1,045,693	573,420	7,972,794
Noncurrent liabilities:				
Compensated absences	229,132	365,812	-	594,944
General obligation bonds payable (net of unamortized discounts)	-	1,632,999	-	1,632,999
Revenue bonds payable (net of deferred amount on refunding)	52,165,564	-	4,843,899	57,009,463
Total noncurrent liabilities	52,394,696	1,998,811	4,843,899	59,237,406
Total liabilities	58,748,377	3,044,504	5,417,319	67,210,200
NET ASSETS (DEFICIT)				
Invested in capital assets (net of related debt)	107,423,249	5,103,081	3,310,911	115,837,241
Restricted for debt service	4,120,649	106,761	92,260	4,319,670
Unrestricted	20,047,213	(554,231)	1,189,679	20,682,661
Total net assets	$ 131,591,111	$ 4,655,611	$ 4,592,850	$ 140,839,572

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 Assets
Proprietary Funds
For the Year Ended September 30, 2012

	Business-type Activities Enterprise Funds			
	Water and Sewer	Law Enforcement Center	Drainage Utility	Total
Operating revenues:				
Charges for sales and services				
Water sales	$ 14,966,864	$ -	$ -	$ 14,966,864
Sewer charges	8,220,411	-	-	8,220,411
Drainage fees	-	-	1,260,371	1,260,371
Housing services	-	7,533,888	-	7,533,888
Other revenue	2,470,260	490,786	818,426	3,779,472
Total operating revenues	25,657,535	8,024,674	2,078,797	35,761,006
Operating expenses:				
Costs of sales and services	12,094,095	8,054,901	190,883	20,339,879
Administration	1,940,352	248,920	312,222	2,501,494
Depreciation	3,657,039	271,306	106,967	4,035,312
Total operating expenses	17,691,486	8,575,127	610,072	26,876,685
Operating income (loss)	7,966,049	(550,453)	1,468,725	8,884,321
Nonoperating revenues (expenses):				
Interest earnings	23,832	-	-	23,832
Interest expense	(2,861,285)	(137,185)	(141,924)	(3,140,394)
Property tax revenue	-	570,438	-	570,438
Total nonoperating revenue (expenses)	(2,837,453)	433,253	(141,924)	(2,546,124)
Income before contributions and transfers	5,128,596	(117,200)	1,326,801	6,338,197
Capital contributions	239,100	-	-	239,100
Transfers in / (out)	(662,552)	308,969	-	(353,583)
Change in net assets	4,705,144	191,769	1,326,801	6,223,714
Total net assets - beginning	126,885,967	4,463,842	3,266,049	134,615,858
Total net assets - ending	$ 131,591,111	$ 4,655,611	$ 4,592,850	$ 140,839,572

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, 2012

	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	$ 26,021,509	$ 7,889,336	$ 2,064,107	$ 35,974,952
Payments to suppliers	(10,073,071)	(1,274,723)	(176,951)	(11,524,745)
Payments to employees	(3,595,685)	(6,919,054)	(208,472)	(10,723,211)
Net cash provided by (used in) operating activities	12,352,753	(304,441)	1,678,684	13,726,996
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property tax revenue	-	570,438	-	570,438
Transfer to/from other funds	(662,552)	308,969	-	(353,583)
Net cash provided by (used in) capital and related financing activities	(662,552)	879,407	-	216,855
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	2,344,243	-	3,809,509	6,153,752
Acquisition and construction of capital assets	(1,690,420)	-	(1,654,284)	(3,344,704)
Principal paid on capital debt	(5,755,000)	(445,000)	(3,890,000)	(10,090,000)
Interest paid on capital debt	(2,705,582)	(125,956)	(138,398)	(2,969,936)
Fiscal charges from issuance of debt	(297,063)	-	(32,255)	(329,318)
Net cash provided by (used in) capital and related financing activities	(8,103,822)	(570,956)	(1,905,428)	(10,580,206)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	23,832	-	-	23,832
Net cash provided by investing activities	23,832	-	-	23,832
Net increase (decrease) in cash and cash equivalents	3,610,211	4,010	(226,744)	3,387,477
Cash and cash equivalents, October 1	34,555,887	179,035	2,253,920	36,988,842
Cash and cash equivalents, September 30 (including $19,061,223, $183,045, and $788,010 for the Water and Sewer fund, Law Enforcement Center, and Drainage Utility fund, respectively, reported in restricted accounts)	$ 38,166,098	$ 183,045	$ 2,027,176	$ 40,376,319
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 7,966,049	$ (550,453)	$ 1,468,725	$ 8,884,321
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	3,657,039	271,306	106,967	4,035,312
Decrease (increase) in accounts receivable	363,975	(135,337)	(14,692)	213,946
Decrease (increase) in inventories	148,900	(3,836)	-	145,064
(Increase) decrease in prepaid items	-	-	-	-
Increase (decrease) in accounts payable	216,790	113,879	117,684	448,353
Total adjustments	4,386,704	246,012	209,959	4,842,675
Net cash provided by (used in) operating activities	$ 12,352,753	$ (304,441)	$ 1,678,684	$ 13,726,996
Noncash capital activities:				
Contributions of capital assets from developers	$ 239,100	$ -	$ -	$ 239,100

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, 2012

	Agency
ASSET	
Cash and cash equivalent	$ 441,177
Total assets	441,177
LIABILITIES	
Insurance payable	441,177
Total liabilities	441,177

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

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. Private-sector standards of accounting and financial reporting issued prior to November 30, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. The more significant accounting and reporting policies used by the City are described below.

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 that belong to the City). The MPFDC does not issue separate financial statements. 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. Currently, 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 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. In addition, City management maintains significant continuing management responsibility with respect to MEDC financial matters. The City is financially accountable for the MEDC because the City Council approves the MEDC's budget, levies taxes, and must approve any debt issuances. The MEDC 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 assets 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. 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 nonmajor funds are combined in a separate column in the fund financial statements. The nonmajor 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 significant amount 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 $239,100 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 $539,094.

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 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 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 Assets 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 assets 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 2012, 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 prepaid items, 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 2012.

5. 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, 2012, the liability for accrued vacation was $6,063,180. The amount applicable to the Proprietary Funds $933,338 and the MEDC $46,125 have been recorded in these funds, and the amount applicable to other funds $5,083,717 has been recorded in the government-wide financial statements.

6. 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, 2012, the City allocated $147,980 to the Water and Sewer Fund for these services.

7. 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.

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 in population 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 per $100 assessed valuation. For the year ended September 30, 2012, the City had a tax margin of $1.79 per $100 assessed valuation based upon the maximum rates prescribed by law.

8. 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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

9. 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 assets 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 assets.

10. 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.

11. 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 all members 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. 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:							
Prepaids	34,142	-	-	-	-	-	34,142
Inventory	-	-	-	-	-	61,228	61,228
Restricted:							
Debt service reserve	-	668,959	-	-	-	-	668,959
Parks debt service reserve	-	-	-	-	-	386,826	386,826
Street construction/improvements	-	-	7,678,842	-	-	-	7,678,842
Municipal building improvements	-	-	-	92,693	-	-	92,693
Parks and recreation	-	-	-	-	-	4,982,668	4,982,668
Parks capital improvements	-	-	-	-	-	1,460,130	1,460,130
Equipment replacement	-	-	-	-	-	29,899	29,899
Other capital projects	-	-	-	-	1,421,405	-	1,421,405
Other purposes	-	-	-	-	-	116,568	116,568
Committed:							
Tree mitigation	-	-	-	-	-	1,357,545	1,357,545
Parks capital improvements	-	-	-	-	-	1,225,231	1,225,231
Tourism promotion	-	-	-	-	-	502,325	502,325
Court security and technology	-	-	-	-	-	178,607	178,607
Animal control	-	-	-	-	-	9,128	9,128
Assigned:							
Public works	650,000	-	-	-	-	-	650,000
Library	-	-	-	-	-	42,880	42,880
Unassigned	9,887,317	-	-	-	-	-	9,887,317
Total fund balances	10,571,459	668,959	7,678,842	92,693	1,421,405	10,353,035	30,786,393

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 Assets

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. 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 $108,175,085 difference are as follows:

Bonds payable	$105,380,000
Issuance costs (amortized over life of debt)	(2,367,675)
Premium on issuance of bonds	1,611,929
Discounts on issuance of bonds	(946,105)
Fiscal charges	(1,274,854)
Accrued interest payable	688,077
Compensated absences	5,083,717
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	$108,175,085

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 assets 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 $(2,508,606) difference are as follows:

Capital outlay	$10,138,389
Depreciation expense	(12,646,997)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	$ (2,508,606)

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 assets." The statement of activities reports contributions of capital assets. Conversely, the governmental funds do not report any contributions of capital assets. The $537,509 difference is as follows:

Net adjustment to increase changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	$537,509

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 $(3,889) 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.	$(3,889)

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 $123,202 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.	$123,202

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 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 statement of activities." The details of this $1,321,296 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	$(17,340,000)
Premium on issuance of bonds	(366,820)
Discounts on issuance of bonds	111,588
Issuance costs	415,129
Accrued interest payable	119,516
Amortization of issuance costs	(235,910)
Compensated absences	(117,307)
Principal payments or payments to escrow agent	18,735,100
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	$ 1,321,296

III. Detailed Notes on All Funds

A. Deposits and Investments

As of September 30, 2012, the primary government had cash and cash equivalents of $29,226,056 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	$44,477,416	0.13

As of September 30, 2012, the Mansfield Economic Development Corporation had cash and cash equivalents of $8,297,092 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	4,804,373	0.13

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, 2012, 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. Recent federal legislation guarantees the City's deposits held by its' depository bank.

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, 2012, the City's investments are held in Texas Class Money Market Mutual Fund and Bank of America Merrill Lynch Money Market Mutual Fund. These investments are 50.78% and 48.32% 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.

The investment consists of an interest in various mutual funds. This interest is valued at $1.00 per share. There are no assigned ratings to the fund. The funds can be moved daily or redeemed at any time by the Trustee.

Credit Risk –

The City authorized the custodian to invest the contributions in the Index PLUS Moderative Conservative fund with the Trustee, US Bank, which is an exchange-traded fund. The investment goals of this fund are to gain current income and moderate capital appreciation.

Custodial Credit Risk Investments –

For an investment, this is the risk that in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments.

B. Receivables

Receivables at September 30, 2012 consisted of the following:

Governmental Funds	General	Debt Service	Nonmajor	Total
Receivables:				
Property Taxes	$ 697,347	$ 392,430	$ -	$1,089,777
Accounts	3,600,908	-	555,508	4,156,416
Gross Receivables	4,298,255	392,430	555,508	5,246,193
Less: Allowance for Uncollectible	2,611,852	270,115	-	2,881,967
Net Total Receivables	$1,686,403	$ 122,315	$555,508	$2,364,226

Proprietary Funds	Water & Sewer	Law Enforcement	Drainage Utility	Total
Receivables:				
Accounts	$4,224,362	$375,926	$207,448	$4,807,736
Other	49,885	-	-	49,885
Gross Receivables	4,274,247	375,926	207,448	4,857,621
Less: Allowance for uncollectibles	705,198	-	43,515	748,713
Net Total Receivables	$3,569,049	$375,926	$163,933	$4,108,908

The MEDC has a sales tax receivable in the amount of $305,538 as of September 30, 2012.

C. Capital assets

Capital asset activity for the year ended September 30, 2012 is as follows:

Governmental activities:	Sept 30, 2011	Increases	Decreases	Sept 30, 2012
Capital assets, not being depreciated:				
Land	$ 92,748,243	$ -	$ -	$ 92,748,243
Construction in progress	8,542,787	10,138,389	(11,364,732)	7,316,444
Total capital assets, not being depreciated	101,291,030	10,138,389	(11,364,732)	100,064,687
Buildings	59,050,572	2,985,934	-	62,036,506
Other improvements	14,844,678	515,248	-	15,359,926
Machinery and equipment	19,230,975	753,941	(276,882)	19,708,034
Infrastructure	266,558,962	7,648,704	-	274,207,666
Total capital assets being depreciated	359,685,187	11,903,827	(276,882)	371,312,132
Less accumulated depreciation for:				
Buildings	(6,022,396)	(661,402)	-	(6,683,798)
Other improvements	(7,543,304)	(1,370,277)	-	(8,913,581)
Machinery and equipment	(14,454,493)	(1,054,796)	275,301	(15,233,988)
Infrastructure	(120,455,303)	(9,560,522)	-	(130,015,825)
Total accumulated depreciation	(148,475,496)	(12,646,997)	275,301	(160,847,192)
Total capital assets being depreciated, net	211,209,691	(743,170)	(1,581)	210,464,940
Governmental activities capital assets, net	$312,500,721	$9,395,219	$(11,366,313)	$310,529,627

Business-type activities:	Sept 30, 2011	Increases	Decreases	Sept 30, 2012
Capital assets, not being depreciated:				
Land	$ 1,996,738	$ 1,033,459	$ -	$ 3,030,197
Construction in progress	2,996,267	2,240,737	(1,125,556)	4,111,448
Total capital assets, not being depreciated	4,993,005	3,274,196	(1,125,556)	7,141,645
Capital assets, being depreciated:				
Buildings and systems	142,808,907	922,443	-	143,731,350
Improvements other than buildings	2,686,591	-	-	2,686,591
Machinery and equipment	3,143,132	209,364	(27,628)	3,324,868
Infrastructure	46,818,017	239,100		47,057,117
Total capital assets, being depreciated	195,456,647	1,370,907	(27,628)	196,799,926
Less accumulated depreciation for:				
Buildings and systems	(23,815,156)	(2,926,477)	-	(26,741,633)
Improvements other than buildings	(145,243)	(1,066)	-	(146,309)
Machinery and equipment	(2,532,114)	(176,830)	27,628	(2,681,316)
Infrastructure	(11,218,958)	(930,937)		(12,149,895)
Total accumulated depreciation	(37,711,471)	(4,035,310)	27,628	(41,719,153)
Total capital assets being depreciated, net	157,745,176	(2,664,403)	-	155,080,773
Business-type activities capital assets, net	$162,738,181	$609,793	$(1,125,556)	$162,222,418

C. Capital assets continued

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

Governmental Activities:	
General Government	$ 386,244
Public Safety	796,699
Public Works	9,944,589
Culture and Recreation	1,519,465
Total Depreciation Expense – Governmental Activities	$12,646,997
Business-Type Activities:	
Water and Sewer	$ 3,657,037
Law Enforcement Center	271,306
Drainage Utility Fund	106,967
Total Depreciation Expense – Business-Type Activities	$ 4,035,310

Construction Commitments

The general government had outstanding commitments at September 30, 2012, under authorized construction contracts of approximately $2,130,000. 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, 2012, under authorized construction contracts of approximately $87,000. 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, 2012, under authorized construction contracts of approximately $4,044,000. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources.

The Drainage Utility Fund had outstanding commitments at September 30, 2012, under authorized construction contracts of approximately $499,000. 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, 2012 was as follows:

Mansfield Economic Development Corporation:	Sept 30, 2011	Increases	Decreases	Sept 30, 2012
Capital assets, not being depreciated:				
Land	$7,807,082	$ -	$ -	$7,807,082
Construction in Progress	751,129	375,286	(142,605)	983,810
Total capital assets, not being depreciated	8,558,211	375,286	(142,605)	8,790,892
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	(50,904)	(3,988)	-	(54,892)
Machinery and equipment	(79,208)	-	-	(79,208)
Total accumulated depreciation	(130,112)	(3,988)	-	(134,100)
Total capital assets being depreciated, net	109,448	(3,988)	-	105,460
MEDC capital assets, net	$ 8,667,659	$371,298	$(142,605)	$ 8,896,352

The MEDC had outstanding commitments at September 30, 2012 under authorized construction contracts of approximately $925,000.

D. Interfund Transfers

The composition of interfund balances as of September 30, 2012 is as follows:

Fund	Transfers In	Transfers Out
General Fund	$662,552	$360,368
Equipment Replacement	51,399	33,649
Debt Service Fund	62,610	-
Building Construction	-	28,961
Water and Sewer Fund	-	662,552
Law Enforcement Center	308,969	-
TOTAL	$1,085,530	$1,085,530

The General Fund received a transfer from the Water and Sewer Fund for a payment-in-lieu of taxes, $662,552, 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.

E. 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 2032, 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 2012, the City issued $5,855,000 in General Obligation Refunding Bonds, Series 2012, for the purpose of refunding $5,495,000 of the City's outstanding debt. The bonds of $5,855,000 plus premiums of $224,479, less discounts of $49,903 and less issuance costs of $130,761 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 $403,815 and resulted in an economic gain of $705,169. 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 $380,518 at September 30, 2012.

In 2012, the City issued $3,415,000 in Combination Tax and Revenue Certificates of Obligation Bonds, Series 2012, for the purpose of construction of street improvements. The bonds of $3,415,000 plus premiums of $101,334, less discounts of $35,859 and less issuance costs of $80,475 will be used to construct and design street improvements.

In 2012, the City issued $3,075,000 in Combination Tax and Revenue Certificates of Obligation Bonds, Series 2012A, for the purpose of construction of water park improvements. The bonds of $3,075,000 less issuance costs of $75,000 will be used to construct and design water park improvements.

General obligation debt outstanding at September 30, 2012 comprises the following issues:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2004	2.00% to 5.00%	2019	18,025,000	8,625,000
2004 A	2.50% to 5.00%	2025	6,885,000	1,745,000
2004 CO Taxable	5.01% to 5.63%	2023	3,505,000	3,075,000
2004 CO Tax-exempt	2.50% to 5.00%	2025	6,705,000	4,790,000
2005 Refunding	3.00% to 5.00%	2020	9,050,000	5,400,000
2006	4.00% to 4.35%	2026	6,905,000	5,495,000
2007 CO	4.00% to 5.00%	2027	3,320,000	2,780,000
2007	4.00% to 5.00%	2027	5,215,000	4,375,000
2007A CO	5.90% to 6.51%	2028	1,255,000	1,080,000
2007A GO	5.50% to 4.63%	2028	5,300,000	4,600,000
2007B GO	5.50% to 4.63%	2028	5,300,000	4,510,000
2008 CO	5.00% to 6.25%	2029	12,330,000	11,190,000
2008 GO	5.00% to 6.25%	2029	3,105,000	2,875,000
2009 GO Refunding	3.00% to 4.00%	2022	10,400,000	8,525,000
2011 GO Refunding	2.00% to 4.00%	2022	9,730,000	8,965,000
2011 CO	2.00% to 5.00%	2031	3,090,000	2,980,000
2012 GO Refunding	2.00% to 3.13%	2025	5,855,000	5,700,000
2012 CO	2.00% to 4.00%	2032	3,415,000	3,415,000
2012A CO	3.49% to 4.65%	2032	3,075,000	3,075,000
TOTAL				$93,200,000

Annual debt service requirements to maturity for general obligation debt, including interest of $31,448,279, are as follows:

Fiscal Year	Principal	Interest	Total
2013	$7,125,000	$3,987,578	$11,112,578
2014	7,435,000	3,691,798	11,126,798
2015	7,165,000	3,386,276	10,551,276
2016	7,020,000	3,092,715	10,112,715
2017	6,890,000	2,818,145	9,708,145
2018-2022	30,435,000	9,969,057	40,404,057
2023-2027	21,025,000	4,018,970	25,043,970
2028-2032	6,105,000	483,740	6,588,740
TOTAL	$93,200,000	$31,448,279	$124,648,279

Authorized but unissued general obligation bonds as of September 30, 2012 are as follows:

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

General Operating Leases as of September 30, 2012 are as follows:

The City entered into a purchase agreement for the purchase of Public Safety equipment. This lease purchase agreement was entered into August 15, 2011. 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.

Fiscal Year	Annual Payment	Interest	Principal	Remaining Principal
2013	80,118	7,365	72,753	229,083
2014	80,118	5,590	74,528	154,555
2015	80,118	3,771	76,347	78,208
2016	80,118	1,910	78,208	—
TOTAL	$320,472	$18,636	$301,836	

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.

In 2012, the City issued $4,995,000 in Sales Tax Revenue Refunding Bonds, Series 2012, for the purpose of refunding $4,690,000 of the City's outstanding debt. The bonds of $4,995,000 plus premiums of $41,008, less discounts of $25,825 and less issuance costs of $123,898 will be 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 $196,285 and resulted in an economic gain of $486,138. 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 $184,017 at September 30, 2012.

Special Sales Tax Revenue and Revenue Refunding Bonds outstanding at September 30, 2012 are as follows:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2006	4.00% to 4.40%	2024	3,940,000	3,175,000
2007	4.00% to 4.30%	2027	2,200,000	1,805,000
2007A	5.90% to 6.51%	2028	2,990,000	2,640,000
2012	2.00% to 3.25%	2024	4,995,000	4,560,000
TOTAL				$12,180,000

Debt service requirements to maturity for Special Sales Tax Revenue Bonds, including interest of $4,166,120, are as follows:

Fiscal Year	Principal	Interest	Total
2013	750,000	482,668	1,232,668
2014	785,000	458,573	1,243,573
2015	805,000	433,283	1,238,283
2016	835,000	407,104	1,242,104
2017	860,000	379,830	1,239,830
2018-2022	4,330,000	1,439,477	5,769,477
2023-2027	3,560,000	548,578	4,108,578
2028	255,000	16,608	271,608
TOTAL	$12,180,000	$4,166,121	$16,346,121

Changes in long-term liabilities

Long-term debt activity for the year ended September 30, 2012 was as follows:

Changes in Long-term Debt	General Obligation Debt	Sales Tax Revenue Bonds	Compensated Absences	Total
Beginning of year	$93,029,819	$12,840,022	$4,966,410	$110,836,251
Amounts added during fiscal year	12,345,000	4,995,000	1,449,965	18,789,965
Premiums on Issuance	325,812	41,008	-	366,820
Discounts on Issuance	(85,762)	(25,826)	-	(111,588)
Amortization of premium/discount	20,838	20,176	-	41,014
Amounts retired during fiscal year	(12,758,815)	(5,976,284)	(1,332,658)	(20,067,757)
Amounts payable at end of year	$92,876,892	$11,894,096	$5,083,717	$109,854,705
Amounts due within one year	$7,125,000	$750,000	$1,532,690	$9,407,690

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

The City issued in the current fiscal year $2,320,000 in Water and Sewer System Revenue Refunding Bonds, Series 2012, for the purpose of refunding prior debt issuances. The Bonds of $2,320,000 plus premiums of $24,243 less discounts of $11,302 and less the issuance costs of $82,721 were used for refunding prior debt issuances. 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 $183,722 at September 30, 2012.

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 $126,167 at September 30, 2012.

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 $92,676 at September 30, 2012.

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 $96,262 at September 30, 2012.

Water and sewer fund debt outstanding at September 30, 2012 comprises the following issues:

Date Issued	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2004	2.00% to 4.00%	2019	11,975,000	5,915,000
2004A	2.25% to 4.75%	2024	3,135,000	2,130,000
2005Ref	3.00% to 4.10%	2019	9,105,000	2,730,000
2007	4.00% to 4.30%	2027	6,000,000	4,915,000
2008	4.00% to 4.30%	2029	26,185,000	23,330,000
2009	2.00% to 4.50%	2030	2,585,000	2,395,000
2011	2.00% to 5.00%	2030	13,995,000	12,720,000
2012	2.00% to 5.00%	2030	2,320,000	2,270,000
TOTAL				$56,405,000

Debt service requirements to maturity for water and sewer fund debt, including interest of $24,948,130, are as follows:

Fiscal Year	Principal	Interest	Total
2013	$3,700,000	$2,611,729	$6,311,729
2014	3,820,000	2,493,316	6,313,316
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
2017-2021	16,745,000	8,119,488	24,864,488
2022-2026	14,175,000	4,415,718	18,590,718
2027-2030	6,485,000	651,863	7,136,863
TOTAL	$56,405,000	$24,948,130	$81,353,130

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, 2012.

Law Enforcement Center Fund debt outstanding at September 30, 2012 comprises the following issues:

Date Issued	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2005 Refund	3.50% to 5.00%	2015	$2,355,000	$1,390,000
2007B CO	6.45% to 6.45%	2028	790,000	700,000
TOTAL				$2,090,000

Debt service requirements to maturity for Law Enforcement Center debt, including interest of $530,589, are as follows:

Fiscal Year	Principal	Interest	Total
2013	$ 465,000	$ 102,844	$ 567,844
2014	490,000	78,606	568,606
2015	515,000	53,083	568,083
2016	30,000	39,023	69,023
2017	35,000	36,926	71,926
2018-2022	205,000	147,544	352,544
2023-2027	280,000	70,305	350,305
2028	70,000	2,258	72,258
TOTAL	$2,090,000	$530,589	$2,620,589

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.

The City issued in the current fiscal year $3,740,000 in Municipal Drainage Utility System Revenue Refunding Bonds, Series 2012, for the purpose of refunding prior debt issuances. The Bonds of $3,740,000 plus premiums of $69,509 less discounts of $26.515 and less the issuance costs of $121,424 were used for refunding prior debt issuances. 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.

Drainage Utility Fund debt outstanding at September 30, 2012 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	$1,805,000
2012	2.00% to 3.13%	2024	3,740,000	3,660,000
TOTAL				$5,465,000

Debt service requirements to maturity for Drainage Utility debt, including interest of $1,332,763, are as follows:

Fiscal Year	Principal	Interest	Total
2013	$360,000	$165,670	$525,670
2014	370,000	156,670	526,670
2015	375,000	147,370	522,370
2016	390,000	137,970	527,970
2017	400,000	128,170	528,170
2018-2022	2,155,000	469,370	2,624,370
2023-2027	1,415,000	127,543	1,542,543
TOTAL	$5,465,000	$1,332,763	$6,797,763

Changes in business-type activity debt

A summary of business-type activity debt transactions, including activity for the year ended September 30, 2012, is as follows:

Changes in Long - Term Debt	Water & Sewer Revenue Bonds	Law Enforcement Tax Obligations	Drainage Utility Revenue Bonds	Compensated Absences	Total
Debt, beg of year	$59,363,510	$2,531,795	$5,558,498	$791,626	$68,245,429
Deferred amortization on Refunding	92,513	21,340	-	-	113,853
Amount added during fiscal year	2,320,000	-	3,740,000	435,933	6,495,933
Premiums on Issuance	24,243	-	69,509	-	93,752
Discounts on Issuance	(11,302)	-	(26,515)	-	(37,817)
Amortization of premium /discount	2,704	(10,136)	(1,607)	-	(9,039)
Amounts retired during fiscal year	(5,926,104)	(445,000)	(4,135,986)	(294,221)	(10,801,311)
Debt, end of year	$ 55,865,564	$ 2,097,999	$5,203,899	$ 933,338	$64,100,800
Due in one year	$ 3,700,000	$ 465,000	$ 360,000	$ 338,395	$4,863,395

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.

The City issued in the current fiscal year $3,090,000 in Sales Tax Revenue Bonds, Series 2012, for the purpose of designing, developing, and constructing street improvements. The Bonds of $3,090,000 plus premiums of $11,495 less discounts of $43,818 and less the issuance costs of $109,489 were used for street improvements.

MEDC debt outstanding at September 30, 2012 comprises the following issues:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2004	3.25% to 6.33%	2024	$8,300,000	$6,045,000
2004	3.38% to 5.13%	2024	4,715,000	3,315,000
2012	2.00% to 4.00%	2032	3,090,000	3,090,000
TOTAL				$12,450,000

Debt service requirements to maturity for MEDC debt, including interest of $5,070,529, are as follows:

Fiscal Year	Principal	Interest	Total
2013	$695,000	$622,975	$1,317,975
2014	725,000	590,521	1,315,521
2015	760,000	556,318	1,316,318
2016	800,000	519,938	1,319,938
2017	835,000	481,314	1,316,314
2018-2022	4,855,000	1,726,201	6,581,201
2023-2027	3,000,000	493,862	3,493,862
2028-2032	780,000	79,400	859,400
TOTAL	$12,450,000	$5,070,529	$17,520,529

Changes in MEDC Debt

A summary of MEDC debt transactions, including activity for the year ended September 30, 2012, is as follows:

Changes in Long-term Debt	Revenue Bonds	Compensated Absences	Total
Amounts payable at beginning of year	$9,829,953	$51,643	$9,881,596
Amortization of premiums/discounts	6,985	-	6,985
Amounts added during fiscal year 2012	3,090,000	6,303	3,096,303
Premiums on issuance of bonds	11,495		11,495
Discounts on issuance of bonds	(43,818)		(43,818)
Amounts retired during fiscal year 2012	(545,000)	(11,821)	(556,821)
Amounts payable at end of year	$12,349,615	$46,125	$ 12,395,740
Amounts due within one year	$695,000	$13,595	$708,595

F. Restricted Assets

The restricted assets of the Business-type Activities as of September 30, 2012 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	$4,120,649	$14,940,574	$ -	$19,061,223
Law Enforcement Complex	106,761	10,482	65,802	183,045
Drainage Utility	92,259	695,751	-	788,010
TOTAL	$4,319,669	$15,646,807	$65,802	$20,032,278

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, 2012, 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.

G. 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 state wide 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 2011	Plan Year 2012
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 2011, 2010, and 2009 was $3,869,129, $3,643,202, and $3,256,553, respectively, which was equal to the City's required and actual contributions. The required contributions were determined as part of the December 31, 2009 and 2008 actuarial valuations using the projected unit credit actuarial cost method.

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2011 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation date, December 31, 2011, is as follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent
Remaining Amortization Period	28.1 years; closed period	27.1 years; closed period	26.1 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	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2011 (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
12/31/2010	$64,912,070	$82,127,435	79.0%	$17,215,365	$25,789,618	66.8%
12/31/2011	$73,360,968	$89,180,462	82.3%	$15,820,064	$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.

H. 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 2012, 2011, and 2010 were $31,710, $42,684, and $40,809, respectively, which equaled the required contributions each year.

I. 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 $864.96 for medical coverage and $44.42 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 426 active plan members and only 37 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 $703,597 for the fiscal year ended September 30, 2012. The City also funded 100% of the ARC, which approximates the annual OPEB cost, and totaled $585,684 for each of the fiscal years ended September 30, 2011 and 2010. 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 $703,597 for fiscal year 2012.

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, 2011, in fiscal year 2012.

The funded status as of December 31, 2011 (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
09/30/2012	$2,284,937	$7,646,266	33%	$5,361,329	$25,173,254	21.3%
09/30/2009	$801,167	$4,944,949	16%	$4,143,782	$26,475,384	15.65%

Note: ARC of $703,597 for fiscal year 2012 as of September 30, 2012 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, 2011
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 – 10% initially graded downward 1.5% per year to 4.0% in year 5 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.

J. Commitments and Contingencies

The City committed to a capital lease to purchase public safety operating equipment with an effective date beginning in June of 2012. The contract stipulates various performance requirements established by the City: some of which include the delivery and installation of equipment, before the City is contractually obligated to purchase the equipment through the terms of a capital lease or the contract. If the counterparty completes the performance requirements established within the terms of the capital lease as defined by the City, the City will be obligated for the cost of the operating equipment, $2,073,234. The expected terms for the repayment of the obligation defined by the operating agreement include ten annual payments of $241,153 beginning January 1, 2014. The annual payments include the cost of interest of 3.53%, which begins accruing on January 1, 2014.

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 significant 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 significant to the City's financial statements.

K. 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 $0.89599 per 1,000 gallons, with a total cost of $3,355,981 during fiscal year 2012. 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 2012, the City's cost for sewer treatment under the contract was $3,817,163.

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," BLDMSP. 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 BLDMSP. 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 BLDMSP 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 BLDMSP 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 BLDMSP, 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.

L. 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.

M. 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.

N. Subsequent Events

Bond Issuances

On January 9, 2013, the City issued $4,200,000 in General Obligation Refunding Bonds, Series 2013; $2,880,000 General Obligation Refunding Bonds, Series 2013; and $5,335,000 in Combination Tax and Revenue Certificates of Obligation, Series 2013. The purpose of the Combination Tax and Revenue Certificates of Obligation, Series 2013 are primarily for the design, development, and construction of street improvements.

O. New Accounting Pronouncements

For fiscal year 2012, the City has not implemented any new statements of financial accounting standards issued by the GASB.

GASB Statement Number 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*" will be implemented by the City as required by GASB during the fiscal year ending September 30, 2013. This statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. The statement also amends the criteria for blending component units and provides additional guidance for blending a component unit if the primary government is a business-type activity and clarifies the reporting of equity interests in 42 legally separate organizations. The implementation of this statement will not result in any changes to the financial statements.

GASB Statement Number 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and will be implemented by the City as required by GASB during the fiscal year ending September 30, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City is currently evaluating the potential changes to the financial statements as a result of the implementation of this statement.

APPENDIX C

FORM OF BOND COUNSEL'S OPINIONS

THIS PAGE INTENTIONALLY LEFT BLANK

[Form of Bond Counsel Opinion]

[Date]

$____________
CITY OF MANSFIELD, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION,
SERIES 2014A

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 2014A, dated January 15, 2014 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 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 further examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of Treasury regulations, and rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Certificate No. 1 of this issue.

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.

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Certificates is excludable from gross income for federal income tax purposes under existing law; and

(2) The Certificates are not "private activity bonds" within the meaning of the Code, and 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, and have assumed 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 provisions of the Ordinance, interest on the Certificates could become includable in gross income from the date of original delivery, 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 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 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.

THIS PAGE INTENTIONALLY LEFT BLANK

Financial Advisory Services
Provided By

FirstSouthwest