

**NEW ISSUE - Book-Entry-Only**

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

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

**\$7,200,000\***

**MANSFIELD PARK FACILITIES DEVELOPMENT CORPORATION**

**(Tarrant, Johnson and Ellis Counties, Texas)**

**SALES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, NEW SERIES 2016**

**Dated Date: December 1, 2015**

**Due: August 1, as shown on page 2**

**Interest Accrues: Date of Delivery**

**PAYMENT TERMS.** . . Interest on the \$7,200,000\* Mansfield Park Facilities Development Corporation Sales Tax Revenue Refunding and Improvement Bonds, New Series 2016 (the "New Series Tax-Exempt Bonds") will accrue from the date of their delivery to the Underwriters (the "Date of Delivery"), and will be payable February 1 and August 1 of each year commencing August 1, 2016, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive New Series Tax-Exempt Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the New Series Tax-Exempt Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the New Series Tax-Exempt Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the New Series Tax-Exempt Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the New Series Tax-Exempt Bonds. See "The New Series Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The New Series Bonds - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The New Series Tax-Exempt Bonds are being issued by Mansfield Park Facilities Development Corporation (the "Corporation") pursuant to Chapters 501, 502 and 505, Texas Local Government Code, as amended (the "Act"). The New Series Tax-Exempt Bonds and their terms are governed by the provisions of a resolution (the "New Series Tax-Exempt Resolution" and together with the New Series Taxable Resolution, the "New Series Resolutions") to be adopted by the Corporation (see "The New Series Bonds – Authority for Issuance").

The New Series Tax-Exempt Bonds are special obligations of the Corporation, payable from, and together with any Parity New Series Revenue Obligations, secured by a lien on and pledge of certain Pledged Revenues which include the proceeds of a 1/2 of 1% sales and use tax levied within the City of Mansfield, Texas (the "City") for the benefit of the Corporation (see "Selected Provisions of the New Series Resolutions"); provided, however, such lien on and pledge of the Pledged Revenues is junior and subordinate to the lien on and pledge of the Pledged Revenues made for the security and payment of the Previously Issued Senior Lien Bonds (as defined herein). The Corporation has covenanted in the New Series Resolutions not to issue any additional obligations that are on a parity with the Previously Issued Senior Lien Bonds. At such time as there are no Previously Issued Senior Lien Bonds outstanding, the Parity New Series Revenue Obligations shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues.

*The New Series Tax-Exempt Bonds are payable solely by a pledge of and lien on the moneys described in the Resolution and not from any other revenues, properties or income of the Corporation. Neither the State, Tarrant, Johnson or Ellis Counties, the City nor any political corporation, subdivision, or agency of the State shall be obligated to pay the New Series Tax-Exempt Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State, Tarrant, Johnson or Ellis Counties, the City, or any political corporation, subdivision, or agency thereof, except as authorized by Section 4B of the Act, is pledged to the payment of the principal of or interest on the New Series Tax-Exempt Bonds (see "The New Series Bonds - Security and Source of Payment").*

**PURPOSE.** . . Proceeds from the sale of the New Series Tax-Exempt Bonds will be used for the purpose of (i) refunding a portion of the Corporation's outstanding debt (the "Refunded Tax-Exempt Bonds") in order to lower the overall debt service requirements of the Corporation (see Schedule I "Schedule of Refunded Tax-Exempt Bonds" attached hereto), (ii) constructing, improving, equipping and acquiring land for the Mansfield Linear Park Project, (iii) acquiring a New Series Reserve Fund Surety Bond for Escrow in the New Series 2016 Tax-Exempt Bonds Reserve Fund, and (iv) paying the costs of issuing the New Series Tax-Exempt Bonds.

**BOND INSURANCE.** . . The Corporation has applied for municipal bond insurance on the New Series Tax-Exempt Bonds and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. See "Bond Insurance Risk Factors" herein.

**CUSIP PREFIX: 564393**

**MATURITY SCHEDULE & 9 DIGIT CUSIP**

**See Schedule on Page 2**

**SEPARATE ISSUES** . . . The New Series Tax-Exempt Bonds are being offered by the Corporation concurrently with the Mansfield Park Facilities Development Corporation Sales Tax Revenue Refunding and Improvement Bonds, Taxable New Series 2016 (the "New Series Taxable Bonds" and together with the New Series Tax-Exempt Bonds, the "New Series Bonds"), under a common Official Statement. The New Series Tax-Exempt Bonds and New Series Taxable Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the New Series Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

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

**DELIVERY.** . . It is expected that the New Series Tax-Exempt Bonds will be available for delivery through The DTC on January 13, 2016.

**RAYMOND JAMES**

**BOSC, INC.**

**A SUBSIDIARY OF BOK FINANCIAL CORPORATION**

**STEPHENS INC.**

\* Preliminary, subject to change.

## MATURITY SCHEDULE\*

<u>1-Aug</u> <u>Year</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Price</u> <u>or</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix</u>
2016	\$ 260,000			
2017	180,000			
2018	390,000			
2019	510,000			
2020	525,000			
2021	520,000			
2022	540,000			
2023	560,000			
2024	575,000			
2025	590,000			
2026	605,000			
2027	315,000			
2028	180,000			
2029	185,000			
2030	190,000			
2031	200,000			
2032	205,000			
2033	215,000			
2034	225,000			
2035	230,000			

(Interest accrues from Date of Delivery)

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

**OPTIONAL REDEMPTION . . .** The Corporation reserves the right, at its option, to redeem New Series Tax-Exempt Bonds having stated maturities on and after August 1, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The New Series Bonds - Optional Redemption").

\* Preliminary, subject to change.





(See "Continuing Disclosure of Information" herein)

#### NEW ISSUE - Book-Entry-Only

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

### PRELIMINARY OFFICIAL STATEMENT

Dated: December 4, 2015

#### Ratings:

Moody's: "Aa3"

S&P: "A+"

Fitch: "AA-"

See ("Other Information - Ratings" herein)

\$15,005,000\*

#### MANSFIELD PARK FACILITIES DEVELOPMENT CORPORATION (Tarrant, Johnson and Ellis Counties, Texas)

#### SALES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, TAXABLE NEW SERIES 2016

Dated Date: December 1, 2015

Interest Accrues: Date of Delivery

Due: August 1, as shown on page 4

**PAYMENT TERMS.** . . Interest on the \$15,005,000\* Mansfield Park Facilities Development Corporation Sales Tax Revenue Refunding and Improvement Bonds, Taxable New Series 2016 (the "New Series Taxable Bonds") will accrue from the date of their delivery to the Underwriters (the "Date of Delivery"), and will be payable February 1 and August 1 of each year commencing August 1, 2016, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive New Series Taxable Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the New Series Taxable Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the New Series Taxable Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the New Series Taxable Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the New Series Taxable Bonds. See "The New Series Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The New Series Bonds - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE.** . . The New Series Taxable Bonds are being issued by Mansfield Park Facilities Development Corporation (the "Corporation") pursuant to Chapters 501, 502 and 505, Texas Local Government Code, as amended (the "Act"). The New Series Taxable Bonds and their terms are governed by the provisions of a resolution (the "New Series Taxable Resolution" and together with the New Series Tax-Exempt Resolution, the "New Series Resolutions") to be adopted by the Corporation (see "The New Series Bonds - Authority for Issuance").

The New Series Taxable Bonds are special obligations of the Corporation, payable from, and together with any Parity New Series Revenue Obligations, secured by a lien on and pledge of certain Pledged Revenues which include the proceeds of a 1/2 of 1% sales and use tax levied within the City of Mansfield, Texas (the "City") for the benefit of the Corporation (see "Selected Provisions of the New Series Resolutions"); provided, however, such lien on and pledge of the Pledged Revenues is junior and subordinate to the lien on and pledge of the Pledged Revenues made for the security and payment of the Previously Issued Senior Lien Bonds (as defined herein). The Corporation has covenanted in the New Series Resolutions not to issue any additional obligations that are on a parity with the Previously Issued Senior Lien Bonds. At such time as there are no Previously Issued Senior Lien Bonds outstanding, the Parity New Series Revenue Obligations shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues.

*The New Series Taxable Bonds are payable solely by a pledge of and lien on the moneys described in the Resolution and not from any other revenues, properties or income of the Corporation. Neither the State, Tarrant, Johnson or Ellis Counties, the City nor any political corporation, subdivision, or agency of the State shall be obligated to pay the New Series Taxable Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State, Tarrant, Johnson or Ellis Counties, the City, or any political corporation, subdivision, or agency thereof, except as authorized by Section 4B of the Act, is pledged to the payment of the principal of or interest on the New Series Taxable Bonds (see "The New Series Bonds - Security and Source of Payment").*

**PURPOSE.** . . Proceeds from the sale of the New Series Taxable Bonds will be used for the purpose of (i) refunding a portion of the Corporation's outstanding debt (the "Refunded Taxable Bonds") in order to lower the overall debt service requirements of the Corporation (see Schedule I, "Schedule of Refunded Taxable Bonds" attached hereto), (ii) constructing and equipping the Mansfield Fieldhouse including basketball and volley ball courts, a multi-purpose recreational facility, (iii) acquiring a New Series Reserve Fund Surety Bond for Escrow in the New Series 2016 Taxable Bonds Reserve Fund, and (iv) paying the costs of issuing the New Series Taxable Bonds.

**BOND INSURANCE.** . . The Corporation has applied for municipal bond insurance on the New Series Taxable Bonds and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. See "Bond Insurance Risk Factors" herein.

CUSIP PREFIX: 564393

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 4

**SEPARATE ISSUES.** . . The New Series Taxable Bonds are being offered by the Corporation concurrently with the Mansfield Park Facilities Development Corporation Sales Tax Revenue Refunding and Improvement Bonds, New Series 2016 (the "New Series Tax-Exempt Bonds" and together with the New Series Taxable Bonds, the "New Series Bonds"), under a common Official Statement. The New Series Taxable Bonds and New Series Tax-Exempt Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the New Series Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

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

**DELIVERY.** . . It is expected that the New Series Taxable Bonds will be available for delivery through The DTC on January 13, 2016.

**RAYMOND JAMES**

**BOSC, INC.**

A SUBSIDIARY OF BOK FINANCIAL CORPORATION

**STEPHENS INC.**

\* Preliminary, subject to change.

## MATURITY SCHEDULE\*

<u>1-Aug Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>CUSIP Suffix</u>
2016	\$ 75,000			
2017	40,000			
2018	175,000			
2019	410,000			
2020	575,000			
2021	590,000			
2022	615,000			
2023	635,000			
2024	655,000			
2025	680,000			
2026	700,000			
2027	725,000			
2028	760,000			
2029	535,000			
2030	560,000			
2031	585,000			
2032	610,000			
2033	640,000			
2034	670,000			
2035	705,000			
2036	735,000			
2037	775,000			
2038	810,000			
2039	850,000			
2040	895,000			

(Interest accrues from Date of Delivery)

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**OPTIONAL REDEMPTION . . .** The Corporation reserves the right, at its option, to redeem New Series Taxable Bonds having stated maturities on and after August 1, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The New Series Bonds - Optional Redemption").

\* Preliminary, subject to change.



For purpose of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected from time to time, may be treated as an Official Statement with respect to the New Series Bonds described herein deemed "final" by the Corporation as of the date hereof (or of any supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of Rule 15c2-12.

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

No dealer, broker, salesman or other person has been authorized by the Corporation or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation or the Underwriters. This Official Statement does not constitute an offer to sell New Series Bonds 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 Corporation 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 Corporation or other matters described herein since the date hereof. See "Continuing Disclosure of Information" for a description of the Corporation's undertaking to provide certain information on a continuing basis.

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

NEITHER THE CORPORATION, ITS FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM HEREIN, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THE NEW SERIES BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE NEW SERIES BONDS 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 NEW SERIES BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NEW SERIES BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the New Series Bonds 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.

<b>THE CORPORATION .....</b>	The Corporation is a non-profit industrial development corporation of the City of Mansfield, Texas which is located in the City of Mansfield in Tarrant, Johnson and Ellis Counties, Texas (see "Introduction - Description of the Corporation").
<b>THE NEW SERIES TAX-EXEMPT BONDS.....</b>	The New Series Tax-Exempt Bonds are issued as \$7,200,000* Sales Tax Revenue Refunding and Improvement Bonds, New Series 2016. The New Series Tax-Exempt Bonds are issued as serial bonds maturing August 1, in the years 2016 through 2035 (see "The New Series Bonds - Description of the New Series Bonds").
<b>THE NEW SERIES TAXABLE BONDS.....</b>	The New Series Taxable Bonds are issued as \$15,005,000* Sales Tax Revenue Refunding and Improvement Bonds, Taxable New Series 2016. The New Series Taxable Bonds are issued as serial bonds maturing August 1, in the years 2016 through 2040 (see "The New Series Bonds - Description of the New Series Bonds").
<b>PAYMENT OF INTEREST .....</b>	Interest on the New Series Bonds accrues from the Date of Delivery, and is payable August 1, 2016, and each February 1 and August 1 thereafter until maturity or prior redemption (see "The New Series Bonds - Description of the New Series Bonds" and "The New Series Bonds - Optional Redemption").
<b>AUTHORITY FOR ISSUANCE.....</b>	The New Series Bonds are being issued by the Corporation pursuant to Chapters 501, 502 and 505, Texas Local Government Code, as amended. The New Series Bonds and their terms are governed by the provisions of the separate New Series Resolutions to be adopted by the Corporation (see "The New Series Bonds - Authority for Issuance").
<b>SECURITY FOR THE BONDS .....</b>	The New Series Bonds are special obligations of the Corporation, payable from, and together with any Parity New Series Revenue Obligations, secured by a lien on and pledge of certain Pledged Revenues which include the gross proceeds of a 1/2 of 1% sales and use tax levied within the City of Mansfield, Texas for the benefit of the Corporation (see "The New Series Bonds - Security and Source of Payment"); provided, however, such lien on and pledge of the Pledged Revenues is junior and subordinate to the lien on and pledge of the Pledged Revenues made for the security and payment of the Previously Issued Senior Lien Bonds (as defined herein). The Corporation has covenanted in the New Series Resolutions not to issue any additional obligations that are on a parity with the Previously Issued Senior Lien Bonds. At such time as there are no Previously Issued Senior Lien Bonds outstanding, the New Series Bonds shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues.
<b>REDEMPTION .....</b>	The Corporation reserves the right, at its option, to redeem New Series Bonds having stated maturities on and after August 1, 2026 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The New Series Bonds - Optional Redemption").
<b>TAX EXEMPTION.....</b>	In the opinion of Bond Counsel, under existing law the interest on the New Series Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes and the New Series Tax-Exempt Bonds are not private activity bonds. See "Tax Matters - New Series Tax-Exempt Bonds" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

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

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\* Preliminary, subject to change.

**USE OF PROCEEDS**..... Proceeds from the sale of the New Series Tax-Exempt Bonds will be used for the purpose of (i) refunding a portion of the Corporation's outstanding debt (the "Refunded Tax-Exempt Bonds") in order to lower the overall debt service requirements of the Corporation (see Schedule I "Schedule of Refunded Tax-Exempt Bonds" attached hereto), (ii) [acquiring land, constructing, improving, equipping and acquiring land for the Mansfield Linear Park Project, (iii) acquiring a New Series Reserve Fund Surety Bond for Escrow in the New Series 2016 Tax-Exempt Bonds Reserve Fund, and (iv) paying the costs of issuing the New Series Tax-Exempt Bonds.

Proceeds from the sale of the New Series Taxable Bonds will be used for the purpose of (i) refunding a portion of the Corporation's outstanding debt (the "Refunded Taxable Bonds") in order to lower the overall debt service requirements of the Corporation (see Schedule I "Schedule of Refunded Taxable Bonds" attached hereto), (ii) constructing, and equipping the Mansfield Fieldhouse, a multi-purpose recreational facility including basketball and volleyball courts, (iii) acquiring a New Series Reserve Fund Surety Bond for Escrow in the New Series 2016 Taxable Bonds Reserve Fund, and (iv) paying the costs of issuing the New Series Taxable Bonds.

**RATINGS** ..... The New Series Bonds are rated "Aa3" by Moody's Investors Service, Inc. ("Moody's"), "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Service LLC business ("S&P"), and "AA-" by Fitch Ratings ("Fitch"), without regard to credit enhancement (see "Other Information - Ratings").

**BOOK-ENTRY-ONLY SYSTEM** ..... The definitive New Series Bonds 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 New Series Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity of a series. No physical delivery of the New Series Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the New Series Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the New Series Bonds (see "The New Series Bonds - Book-Entry-Only System").

**PAYMENT RECORD** ..... The Corporation has never defaulted in payment of its bonds.

## CORPORATION ADMINISTRATION

### THE CORPORATION'S OFFICERS AND BOARD OF DIRECTORS

<u>Member Name</u>	<u>Member Since</u>	<u>Term Expires</u>
Harold Bell President	February, 1996	October, 2016
Wendy Collini Vice President	September, 2000	October, 2017
Wayne Lee Treasurer	October, 2005	October, 2017
<u>Member Name</u>	<u>Member Since</u>	<u>Term Expires</u>
Bob Kowalski	October, 2009	October, 2017
Sandra Hightower	November, 2006	October, 2016
Dee Davey	October, 2010	October, 2017
Dan Sides	October, 2008	October, 2016



## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

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

### SELECTED ADMINISTRATIVE STAFF

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

### CONSULTANTS AND ADVISORS

Auditors ..... KPMG LLP  
Dallas, Texas

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

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

For additional information regarding the Corporation, please contact:

Clayton W. Chandler	Nick Bulaich	W. Boyd London, Jr.
Peter K. Phillis	First Southwest Company, LLC	First Southwest Company, LLC
City of Mansfield	777 Main Street	325 North Saint Paul
1200 E. Broad Street	Suite 1200	Suite 800
Mansfield, Texas 76063	Fort Worth, Texas 76102	Dallas, Texas 75201
(817) 276-4200	(817) 332-9710	(214) 953-4000

## **PRELIMINARY OFFICIAL STATEMENT**

### **RELATING TO**

**\$7,200,000\***

**MANSFIELD PARK FACILITIES DEVELOPMENT CORPORATION  
SALES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, NEW SERIES 2016**

### **AND**

**\$15,005,000\***

**MANSFIELD PARK FACILITIES DEVELOPMENT CORPORATION  
SALES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, TAXABLE NEW SERIES 2016**

## **INTRODUCTION**

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$7,200,000\* Mansfield Park Facilities Development Corporation Sales Tax Revenue Refunding and Improvement Bonds, New Series 2016 (the "New Series Tax-Exempt Bonds"), and the \$15,005,000\* Mansfield Park Facilities Development Corporation Sales Tax Revenue Refunding and Improvement Bonds, Taxable New Series 2016 (the "New Series Taxable Bonds" and together with the New Series Tax-Exempt Bonds, the "New Series Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the separate New Series Resolutions to be adopted on the date of sale of the New Series Bonds which will authorize the issuance of the New Series Bonds, except as otherwise indicated herein (see "Selected Provisions of the Resolutions").

There follows in this Official Statement descriptions of the New Series Bonds and certain information regarding the Corporation 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 Corporation's Financial Advisor, First Southwest Company, LLC, Dallas, Texas.

All financial and other information presented in this Official Statement has been provided by the Corporation and the City from their 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 Corporation. 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 CORPORATION . . .** The Corporation is a non-profit corporation duly organized and operating under the laws of the State of Texas, particularly Chapters 501, 502 and 505, Texas Local Government Code, as amended (the "Act"). The Corporation was created following an election held by the City of Mansfield (the "City") on January 18, 1992, on the question of the levy of a 1/2 of 1% local sales and use tax in the City for the benefit of the Corporation (the "Election"). The Corporation as currently organized is to promote and provide for the economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing, and financing projects under the Act. The City Council of the City of Mansfield appoints the members of the Board of Directors of the Corporation and under the provisions of the Act and the Corporation's by-laws is required to approve certain actions of the Corporation, including the issuance of the New Series Bonds by the Corporation.

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

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\* Preliminary, subject to change.

## PLAN OF FINANCING

**PURPOSE . . .** The New Series Tax-Exempt Bonds are being issued for the purpose of (i) refunding a portion of the Corporation's outstanding debt (the "Refunded Tax-Exempt Bonds") in order to lower the overall debt service requirements of the Corporation (see Schedule I "Schedule of Refunded Tax-Exempt Bonds" attached hereto), (ii) constructing, improving, equipping and acquiring land for the Mansfield Linear Park Project, (iii) acquiring a New Series Reserve Fund Surety Bond for Escrow in the New Series 2016 Tax-Exempt Bonds Reserve Fund, and (iv) paying the costs of issuing the New Series Tax-Exempt Bonds.

The New Series Taxable Bonds are being issued for the purpose of (i) refunding a portion of the Corporation's outstanding debt (the "Refunded Taxable Bonds") in order to lower the overall debt service requirements of the Corporation (see Schedule I "Schedule of Refunded Taxable Bonds" attached hereto), (ii) constructing, equipping the Mansfield Fieldhouse, a multi-purpose recreational facility including basketball and volleyball courts, (iii) acquiring a New Series Reserve Fund Surety Bond for Escrow in the New Series 2016 Taxable Bonds Reserve Fund, and (iv) paying the costs of issuing the New Series Taxable Bonds.

**REFUNDED BONDS . . .** The principal and interest due on the Refunded Tax-Exempt Bonds and the Refunded Taxable Bonds (collectively, the "Refunded Bonds") are to be paid on the scheduled interest payment dates and the redemption dates of such Refunded Bonds from funds to be deposited pursuant to separate escrow agreements (the "Tax-Exempt Escrow Agreement" and the "Taxable Escrow Agreement," respectively, and together, the "Escrow Agreements") between the Corporation and the Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent"). The New Series Tax-Exempt Resolution provides that from the proceeds of the sale of the New Series Tax-Exempt Bonds received from the Underwriters, the Corporation will deposit with the Escrow Agent an amount, together with other lawfully available funds of the Corporation, if needed, which, together with the Escrowed Securities (defined below) purchased with a portion of the New Series Tax-Exempt Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Tax-Exempt Bonds. The New Series Taxable Bond Resolution provides that from the proceeds of the sale of the New Series Taxable Bonds received from the Underwriters, the Corporation will deposit with the Escrow Agent an amount, together with other lawfully available funds of the Corporation, if needed, which, together with the Escrowed Securities (defined below) purchased with a portion of the New Series Taxable Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Taxable Bonds. Such funds will be held by the Escrow Agent in separate escrow accounts (the "Tax-Exempt Escrow Fund" and "Taxable Escrow Fund," and collectively, the "Escrow Funds") and used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, 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 of their acquisition or purchase by the Corporation, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities"). Under the Escrow Agreements, the respective Escrow Funds are irrevocably pledged to the payment of principal of and interest on the Refunded Tax-Exempt Bonds and Refunded Taxable Bonds, respectively. Money held in the respective Escrow Funds will not be available to pay debt service on the New Series Bonds.

Grant Thornton LLP, Certified Public Accountants, will verify at the time of delivery of the respective New Series Bonds to the Underwriters that the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the respective Escrow Funds, will be sufficient to pay, when due, the principal of and interest on the Refunded Tax-Exempt Bonds and Refunded Taxable Bonds, respectively, on their scheduled interest payment dates and redemption dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the New Series Bonds (see "Other Information – Verification of Arithmetical and Mathematical Computations").

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the respective Escrow Agreements, the District will have affected the defeasance of the respective Refunded Tax-Exempt Bonds and Refunded Taxable Bonds in accordance with law and the resolutions authorizing the respective Refunded Bonds. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the reports of Grant Thornton LLP, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and the cash, if any, held by the Escrow Agent and such Refunded Tax-Exempt Bonds and Refunded Taxable Bonds will not be deemed as being outstanding obligations of the Corporation payable from Pledged Revenues nor for the purpose of applying any limitation on the issuance of debt.

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USE OF BOND PROCEEDS . . . Proceeds from the sale of the New Series Bonds are expected to be expended as follows:

	2016 Tax-Exempt Bonds	2016 Taxable Bonds
<b>Sources:</b>		
Par Amount	\$ -	\$ -
Reoffering Premium		
TOTAL SOURCES	<u>\$ -</u>	<u>\$ -</u>
<b>Uses:</b>		
Escrow Fund	\$ -	\$ -
Deposit to Project Construction Fund		
Costs of Issuance		
Surety Fee for Debt Service Reserve Fund Surety Bond		
Original Issue Discount (OID)		
Total Underwriter's Discount		
TOTAL USES	<u>\$ -</u>	<u>\$ -</u>

### THE NEW SERIES BONDS

**DESCRIPTION OF THE NEW SERIES BONDS . . .** The New Series Bonds are dated December 1, 2015, and mature on August 1 in each of the years and in the amounts shown on the pages 2 and 4 hereof. Interest will accrue from the Date of Delivery, and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1, commencing August 1, 2016. The definitive New Series Bonds 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 New Series Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the New Series Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the New Series Bonds. See "Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE. . .** The New Series Bonds are being issued by the Corporation pursuant to the Act. The New Series Bonds and their terms are governed by the provisions of the separate New Series Tax-Exempt Resolution and Taxable New Series Resolution to be adopted by the Corporation.

**SECURITY AND SOURCE OF PAYMENT. . .** The New Series Bonds are special obligations of the Corporation payable solely from, and together with any Parity New Series Revenue Obligations, secured by a lien on and pledge of the Pledged Revenues, as defined below; provided, however, such lien on and pledge of the Pledged Revenues is junior and subordinate to the lien on and pledge of the Pledged Revenues made for the security and payment of the Previously Issued Senior Lien Bonds (as set out in the table below). The Corporation has covenanted in the New Series Resolutions not to issue any additional bonds that are on a parity with the Previously Issued Senior Lien Bonds. At such time as there are no Previously Issued Senior Lien Bonds outstanding, the New Series Bonds, together with any Parity New Series Revenue Obligations, shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues. (See "Selected Provisions of the New Series Resolutions").

The Corporation currently has outstanding Previously Issued Senior Lien Bonds secured by and payable from a prior and superior lien on and pledge of the Pledged Revenues, as follows:

Dated Date	Outstanding Debt <sup>(1)</sup>	Issue Description
2/15/2006	\$ 395,000	Sales Tax Revenue Bonds, Series 2006
12/1/2006	315,000	Sales Tax Revenue Bonds, Series 2007
12/1/2007	250,000	Sales Tax Revenue Bonds, Taxable Series 2007A
12/1/2011	3,355,000	Sales Tax Revenue Refunding Bonds, Series 2012

(1) As of November 1, 2015, excludes the Refunded Tax-Exempt Bonds and Refunded Taxable Bonds. Preliminary, subject to change.

**The New Series Bonds do not constitute a debt of the City, the State or any agency, political corporation or subdivision thereof. Neither the full faith and credit of the State, Tarrant, Johnson and Ellis Counties, the City or any agency, political corporation or subdivision thereof, has been pledged for the payment of the New Series Bonds, except as described herein.**

The Act contains no provisions which would allow the voters of the City to either reduce or repeal the Sales Tax. Should the Legislature ever enact such an amendment to the Act to allow for the reduction or repeal of the Sales Tax, the Attorney General of Texas has rendered an Opinion (Opinion No. DM-137) to the effect that a "reduction in the sales tax rate, or a limitation on the amount of time the tax may be collected, may not be applied to any bonds issued prior to the date of the rollback election". In so opining, the Attorney General noted any "subsequent legislation which purports to permit the reduction or other limitation of that tax is ineffective to do so, because such alteration would impair the obligation of the contract between the city and such bondholders", and in effect be a violation of Article 1, Section 10 of the United States Constitution and Article I, Section 16 of the Texas Constitution.

The Sales Tax may not be collected after the last day of the first calendar quarter occurring after notification to the State Comptroller of Public Accounts by the Corporation that all bonds or other obligations of the Corporation that are payable in whole or in part from the proceeds of the Sales Tax, including any refunding bonds or other obligations, have been paid in full or the full amount of money necessary to defease such bonds and other obligations has been set aside in a trust account dedicated to their payment.

**PLEDGE UNDER THE NEW SERIES RESOLUTIONS.** . . In the New Series Resolutions, the Corporation covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of the Previously Issued Senior Lien Bonds and Parity New Series Revenue Obligations (collectively the New Series Bonds and any Additional Parity New Series Revenue Obligations), are irrevocably pledged to the payment and security of the Parity New Series Revenue Obligations, including the establishment and maintenance of the special funds created and established in the resolutions authorizing Parity New Series Revenue Obligations. Under the New Series Resolutions, the Pledged Revenues consist of (i) Gross Sales Tax Revenues from time to time deposited or owing to the Gross Sales Tax Revenue Fund, and (ii) such other money, income, revenues or other property which the Corporation may expressly and specifically pledge to the payment of the Parity New Series Revenue Obligations. The New Series Resolutions define "Gross Sales Tax Revenue" as all of the revenues due or owing to, or collected or received by or on behalf of the Corporation, whether by the City or otherwise, pursuant to the Sales Tax Collection Resolution or the resolutions authorizing the Parity New Series Revenue Obligations from the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law.

**ADDITIONAL PARITY NEW SERIES REVENUE OBLIGATIONS** . . . In the New Series Resolutions, the Corporation reserves the right to issue Additional Parity New Series Revenue Obligations payable from and equally and ratably secured by a parity lien on and pledge of the Pledged Revenues subject to satisfying certain terms and conditions including obtaining a certificate or opinion from a certified public accountant to the effect that the Gross Sales Tax Revenues received by the Corporation for the last completed Fiscal Year or for any twelve consecutive months out of the fifteen months next preceding the adoption of the resolution authorizing the issuance of the Additional Parity New Series Revenue Obligations were equal to at least (i) 1.35 times the combined maximum annual principal and interest requirements on all Previously Issued Senior Lien Bonds and Parity New Series Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity New Series Revenue Obligations and (ii) 1.50 times the combined average annual principal and interest requirements on all Previously Issued Senior Lien Bonds and Parity New Series Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity New Series Revenue Obligations; provided, that in the event of an increase in the rate of the Sales Tax that becomes effective prior to the date of the resolution authorizing the issuance of the Additional Parity New Series Revenue Obligations, such calculation shall be made if such increase were in effect during such period. The Corporation has covenanted in the New Series Resolutions not to issue any additional obligations that are on a parity with the Previously Issued Senior Lien Bonds.

**THE GROSS SALES TAX REVENUE FUND** . . . Under the terms of the Act and a resolution adopted concurrently by the City Council of the City and the Board of Directors of the Corporation (the "Sales Tax Collection Resolution") that relates to the collection, handling and transfer of sales tax revenue due to the Corporation, the Gross Sales Tax Revenues collected by the State Comptroller of Public Accounts and remitted periodically to the City for the benefit of the Corporation shall be deposited by the City as received to the credit of a fund or account of the Corporation to be known as the "Gross Sales Tax Revenue Fund."

As explained below under "Flow of Funds," the Gross Sales Tax Revenues held in the Gross Sales Tax Revenue Fund are first to be used to make payments to the Previously Issued Senior Lien Bonds Debt Service Fund in amounts equal to one hundred percent (100%) of the interest on and principal of the Previously Issued Senior Lien Bonds and then to any amounts required to be made pursuant to the resolutions authorizing the Previously Issued Senior Lien Bonds. Subsequent to such payments for the Previously Issued Senior Lien Bonds, the Gross Sales Tax Revenues held in the Gross Sales Tax Revenue Fund are to be used to make payments to the New Series Debt Service Fund in amounts equal to one hundred percent (100%) of the interest on and principal of the Parity New Series Revenue Obligations then falling due and payable.

**GENERAL COVENANT REGARDING THE SALES TAX** . . . The Municipal Sales and Use Tax Act provides that the Sales Tax does not apply to the sale of a taxable item unless the item is also taxable under the Texas Limited Sales, Excise and Use Tax Act. **The Sales Tax is therefore subject to broadening and reduction in the base against which it is levied by action of the State Legislature without the consent of the City or the Corporation.**

In the New Series Resolutions, the Corporation covenants, agrees and warrants that, while any Parity Revenue Obligations are outstanding, it will take and pursue all action permissible under applicable law to cause the Sales Tax, at its current rate (1/2 of 1%) or at a higher rate if legally permitted, to be levied and collected continuously in the manner and to the maximum extent permitted by applicable law; and to cause no reduction, abatement or exemption in the Sales Tax until all the Parity New Series Revenue Obligations have been paid in full or until they are lawfully defeased in accordance with the New Series Resolutions. The Corporation also covenants and agrees that, if, subsequent to the issuance of the New Series Bonds, the City is authorized by applicable law to impose and levy the Sales Tax on any items or transactions that are not subject to the Sales Tax on the date the New Series Resolutions were adopted, then the Corporation will use its best efforts to cause the City to take such action as may be required by applicable law to subject such items or transactions to the Sales Tax.

**OPTIONAL REDEMPTION.** . . The Corporation reserves the right, at its option, to redeem New Series Bonds having stated maturities on and after August 1, 2026, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the New Series Bonds of a series are to be redeemed, the Corporation may select the maturities of New Series Bonds of a series to be redeemed. If less than all the New Series Bonds of any maturity and series are to be redeemed, the Paying Agent/Registrar (or DTC while the New Series Bonds are in Book-Entry-Only form) shall determine by lot the New Series Bonds, or portions thereof, within such maturity and series to be redeemed. If a New Series Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such New Series Bond (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 New Series Bonds, the Corporation shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the New Series Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. In the New Series Resolutions, the Corporation reserves the right in the case of a redemption to give notice of its election or direction to redeem New Series Bonds 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) the Corporation retains the right to rescind such notice at any time prior to the scheduled redemption date if the Corporation delivers a certificate of the Corporation 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 Owners. Any New Series Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the Corporation 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.

ANY NOTICES SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICES. NOTICES HAVING BEEN SO GIVEN, THE BONDS CALLED FOR OPTIONAL REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATES, AND NOTWITHSTANDING THAT ANY NEW SERIES BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH NEW SERIES BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the Corporation, so long as a book-entry-only system is used for the New Series Bonds will send any notice of redemption or other notices with respect to the New Series Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the New Series Bonds called for redemption or any other action premised on any such notice.

**DEFEASANCE** . . . The New Series Resolutions provide that the Corporation may discharge its obligations to the registered owners of any or all of the New Series Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on such New Series Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of such New Series Bonds; provided that such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that 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 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-Only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of such New Series Bonds. If any of such New Series Bonds 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 New Series Resolutions.

Upon such deposit as described above, such New Series Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the Corporation has reserved the option, to be exercised at the time of the defeasance of the New Series Bonds, to call for redemption, at an earlier date, those New Series Bonds which have been defeased to their maturity date, if the Corporation: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the New Series Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the New Series Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**FLOW OF FUNDS.** . . The New Series Resolutions provide for the establishment and maintenance of the following funds and accounts for the application of the proceeds of the New Series Bonds and for the Pledged Revenues with all revenues flowing first to the Gross Sales Tax Revenue Fund.

Until such time as the Previously Issued Senior Lien Bonds are no longer outstanding, moneys on deposit in the Gross Sales Tax Revenue Fund shall be applied in the following order of priority:

PLEDGED REVENUE FUND	
PRIORITY	FUND <sup>(1)</sup>
First Priority	Previously Issued Senior Lien Bonds Debt Service Fund for the payment of the Previously Issued Senior Lien Bonds,
Second Priority	Previously Issued Senior Lien Bonds Reserve Fund to establish and maintain a Required Reserve for the Previously Issued Senior Lien Bonds,
Third Priority	To pay any amounts due to any bond insurer of Previously Issued Senior Lien Bonds for the Previously Issued Senior Lien Bonds not paid pursuant to the sections above,
Fourth Priority	To pay any amounts due to any issuer of a Previously Issued Senior Lien Bonds Reserve Fund Surety Bond not paid pursuant to the sections above,
Fifth Priority	Any other fund required by any resolution authorizing issuance of Previously Issued Senior Lien Bonds,
Sixth Priority	New Series Debt Service Fund for the payment of the Parity New Series Revenue Obligations,
Seventh Priority	On a pro rata basis, to each debt service reserve fund created by any resolution authorizing the issuance of Parity New Series Revenue Obligations, which contains less than the amount to be accumulated and/or maintained therein, as provided in such resolutions;
Eighth Priority	To pay any amounts due to any bond insurer of Parity New Series Revenue Obligations for the Parity New Series Revenue Obligations not paid pursuant to the sections above,
Ninth Priority	To pay any amounts due to any issuer of a New Series Reserve Fund Surety Bond not paid pursuant to the sections above,
Tenth Priority	Any other fund required by any resolution authorizing issuance of Parity New Series Revenue Obligations,
Eleventh Priority	Any other fund or account held at any place or places, or to any payee, required by any other resolution of the Board which authorized the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien created herein on behalf of the Parity New Series Revenue Obligations, and
Twelfth Priority	To the New Series Capital Improvement Fund to be used for paying costs of authorized projects the payment of which are not otherwise provided from the proceeds of New Series Parity Revenue Obligations, and for any other lawful purposes permitted under applicable law. The New Series Capital Improvement Fund at all times shall be free of any lien or pledge created by the New Series Resolutions and the resolution or resolutions authorizing the issuance Additional Parity New Series Revenue Obligations.

(1) All funds are held by the Corporation's Depository Bank.

At such time as there are no Previously Issued Senior Lien Bonds outstanding, moneys on deposit in the Gross Sales Tax Revenue Fund shall be applied in the following order of priority:

PLEDGED REVENUE FUND	
PRIORITY	FUND <sup>(1)</sup>
First Priority	New Series Debt Service Fund for the payment of the Parity New Series Revenue Obligations,
Second Priority	On a pro rata basis, to each debt service reserve fund created by any resolution authorizing the issuance of Parity New Series Revenue Obligations, which contains less than the amount to be accumulated and/or maintained therein, as provided in such resolutions;
Third Priority	To pay any amounts due to any bond insurer of Parity New Series Revenue Obligations for the Parity New Series Revenue Obligations not paid pursuant to the sections above,
Fourth Priority	To pay any amounts due to any issuer of a New Series Reserve Fund Surety Bond not paid pursuant to the sections above,
Fifth Priority	Any other fund required by any resolution authorizing issuance of Parity New Series Revenue Obligations,
Sixth Priority	Any other fund or account held at any place or places, or to any payee, required by any other resolution of the Board which authorized the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien created herein on behalf of the Parity New Series Revenue Obligations, and
Seventh Priority	To the New Series Capital Improvement Fund to be used for paying costs of authorized projects the payment of which are not otherwise provided from the proceeds of New Series Parity Revenue Obligations, and for any other lawful purposes permitted under applicable law. The New Series Capital Improvement Fund at all times shall be free of any lien or pledge created by the New Series Resolutions and the resolution or resolutions authorizing the issuance Additional Parity New Series Revenue Obligations.

See "Selected Provisions of the New Series Resolutions" herein for additional information relating to the flow of funds.

**RESERVE FUND REQUIREMENT.** . . In the New Series Resolutions, the Board of Directors has ordered to be created, solely for the benefit of the New Series Tax-Exempt Bonds and New Series Taxable Bonds, respectively, the New Series 2016 Tax-Exempt Bonds Reserve Fund and the New Series 2016 Taxable Bonds Reserve Fund. The New Series Resolutions provide that the Corporation may create and establish a debt service reserve fund pursuant to the provisions of any resolution or other instrument authorizing the issuance of Parity New Series Revenue Obligations for the purpose of securing that particular issue or series of Parity New Series Revenue Obligations or any specific group of issues or series of Parity New Series Revenue Obligations, and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the particular Parity New Series Revenue Obligations for which such debt service reserve fund was established.

Amounts on deposit in the New Series 2016 Tax-Exempt Bonds Reserve Fund and the New Series 2016 Taxable Reserve Fund, respectively, shall be used for (i) the payment of the principal of and interest on the respective New Series Tax-Exempt Bonds or New Series Taxable Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make payments due under a New Series Reserve Fund Surety Bond and (iii) with respect to funds and investments on deposit and credited to the respective New Series 2016 Tax-Exempt Bonds Reserve Fund and the New Series 2016 Taxable Bonds Reserve Fund, to retire the last Stated Maturity or Stated Maturities of or interest on the respective New Series Tax-Exempt Bonds or New Series Taxable Bonds. Each of the New Series 2016 Tax-Exempt Bonds Reserve Fund and the New Series 2016 Taxable Bonds Reserve Fund shall be maintained in an amount equal to the Required Reserve for such series of New Series Bonds, which amount shall be equal to the maximum annual debt service requirements of the then outstanding New Series Tax-Exempt Bonds or New Series Taxable Bonds calculated on the date such New Series Bonds are issued and recalculated each October 1 thereafter.

If either of the respective New Series 2016 Tax-Exempt Bonds Reserve Fund or the New Series 2016 Taxable Bonds Reserve Fund at any time contains less than the Required Reserve, the Corporation has agreed to cure the deficiency in each such Reserve Fund by making monthly deposits and credits to such Reserve Fund in amounts equal to not less than 1/60th of the Required Reserve; provided, however, that no such deposits shall be made into the Reserve Fund during any six month period beginning on February 1 and August 1 until there has been deposited into the New Series Debt Service Fund the full amount required to be deposited therein by the next following February 1 and August 1, as the case may be. The New Series Resolutions further provide that, subject only to the prior deposits and credits to be made for the Previously Issued Senior Lien Bonds and to the New Series

Debt Service Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve, including by paying payments under a New Series Reserve Fund Surety Bond when due, and any reserve established for the benefit of any issue or series of Parity New Series Revenue Obligations and to cure any deficiency in such amounts as required by the terms of the New Series Resolutions and any other resolution pertaining to the issuance of New Series Parity Revenue Obligations. Reimbursements to the provider, if any, of a New Series Reserve Fund Surety Bond shall constitute the making up of a deficiency in the respective New Series Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the New Series Reserve Fund Surety Bond.

The Corporation may at any time deposit, supplement, replace or substitute a New Series Reserve Fund Surety Bond (defined in the New Series Resolutions as any surety bond or insurance policy having a rating in the two highest generic rating categories by Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, or Fitch Ratings, Inc., issued to the Corporation for the benefit of the Owners of the Bonds to satisfy any part of the Required Reserve) for cash or investments on deposit in the respective New Series 2016 Tax-Exempt Bonds Reserve Fund or New Series 2016 Taxable Reserve Fund or in substitution for or replacement of any existing New Series Reserve Fund Surety Bond. If the Corporation is required to make a withdrawal from either of the respective New Series 2016 Tax-Exempt Bonds Reserve Fund or the New Series 2016 Taxable Bonds Reserve Fund for any of the purposes described above, the Corporation shall make such withdrawal first from available moneys or investments then on deposit in the respective New Series 2015 Tax-Exempt Bonds Reserve Fund or the New Series 2015 Taxable Bonds Reserve Fund, and next from a drawing under any New Series Reserve Fund Surety Bond to the extent of such deficiency. For a further description of the respective Reserve Funds, see "Selected Provisions of the New Series Resolutions."

**BOOK-ENTRY-ONLY SYSTEM** . . . *This section describes how ownership of the New Series Bonds is to be transferred and how the principal of, premium, if any, and interest on the New Series Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the New Series Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Corporation believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The Corporation cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the New Series Bonds, or redemption, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the New Series Bonds), or redemption, or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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 New Series Bonds. The New Series Bonds 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 New Series Bonds, each in the aggregate principal amount of such maturity and series, 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of New Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the New Series Bonds on DTC's records. The ownership interest of each actual purchaser of each New Series Bond ("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 New Series



Bonds 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 New Series Bonds, except in the event that use of the book-entry-only system for the New Series Bonds is discontinued.

To facilitate subsequent transfers, all New Series Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of New Series Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the New Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such New Series Bonds 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 New Series Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the New Series Bonds, such as redemptions, tenders, defaults, and proposed amendments to the New Series Bond documents. For example, Beneficial Owners of New Series Bonds may wish to ascertain that the nominee holding the New Series Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of the notices be provided directly to them.

Redemption notices for the New Series Bonds shall be sent to DTC. If less than all of the New Series Bonds within a maturity and series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity and series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to New Series Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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 New Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the New Series Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent/Registrar of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, or the Corporation, 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 Corporation or Paying Agent/Registrar of each series, 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 New Series Bonds at any time by giving reasonable notice to the Corporation or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, New Series Bonds are required to be printed and delivered.

The Corporation may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, New Series Bonds, as appropriate, 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 New Series Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the New Series Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the New series Resolutions 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, and is not to be construed as a representation by the Corporation, the Financial Advisor, or the Underwriters.

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

**PAYING AGENT/REGISTRAR.** . . The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. In the New Series Resolutions, the Corporation retains the right to replace the Paying Agent/Registrar. The Corporation covenants to maintain and provide a Paying Agent/Registrar at all times until the New Series Bonds 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 New Series Bonds. Upon any change in the Paying Agent/Registrar for the New Series Bonds, the Corporation agrees to promptly cause a written notice thereof to be sent to each registered owner of the New Series Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**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 New Series Bonds and thereafter, the New Series Bonds 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. New Series Bonds may be assigned by the execution of an assignment form on the respective New Series Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New New Series Bonds will be delivered by the Paying Agent/Registrar, in lieu of the New Series Bonds 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 New Series Bonds issued in an exchange or transfer of New Series Bonds 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 New Series Bonds 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 New Series Bonds 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 New Series Bonds 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 New Series Bonds. Neither the Corporation nor the Paying Agent/Registrar shall be required to transfer or exchange any New Series Bond 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 New Series Bond.

**RECORD DATE FOR INTEREST PAYMENT.** . . The record date ("Record Date") for the interest payable on the New Series Bonds on any interest payment date means the close of business on the fifteenth day of the month next preceding such interest payment date.

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 Corporation. 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 New Series Bond 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.

**BONDHOLDERS' REMEDIES.** . . The New Series Resolutions establish the following as Events of Default with respect to the New Series Bonds: (i) the failure to make payment of the principal of or interest on any of the New Series Bonds when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the Corporation, which default materially and adversely affects the rights of the Owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Resolutions, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the Corporation. Upon any happening of any Event of Default and except as otherwise provided in the New Series Resolutions, any Owner or an authorized representative, thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the Corporation for the purpose of protecting and enforcing the rights of the Owners under the New Series Resolutions, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained in the New Series Resolutions, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners under the New Series Resolutions or any combination of such remedies. It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all owners of the New Series Bonds then outstanding. The New Series Resolutions allow, but does not provide for a trustee to enforce the covenants and obligations of the Corporation. In no event will registered owners have the right to have the maturity of the New Series Bonds accelerated as a remedy. 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. No assurance can be given that a mandamus or other legal action to enforce a default under the New Series Resolutions would be successful.

Furthermore, the Corporation is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Corporation avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the

Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the New Series Resolutions and the New Series Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

## **BOND INSURANCE RISK FACTORS**

**GENERAL . . .** The Corporation has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the New Series Bonds of each series insured by a municipal bond insurance policy. If the Corporation obtains a commitment from a bond insurance company (the “Insurer”) to provide a municipal bond insurance policy relating to the New Series Bonds of a series (the “Policy”), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

In the event of default of the payment of principal or interest with respect to the New Series Bonds of such series when all or some becomes due, any owner of the New Series Bonds shall have a claim under the applicable Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy may not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional redemption of the New Series Bonds by the Corporation which is recovered by the Corporation from the New Series Bond owner as a voidable preference under applicable bankruptcy law may be covered by the Policy, however, such payments may be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Corporation unless the Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal and interest will not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may require its consent to any remedies and the Insurer’s consent may be required in connection with amendments to any applicable New Series Bond documents.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the New Series Bonds will be payable solely from the moneys pledged pursuant to the applicable New Series Bond documents. In the event the Insurer becomes obligated to make payments with respect to the New Series Bonds, no assurance is given that such event will not adversely affect the market price of the New Series Bonds or the marketability (liquidity) for the New Series Bonds.

In the event the Corporation elects to purchase bond insurance, the long-term ratings on the New Series Bonds will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer’s financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the New Series Bonds insured by the Insurer will not be subject to downgrade, and such event could adversely affect the market price of the New Series Bonds or the marketability (liquidity) for the New Series Bonds. See the description under “Other Information - Ratings” herein.

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or State law related to insolvency of insurance companies.

Neither the Corporation, the Financial Advisor nor the Underwriters have made independent investigations into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Corporation to pay principal of and interest on the New Series Bonds and the claims-paying ability of the Insurer, particularly over the life of the New Series Bonds.

**CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . .** Moody’s Investor Services, Inc., Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and Fitch Ratings (the “Rating Agencies”) have downgraded the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the New Series Bonds.

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# **DEBT INFORMATION**

**TABLE 1 – PRO-FORMA PARK FACILITIES DEVELOPMENT CORPORATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Previously Issued Senior Lien Bonds Debt Service <sup>(1)</sup>			New Series Tax-Exempt Bonds <sup>(2)</sup>			New Series Taxable Bonds <sup>(3)</sup>			Total Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
2016	\$ 835,000	\$ 125,707	\$ 960,707	\$ 260,000	\$ 114,863	\$ 374,863	\$ 75,000	\$ 364,823	\$ 439,823	\$ 1,775,393	
2017	860,000	98,433	958,433	180,000	195,140	375,140	40,000	624,534	664,534	1,998,107	
2018	545,000	69,769	614,769	390,000	193,178	583,178	175,000	623,902	798,902	1,996,849	
2019	445,000	56,669	501,669	510,000	187,679	697,679	410,000	620,472	1,030,472	2,229,820	
2020	310,000	46,656	356,656	525,000	178,907	703,907	575,000	610,714	1,185,714	2,246,277	23.13%
2021	315,000	39,294	354,294	520,000	168,512	688,512	590,000	595,477	1,185,477	2,228,283	
2022	325,000	31,026	356,026	540,000	156,500	696,500	615,000	577,718	1,192,718	2,245,243	
2023	335,000	21,681	356,681	560,000	142,676	702,676	635,000	557,607	1,192,607	2,251,964	
2024	345,000	11,213	356,213	575,000	127,388	702,388	655,000	535,827	1,190,827	2,249,428	
2025	-	-	-	590,000	110,426	700,426	680,000	512,247	1,192,247	1,892,672	50.58%
2026	-	-	-	605,000	92,077	697,077	700,000	486,951	1,186,951	1,884,027	
2027	-	-	-	315,000	72,233	387,233	725,000	459,861	1,184,861	1,572,093	
2028	-	-	-	180,000	61,460	241,460	760,000	430,716	1,190,716	1,432,175	
2029	-	-	-	185,000	55,142	240,142	535,000	399,252	934,252	1,174,393	
2030	-	-	-	190,000	48,482	238,482	560,000	376,300	936,300	1,174,782	68.51%
2031	-	-	-	200,000	41,490	241,490	585,000	351,660	936,660	1,178,150	
2032	-	-	-	205,000	33,970	238,970	610,000	323,872	933,872	1,172,842	
2033	-	-	-	215,000	26,159	241,159	640,000	294,898	934,898	1,176,057	
2034	-	-	-	225,000	17,860	242,860	670,000	264,498	934,498	1,177,358	
2035	-	-	-	230,000	9,085	239,085	705,000	232,673	937,673	1,176,758	84.67%
2036	-	-	-	-	-	-	735,000	199,185	934,185	934,185	
2037	-	-	-	-	-	-	775,000	163,170	938,170	938,170	
2038	-	-	-	-	-	-	810,000	125,195	935,195	935,195	
2039	-	-	-	-	-	-	850,000	85,505	935,505	935,505	
2040	-	-	-	-	-	-	895,000	43,855	938,855	938,855	100.00%
	<u>\$4,315,000</u>	<u>\$500,447</u>	<u>\$4,815,447</u>	<u>\$7,200,000</u>	<u>\$2,033,223</u>	<u>\$9,233,223</u>	<u>\$15,005,000</u>	<u>\$9,860,907</u>	<u>\$24,865,907</u>	<u>\$38,914,577</u>	

(1) Excludes the Refunded Tax-Exempt Bonds and Refunded Taxable Bonds. Preliminary, subject to change.

(2) Average life of New Series Tax-Exempt Bonds is 8.827 years. Interest calculated at an average rate of 3.199% for purposes of illustration. Preliminary, subject to change.

(3) Average life of the New Series Taxable Bonds is 14.575 years. Interest calculated at an average rate of 4.508% for purposes of illustration. Preliminary, subject to change.

## THE SALES TAX

**SOURCE AND AUTHORIZATION.** . . The Sales Tax is a 1/2 of 1% limited sales and use tax imposed on all taxable transactions within the City as approved at the Election. The Sales Tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the City. The Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the City. The City currently levies an additional sales and use tax for City purposes totaling 1% in accordance with State law and is restricted by current law. The imposition, computation, administration, governance, abolition and use of the Sales Tax is governed by the Texas Limited Sales, Excise, and Use Tax Act except to the extent that there is conflict with the Act, in which case the provisions of the Act control as to the New Series Bonds, and by the Municipal Sales and Use Tax Act, and reference is made thereto for a more complete description of the Sales Tax.

In general, as applied to the Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, cable television services, motor vehicle parking and storage services, the repair, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling and security services. Certain items are exempted by State law from sales and use taxes, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), timber for sale or agricultural aircraft operations, gas and electricity purchased for residential use (unless a city has taken steps to repeal the exemption), certain telecommunications services, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. Also, State law provides an exemption from sales taxes on items purchased under a contract in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years.

In general, a sale of a taxable item is deemed to occur within the municipality, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there if the item is shipped from outside the state to a point within the municipality.

In addition to the local sales and use taxes levied, as described above, the State levies and collects a 6 1/4% sales and use tax against essentially the same taxable items and transactions as the Sales Tax is levied. Under current State law, the maximum aggregate sales and use tax which may be levied within a given area by an authorized political subdivision within such area, including the State, is 8 1/4%. The current aggregate sales and use tax levied in the City is 8 1/4% of which 6 1/4% is levied by the State, 1% is levied by the City, 1/2 of 1% is levied by the Mansfield Economic Development Corporation and 1/2 of 1% is levied as the Sales Tax for the benefit of the Corporation.

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under nonsales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Sales Tax is levied. Municipalities may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation). The City has opted to repeal the local telecommunication services exemption. With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while municipalities, on a local option basis, may tax such use. The City has opted to tax the residential use of gas and electricity.

In recent years, several changes in the State sales tax laws have contributed to the growth of local sales tax revenues. These changes have added additional goods and services to the list of taxable items. Other items have been subjected to sales tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax, including sales tax for tangible personal property used in manufacturing, processing, or fabrication operations with a useful life of at least six months that became totally exempt from sales tax in 1995. Subject to the right of the governing body of the City to repeal the sales tax holiday, during a three day period beginning the Friday before eight days prior to the earliest possible first day of school, articles of clothing, footwear, qualifying backpacks and school supplies with a cost less than \$100 are exempt from the sales tax. The first \$25 of a monthly charge for Internet access is exempt from sales tax, as is 20% of the value of information services and data processing services. Sales tax is due on over-the-counter drugs and medicines labeled with a national FDA drug code.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer" who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing \$500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than \$500 sales and use tax dollars in a calendar month but \$1,500 or more in a calendar quarter submit their tax



collections quarterly; and taxpayers owing less than \$1,500 in a calendar quarter submit their tax collections annually. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period for yearly filers ends each December 31; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible but, not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly with the largest payments being made quarterly in February, May, August and November. In 1989, the Comptroller initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. The City participates in this program. Otherwise, the Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use tax in the State annually), each every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods; (i) collection by an automated collection center or local field office, (ii) estimating the taxpayers' liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold 1/2% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepay its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1 1/4% of the amount of the prepayment in addition to the 1/2% allowed for the cost of collecting the sales and use tax.

**INVESTOR CONSIDERATIONS.** . . The primary source of security for the New Series Bonds will be certain receipts of the Sales Tax received by the City for the benefit of the Corporation. The amount of revenues from the Sales Tax is closely related to the amount of economic activity in the City. Sales and use tax receipts, unlike other taxes levied by municipalities, immediately reflect changes in the economic conditions of a municipality.

Increases in Internet sales may result in a decrease in Sales Tax revenue to the Corporation. The emergence of Internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the state and national level. In October, 1998, the United States Congress enacted the Internet Tax Freedom Act which provided a three year moratorium on certain aspects of taxation of the Internet (existing taxes imposed by Texas were exempted from the moratorium), and, in late 2001, the moratorium was extended by Congress through November 1, 2003. In 2004, Congress extended the moratorium again 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. On June 9, 2015, the United States House of Representatives approved H.R. 235, the Permanent Internet Tax Freedom Act (PITFA), which would make the moratorium permanent, the bill was sent to the United States Senate, where it was referred to the Committee on Finance. Legislative changes relating to the taxation of Internet sales and services, and any effect of such changes on the Sales Tax received by the Corporation, cannot be predicted at this time.

Historically, the Comptroller has remitted sales and use tax allocation checks to municipalities on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the State Legislature. State law provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8 1/4%, which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax), and the current total sales and use tax rate within the City's boundaries is 8 1/4 % (including State, City and Mansfield Economic Development Corporation taxes as well as the Sales Tax). The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature and the Corporation has no way of predicting any such increase or the effect that would

have on the Sales Tax which secures the New Series Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Sales Tax is levied; and the City (and hence the Corporation as the beneficiary of the City's action), except in certain limited instances described below, has no control over the components of the tax base. Neither the City nor the Corporation currently has statutory authority to increase or decrease the maximum authorized rate of the Sales Tax.

Tax receipts received by the Corporation are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year.

The Sales Tax is collected by the Comptroller and remitted to the City along with other City sales and use tax receipts. The City allocates a portion of the receipts to the Corporation which represents the 1/2 of 1% tax rate of the Sales Tax. Generally, sales and use taxes in the State are collected at the point of a taxable transaction and remitted by the taxpayer to the Comptroller. The Comptroller has the primary responsibility for enforcing sales and use tax laws and collecting delinquent taxes. The collection efforts of the Comptroller are subject to applicable federal bankruptcy code provisions with respect to the protection of debtors.

**Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, make projections of future tax revenue collections very uncertain. No independent projections have been made with respect to the revenues available to pay debt service on the New Series Bonds.**

**TABLE 2 - HISTORICAL CITY RECEIPTS OF 1/2% SALES TAX**

Month of Receipt	1/2% Sales Tax Collections Fiscal 2014/15	1/2% Sales Tax Collections Fiscal 2013/14	1/2% Sales Tax Collections Fiscal 2012/13	1/2% Sales Tax Collections Fiscal 2011/12	1/2% Sales Tax Collections Fiscal 2010/11
October	\$ 447,096	\$ 399,991	\$ 381,405	\$ 364,912	\$ 343,843
November	365,646	317,936	319,784	266,154	243,369
December	368,101	339,868	285,916	286,562	270,682
January	540,885	504,331	429,982	430,183	396,807
February	339,905	303,903	283,179	264,791	242,172
March	311,562	306,823	290,366	281,572	252,628
April	469,795	445,468	393,611	392,620	360,768
May	374,554	378,424	292,236	293,241	272,202
June	356,382	354,488	317,045	304,162	277,492
July	491,837	445,819	409,142	383,707	370,551
August	390,176	363,033	331,310	316,417	296,318
September	387,670	359,488	320,183	305,538	295,178
Totals	<u>\$ 4,843,609 <sup>(1)</sup></u>	<u>\$ 4,519,573</u>	<u>\$ 4,054,158</u>	<u>\$ 3,889,860</u>	<u>\$ 3,622,010</u>

(1) Unaudited.

**TABLE 3 - CALCULATION OF COVERAGE FOR THE ISSUANCE OF ADDITIONAL BONDS<sup>(1)</sup>**

Sales Tax Collection for Fiscal Year Ended 9/30/15 <sup>(2)</sup>	\$ 4,843,609
Maximum Annual Debt Service Fiscal Year 2023	\$ 2,251,964
Coverage of Maximum Requirements	2.15x
Average Annual Debt Service 2016-2040	\$ 1,556,583
Coverage of Average Requirements	3.11x
New Series Tax-Exempt Bonds Reserve Fund	\$ - <sup>(3)</sup>
New Series Taxable Bonds Reserve Fund	\$ - <sup>(3)</sup>

(1) Excludes the Refunded Tax-Exempt Bonds and Refunded Taxable Bonds. Includes the Previously Issued Senior Lien Bonds and the New Series Bonds. Preliminary, subject to change.

(2) Unaudited.

(3) Upon issuance of the New Series Bonds, the respective New Series 2016 Tax-Exempt Bonds Reserve Fund and New Series 2016 Taxable Bonds Reserve Fund are expected to be funded with separate New Series Reserve Fund Surety Bonds. Preliminary, subject to change.

**TABLE 4 - HISTORICAL CORPORATION REVENUES AND EXPENDITURES**

	Fiscal Years Ended September 30,				
	2015 <sup>(1)</sup>	2014	2013	2012	2011
<b><u>Revenues:</u></b>					
Taxes, Penalties, and Interest	\$ 4,854,487	\$ 4,530,982	\$ 4,065,299	\$ 3,899,868	\$ 3,631,255
Intergovernmental	-	-	-	-	-
Interest Income	4,583	5,100	10,512	6,025	96
Contributions	26,046	29,350	20,856	37,562	31,615
Miscellaneous	2,258,601	2,326,162	2,222,195	1,732,827	1,974,875
Total Revenues	<u>\$ 7,143,717</u>	<u>\$ 6,891,594</u>	<u>\$ 6,318,862</u>	<u>\$ 5,676,282</u>	<u>\$ 5,637,841</u>
<b><u>Expenditures:</u></b>					
Cultural and Recreational	\$ 2,824,547	\$ 3,169,583	\$ 2,358,547	\$ 2,066,992	\$ 1,901,919
Debt Service	1,245,374	1,250,410	1,238,918	1,891,754	1,602,936
Capital Outlay	1,954,798	1,456,916	2,694,403	832,434	1,520,084
Total Expenditures	<u>\$ 6,024,719</u>	<u>\$ 5,876,909</u>	<u>\$ 6,291,868</u>	<u>\$ 4,791,180</u>	<u>\$ 5,024,939</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,118,998</u>	<u>1,014,685</u>	<u>26,994</u>	<u>885,102</u>	<u>612,902</u>
Bond Proceeds	\$ -	\$ -	\$ -	\$ 4,995,000	\$ -
Bond Payment	-	-	-	(4,690,000)	-
Premiums on Bond Issuance	-	-	-	41,008	-
Discounts on Bond Issuance	-	-	-	(25,826)	-
Sale of City Property	-	-	-	11,822	325
Operating Transfers Out	-	(65,000)	(130,000)	-	-
Operating Transfers In	108,639	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 108,639</u>	<u>\$ (65,000)</u>	<u>\$ (130,000)</u>	<u>\$ 332,004</u>	<u>\$ 325</u>
Beginning Fund Balance	<u>8,901,534</u>	<u>7,951,849</u>	<u>8,054,855</u>	<u>6,837,749</u>	<u>6,224,522</u>
Ending Fund Balance	<u>\$ 10,129,171</u>	<u>\$ 8,901,534</u>	<u>\$ 7,951,849</u>	<u>\$ 8,054,855</u>	<u>\$ 6,837,749</u>

(1) Unaudited.

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## SELECTED PROVISIONS OF THE NEW SERIES RESOLUTIONS

The following are certain provisions of the New Series Resolutions. These provisions are not to be considered a full statement of the terms of the New Series Resolutions. Accordingly, these selected provisions are qualified in their entirety by reference to the New Series Resolutions and are subject to the full text thereof.

### **Definitions**

“Additional Parity New Series Revenue Obligations” means the additional sales tax revenue bonds the Corporation reserves the right to issue on a parity with the New Series Bonds.

“Authorized Officer” means the President, Vice President, or Secretary of the Corporation or any other officer or employee of the Corporation, or any other person authorized to perform specific acts or duties by the Board or its bylaws.

“Board” means the Board of Directors of the Corporation.

“Closing Date” means the date of the initial delivery of and payment for the New Series Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions relating thereto.

“Comptroller” means the Comptroller of Public Accounts of the State of Texas and any successor officer or official that may be charged by law with the duty of collecting Gross Sales Tax Revenues for the account of, and remitting the same to, the City for the account of the Corporation.

“Corporation Order” means a written order signed in the name of the Corporation by an Authorized Officer and delivered to the Paying Agent, or another party hereunder.

“Costs of the Projects” means all items of costs of or attributable to the Projects and defined as “Costs” in the Act.

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named herein, its corporate trust office in Dallas, Texas, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the Corporation and such successor.

“Event of Default” means any Event of Default as defined in the New Series Resolution.

“Fiscal Year” means October 1 through September 30.

“Gross Sales Tax Revenue Fund” means the special fund so designated in the New Series Resolution.

“Gross Sales Tax Revenues” means all of the revenues due or owing to, or collected or received by or on behalf of the Corporation, whether by the City or otherwise, pursuant to the Sales Tax Collection Resolution or the New Series Resolutions, or the resolutions authorizing the Previously Issued Senior Lien Bonds, or any Additional Parity New Series Revenue Obligations, from or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retentions by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law.

“Interest Payment Date” means the date or dates upon which interest on the New Series Bonds is scheduled to be paid until the maturity of the New Series Bonds, such dates being February 1 and August 1 of each year commencing August 1, 2016.

“New Series Bond” means any of the New Series Bonds.

“New Series Bonds” means collectively the Corporation’s bonds entitled “Mansfield Park Facilities Development Corporation Sales Tax Revenue Refunding and Improvement Bonds, New Series 2016” and “Mansfield Park Facilities Development Corporation Sales Tax Revenue Refunding and Improvement Bonds, Taxable New Series 2016” authorized to be issued by the New Series Resolutions.

“New Series Debt Service Fund” means the debt service fund established by the New Series Resolutions.

“New Series Reserve Fund” means the reserve funds established by the New Series Resolutions.

“New Series Reserve Fund Obligations” means cash or investments securities of any of the type or types permitted under the New Series Resolution.

“New Series Reserve Fund Surety Bond” means any surety bond or insurance policy having a rating in the two highest generic rating categories by Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or Fitch Ratings, Inc., issued to the Corporation for the benefit of the Owners of the New Series Bonds to satisfy any part of the New Series Required Reserve as provided in the New Series Resolution.

“New Series Resolutions” means, collectively, the Tax-Exempt New Series 2016 Resolution, the Taxable New Series 2016 Resolution and any resolutions authorizing Additional New Series Parity Revenue Obligations.



“Owner” means the person who is the registered owner of a New Series Bond or New Series Bonds, as shown in the Register.

“Parity New Series Revenue Obligations” means the New Series Bonds and any Additional Parity New Series Revenue Obligations.

“Paying Agent/Registrar” means U.S. Bank National Association, any successor thereto or an entity which is appointed as and assumes the duties of paying agent/registrar as provided in the New Series Resolutions.

“Pledged Funds” means collectively (a) amounts on deposit in the Gross Sales Tax Revenue Fund, (b) amounts on deposit in the New Series Debt Service Fund, (c) amounts on deposit in the New Series Reserve Fund, together with any investments or earnings belonging to said funds, and (d) any additional revenues, other moneys or funds of the Corporation which heretofore have been or hereafter may be expressly and specifically pledged to the payment of the Parity New Series Revenue Obligations.

“Pledged Revenues” means (a) Gross Sales Tax Revenues from time to time deposited or owing to the Gross Sales Tax Revenue Fund, and (b) such other money, income, revenues or other property which the Corporation may expressly and specifically pledge to the payment of Parity New Series Revenue Obligations.

“Previously Issued Senior Lien Bond Resolution” means, collectively, the Resolutions authorizing the Previously Issued Senior Lien Bonds.

“Previously Issued Senior Lien Bonds” means the outstanding and unpaid revenue bonds of the Corporation designated as following: (1) Sales Tax Revenue Bonds, Series 2006, dated as of February 15, 2006; (2) Sales Tax Revenue Bonds, Series 2007, dated as of December 1, 2006; (3) Sales Tax Revenue Bonds, Taxable Series 2007A, dated December 1, 2007; and (4) Sales Tax Revenue Refunding Bonds, Series 2012, dated December 1, 2011.

“Previously Issued Senior Lien Bonds Debt Service Fund” means the “Debt Service Fund” created and confirmed in the Previously Issued Senior Lien Bond Resolution.

“Previously Issued Senior Lien Bonds Reserve Fund” means the “Reserve Fund” created and confirmed in the Previously Issued Senior Lien Bond Resolution for the benefit of the Previously Issued Senior Lien Bonds.

“Projects” means all properties, including land, buildings, and equipment of the types added to the definition of “projects” by the Act that are approved by the Board as necessary and appropriate to fulfill and carry out the purposes of the Corporation.

“Sales Tax” means the one-half of one percent local sales and use tax authorized under the Act approved by the voters of the City on January 8, 1992, and heretofore authorized and levied by the City within its existing boundaries, and hereafter required to be levied and collected within any expanded areas included within the City pursuant to the Act, together with any increases in the rate thereof if provided and authorized by applicable law.

“Sales Tax Collection Resolution” means that certain resolution adopted concurrently by the Board and the governing body of the City on the same date, bearing that name.

“Taxable New Series 2016 Bonds” means the Mansfield Parks Facilities Development Corporation Sales Tax Revenue Refunding and Improvement Bonds, Taxable New Series 2016, issued concurrently with the Tax-Exempt New Series 2016 Bonds.

“Taxable New Series 2016 Resolution” means the resolution of the Corporation approving the issuance of the Taxable New Series 2016 Bonds.

“Tax-Exempt New Series 2016 Bonds” means the Mansfield Parks Facilities Development Corporation Sales Tax Revenue Refunding Bonds, Tax-Exempt New Series 2016, issued concurrently with the Taxable New Series 2016 Bonds.

“Tax-Exempt New Series 2016 Resolution” means the resolution of the Corporation approving the issuance of the Tax-Exempt New Series 2016 Bonds.

Confirmation and Levy of Sales Tax. (a) In the New Series Resolutions, the Corporation hereby confirms the earlier levy by the City of the Sales Tax at the rate voted at the election held by and within the City on January 8, 1992, and the Corporation hereby warrants and represents that the City has duly and lawfully ordered the imposition and collection of the Sales Tax upon all sales, uses and transactions as are permitted by and described in the Act throughout the boundaries of the City as such boundaries existed on the date of said election and as they may be expanded from time to time.

(b) For so long as any Previously Issued Senior Lien Bonds or Parity New Series Revenue Obligations are outstanding, the Corporation covenants, agrees and warrants to take and pursue all action permissible under applicable law to cause the Sales Tax, at said rate, or at a higher rate if permitted by applicable law, to be levied and collected continuously, in the manner and to the maximum extent permitted by applicable law, and to cause no reduction, abatement or exemption in the Sales Tax or rate of tax below the rate stated, confirmed and ordered in subsection (a) of this Section to be ordered or permitted so long as any Previously Issued Senior Lien Bonds or Parity New Series Revenue Obligations shall remain outstanding.

(c) If the City shall be authorized hereafter by applicable law to apply, impose and levy the Sales Tax on any taxable items or transactions that are not subject to the Sales Tax on the date of the adoption hereof, the Corporation, to the extent it legally may do so, hereby covenants and agrees to use its best efforts to cause the City to take such action as may be required by applicable law to subject such taxable items or transactions to the Sales Tax.

(d) The Corporation agrees to take and pursue all action permissible under applicable law to cause the Sales Tax to be collected and remitted and deposited as herein required and as required by the Act, at the earliest and most frequent times permitted by applicable law.

(e) The Corporation agrees and covenants at all times, and to use its best efforts to cause the City, to comply with the Sales Tax Collection Resolution.

**Pledge.** (a) In the New Series Resolutions, the Corporation irrevocably pledges (i) the Pledged Revenues, and (ii) the Pledged Funds (A) to the payment of the principal of, and the interest and any premiums on, all Parity New Series Revenue Obligations which are or may be outstanding from time to time, and (B) to the establishment and maintenance of the New Series Reserve Fund.

(b) The provisions, covenants, pledge and lien on and against the Pledged Revenues are established and shall be for the equal benefit, protection and security of the Owners of the Parity New Series Revenue Obligations without distinction as to priority and rights.

(c) The Parity New Series Revenue Obligations, including interest payable thereon, shall constitute special obligations of the Corporation, payable solely from and secured by an irrevocable lien on and pledge of the Pledged Revenues and Pledged Funds, and not from any other revenues, properties or income of the Corporation, such lien and pledge, however, being in all things junior and subordinate to the lien on and pledge of the Pledged Revenues and Pledged Funds made for the security and payment of the Previously Issued Senior Lien Bonds and to the deposits required by the Previously Issued Senior Lien Bond Resolution to be made to the various funds and accounts as security for the Previously Issued Senior Lien Bonds. Provided further, however, at such time as all of the Previously Issued Senior Lien Bonds are no longer outstanding, the Parity New Series Revenue Obligations shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues. Parity New Series Revenue Obligations shall not constitute debts or obligations of the State or of the City, and the Owners of the Parity New Series Revenue Obligations shall never have the right to demand payment out of any funds raised or to be raised by ad valorem taxation. The Parity New Series Revenue Obligations do not give rise to a claim for payment against the City except as to Sales Tax Revenues held by the City and required by the Act to be paid over to the Corporation.

**Resolution as Security Agreement.** (a) An executed copy of the New Series Resolutions shall constitute a security agreement pursuant to applicable law, with the Owners as the secured parties. The lien, pledge, and security interest of the Owners created in the New Series Resolutions shall become effective immediately upon the Closing Date of the New Series Bonds, and the same shall be continuously effective for so long as any New Series Bonds are outstanding.

(b) A fully executed copy of the New Series Resolutions and the proceedings authorizing it shall be filed as a security agreement among the permanent records of the Corporation. Such records shall be open for inspection to any member of the general public and to any person proposing to do or doing business with, or asserting claims against, the Corporation, at all times during regular business hours.

Application of Chapter 1208, Government Code.

(a) Chapter 1208, Government Code, applies to the issuance of the New Series Bonds and the pledge of the revenues granted by the Corporation under the Resolutions, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the New Series Bonds are outstanding and unpaid such that the pledge of the revenues granted by the Corporation under the New Series Resolutions are to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the New Series Bonds the perfection of the security interest in said pledge, the Corporation agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Creation and Confirmation of Funds.

(a) The Corporation hereby creates, establishes and confirms the following funds to be held at the Corporation's depository bank:

- (i) Mansfield Parks Facilities Development Corporation Previously Issued Senior Lien Bonds Debt Service Fund;
- (ii) Mansfield Parks Facilities Development Corporation Previously Issued Senior Lien Bonds Reserve Fund;
- (iii) Mansfield Parks Facilities Development Corporation Gross Sales Tax Revenue Fund;

- (iv) Mansfield Parks Facilities Development Corporation New Series Debt Service Fund;
- (v) Mansfield Parks Facilities Development Corporation New Series 2016 Tax-Exempt Bonds Reserve Fund;
- (vi) Mansfield Parks Facilities Development Corporation New Series 2016 Taxable Bonds Reserve Fund;
- (vii) Mansfield Parks Facilities Development Corporation Previously Issued Senior Lien Bonds Project Development Fund;
- (viii) Mansfield Parks Facilities Development Corporation New Series Bonds Project Development Fund;
- (ix) Mansfield Parks Facilities Development Corporation New Series Capital Improvement Fund.

(b) The Previously Issued Senior Lien Bonds Debt Service Fund shall be maintained for the benefit of the Owners of the Previously Issued Senior Lien Bonds. Money on deposit in the Previously Issued Senior Lien Bonds Debt Service Fund shall be used to pay the principal of, premium, if any, and interest on the Previously Issued Senior Lien Bonds when and as the same shall become due and payable.

(c) The Previously Issued Senior Lien Bonds Reserve Fund shall be maintained for the benefit of the Owners of the Previously Issued Senior Lien Bonds. Money on deposit in the Previously Issued Senior Lien Bonds Reserve Fund shall be used to pay principal of, premium of, if any, and interest on Previously Issued Senior Lien Bonds becoming due and payable when there is not sufficient money available in the Previously Issued Senior Lien Bonds Debt Service Fund for such purpose. Money on deposit in the Previously Issued Senior Lien Bonds Reserve Fund may be applied to the acquisition of a Surety Bond as authorized pursuant to the Previously Issued Senior Lien Bond Resolution.

(d) Moneys on deposit in the Previously Issued Senior Lien Bonds Project Development Fund shall be used for paying costs of Corporation Projects for which Previously Issued Senior Lien Bonds were issued.

(e) Moneys on deposit in the New Series Bonds Project Development Fund shall be used for paying costs of Projects for which Parity New Series Revenue Obligations from time to time are issued.

(f) The Gross Sales Tax Revenue Fund, which may also be designated as the "Mansfield Parks Facilities Development Corporation Fund," is hereby established as a special fund comprised of the Gross Sales Tax Revenues, together with all other revenues as from time to time may be determined for deposit therein by the Corporation, and shall be maintained at the Corporation's depository bank for the benefit of the Owners of the Previously Issued Senior Lien Bonds and the Parity New Series Revenue Obligations, subject to the further provisions of the New Series Resolutions.

(g) The New Series Debt Service Fund shall be maintained for the benefit of the Owners of the Parity New Series Revenue Obligations. Money deposited in the New Series Debt Service Fund shall be used to pay the principal of, premium, if any, and interest on the Parity New Series Revenue Obligations when and as the same shall become due and payable.

(h) The New Series 2016 Tax-Exempt Bonds Reserve Fund and New Series 2016 Taxable Bonds Reserve Fund, respectively, shall be maintained for the benefit of the Owners of the New Series 2016 Tax-Exempt Bond and New Series 2016 Taxable Bonds, respectively, and not any other New Series Parity Revenue Obligations. Money deposited in the New Series 2016 Tax-Exempt Bonds Reserve Fund shall be used to pay principal of and/or interest on the New Series Tax-Exempt Bonds becoming due and payable when there is not sufficient money available in the New Series Debt Service Fund for such purpose. Money deposited in the New Series 2016 Taxable Bonds Reserve Fund shall be used to pay principal of and/or interest on the New Series Taxable Bonds becoming due and payable when there is not sufficient money available in the New Series Debt Service Fund for such purpose. Money on deposit in the New Series 2016 Tax-Exempt Bonds Reserve Fund and/or New Series 2016 Taxable Bonds Reserve Fund, respectively, may be applied to the acquisition of a New Series Reserve Fund Surety Bond.

(i) Money from time to time on deposit in the New Series Capital Improvement Fund shall be used for paying costs of authorized Projects the payment of which are not otherwise provided from the proceeds of New Series Parity Revenue Obligations, and for any other lawful purposes permitted under applicable law. The New Series Capital Improvement Fund at all times shall be free of any lien or pledge created by the New Series Resolutions and the resolution or resolutions authorizing the issuance Additional Parity New Series Revenue Obligations.

Gross Sales Tax Revenue Fund.

- (a) All Pledged Revenues shall be deposited and transferred as received to the Gross Sales Tax Revenue Fund.
- (b) Until such time as the Previously Issued Senior Lien Bonds are no longer outstanding, moneys deposited in the Gross Sales Tax Revenue Fund shall be pledged and appropriated to the following uses, in the order of priority shown:
- (i) First, to the payment, without priority, of all amounts required to be deposited in the Previously Issued Senior Lien Bonds Debt Service Fund established by the Previously Issued Senior Lien Bonds Resolution established for the payment of Previously Issued Senior Lien Bonds;
  - (ii) Second, to the payment of all amounts required to be deposited in the Previously Issued Senior Lien Bonds Reserve Fund pursuant to the Previously Issued Senior Lien Bonds Resolution;
  - (iii) Third, to pay any amounts due to any bond insurer of Previously Issued Senior Lien Bonds not paid pursuant to subsections (i) or (ii) above;
  - (iv) Fourth, to pay any amounts due to any issuer of a Previously Issued Senior Lien Bond Reserve Fund Surety Bond not paid pursuant to subsections (ii) or (iii) above;
  - (v) Fifth, to any other fund or account required by any Previously Issued Senior Lien Bond Resolution authorizing Previously Issued Senior Lien Bonds, the amounts required to be deposited therein;
  - (vi) Sixth, to the payment, without priority, of all amounts required to be deposited in the New Series Debt Service Fund herein established for the payment of Parity New Series Revenue Obligations;
  - (vii) Seventh, on a pro rata basis, to each debt service reserve fund created by any resolution authorizing the issuance of Parity New Series Revenue Obligations, which contains less than the amount to be accumulated and/or maintained therein, as provided in such resolutions;
  - (viii) Eighth, to pay any amounts due to any bond insurer of Parity New Series Revenue Obligations not paid pursuant to subsections (vi) or (vii) above;
  - (ix) Ninth, to pay any amounts due to any issuer of a New Series Reserve Fund Surety Bond not paid pursuant to subsections (vii) or (viii) above;
  - (x) Tenth, to any other fund or account required by any resolution authorizing Parity New Series Revenue Obligations, the amounts required to be deposited therein;
  - (xi) Eleventh, to any fund or account, or to any payee, required by any other resolution of the Board which authorizes the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien and pledge created herein with respect to the Parity New Series Revenue Obligations;
  - (xii) Twelfth, to the New Series Capital Improvement Fund.
- (c) At such time as there are no Previously Issued Senior Lien Bonds outstanding, moneys deposited in the Gross Sales Tax Revenue Fund shall be pledged and appropriated to the following uses, in the order of priority shown:
- (i) First, to the payment, without priority, of all amounts required to be deposited in the New Series Debt Service Fund herein established for the payment of Parity New Series Revenue Obligations;
  - (ii) Second, on a pro rata basis, to each debt service reserve fund created by any resolution authorizing the issuance of Parity New Series Revenue Obligations, which contains less than the amount to be accumulated and/or maintained therein, as provided in such resolutions;
  - (iii) Third, to pay any amounts due to any bond insurer of Parity New Series Revenue Obligations not paid pursuant to subsections (i) or (ii) above;
  - (iv) Fourth, to pay any amounts due to any issuer of a New Series Reserve Fund Surety Bond not paid pursuant to subsections (ii) or (iii) above;



(v) Fifth, to any other fund or account required by any resolution authorizing Parity New Series Revenue Obligations, the amounts required to be deposited therein;

(vi) Sixth, to any fund or account, or to any payee, required by any other resolution of the Board which authorizes the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien and pledge created herein with respect to the Parity New Series Revenue Obligations;

(vii) Seventh, to the New Series Capital Improvement Fund.

#### New Series Debt Service Fund

(a) The Corporation hereby covenants and agrees to make deposits to the New Series Debt Service Fund from moneys in the Gross Sales Tax Revenue Fund, in substantially equal monthly, bi-monthly, quarterly or semi-annual installments as such money is received, to pay the principal of and interest on the Parity New Series Revenue Obligations as follows:

(i) Such amounts, on deposit and received following the Closing Date, as will be sufficient, together with other amounts, if any, then on hand in the New Series Debt Service Fund and available for such purpose, to pay the interest scheduled to accrue and become due and payable with respect to the Parity New Series Revenue Obligations on the next succeeding Interest Payment Date;

(ii) Such amounts, on deposit and received following the Closing Date, as will be sufficient, together with other amounts, if any, on hand in the New Series Debt Service Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Parity New Series Revenue Obligations on the next succeeding Interest Payment Date on which principal of the Bonds is to be payable.

(b) The deposits to the New Series Debt Service Fund for the payment of principal of and interest on the Parity New Series Revenue Obligations shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the New Series Debt Service Fund and New Series Reserve Fund is equal to the amount required to pay all outstanding obligations (principal and/or interest) for which said Fund was created and established to pay or (ii) the Parity New Series Revenue Obligations are no longer outstanding, i.e., fully paid as to principal and interest on all of the Parity New Series Revenue Obligations have been refunded.

(c) Any proceeds of the New Series Bonds not required for the purposes for which the New Series Bonds are issued shall be deposited to the New Series Debt Service Fund.

#### New Series 2016 Tax-Exempt Bonds Reserve Fund

(a) There is hereby created and ordered held at a depository bank of the Corporation, for the benefit of the New Series 2016 Tax-Exempt Bonds, the New Series 2016 Tax-Exempt Bonds Reserve Fund. As provided in the Tax-Exempt New Series 2016 Resolution, the Corporation shall deposit and credit to the New Series 2016 Tax-Exempt Bonds Reserve Fund amounts required to maintain the balance in the New Series 2016 Tax-Exempt Bonds Reserve Fund in an amount equal to the maximum annual debt service requirements of the New Series 2016 Tax-Exempt Bonds (the "Required Reserve"). The maximum annual debt service requirements of the New Series 2016 Tax-Exempt Bonds shall be calculated by the Corporation on the date of issuance of the New Series 2016 Tax-Exempt Bonds and on each October 1 thereafter, and the Required Reserve to be maintained in the New Series 2016 Tax-Exempt Bonds Reserve Fund after each such calculation shall be the amount determined by such calculation.

(b) All funds, investments and New Series Reserve Fund Surety Bonds on deposit and credited to the New Series 2016 Tax-Exempt Bonds Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the New Series 2016 Tax-Exempt Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make payments due under a New Series Reserve Fund Surety Bond and (iii) with respect to funds and investments on deposit and credited to the New Series 2016 Tax-Exempt Bonds Reserve Fund other than New Series Reserve Fund Surety Bonds, to retire the last maturity of or interest on the Bonds.

(c) When and for so long as the cash, investments and New Series Reserve Fund Surety Bonds in the New Series 2016 Tax-Exempt Bonds Reserve Fund equal the Required Reserve, no deposits need be made to the credit of the New Series 2016 Tax-Exempt Bonds Reserve Fund. If the New Series 2016 Tax-Exempt Bonds Reserve Fund at any time contains less than the Required Reserve, the Corporation covenants and agrees that the Corporation shall cure the deficiency in the New Series 2016 Tax-Exempt Bonds Reserve Fund by making deposits to such Fund from the Pledged Revenues in accordance with the New Series 2016 Tax-Exempt Resolution by monthly deposits and credits in amounts equal to not less than 1/60th of the Required Reserve with any such deficiency payments being made on or before the last day of each month until the Required Reserve has been fully restored; provided, however, that no such deposits shall be made into the New Series 2016 Tax-Exempt Bonds Reserve Fund during any six-month period beginning on February 1 and August 1 until there has been deposited into the New Series Debt Service Fund the full amount required to be deposited therein by the next following February 1 and August 1, as the case may be. In addition, in the event that a portion of the Required Reserve is represented by a New Series Reserve Fund

Surety Bond, the Required Reserve and deposits to the New Series 2016 Tax-Exempt Bonds Reserve Fund shall take into account such value of the New Series Reserve Fund Surety Bond. The Corporation further covenants and agrees that, subject only to the prior deposits and credits for the Previously Issued Senior Lien Bonds and to be made to the New Series Debt Service Fund, the Pledged Revenues shall be applied, appropriated and used to establish and maintain the Required Reserve, including by paying payments under a New Series Reserve Fund Surety Bond when due, and any reserve established for the benefit of any issue or series of Additional Parity New Series Revenue Obligations and to cure any deficiency in such amounts as required by the terms of this Resolution and any other Resolution pertaining to the issuance of Additional Parity New Series Revenue Obligations. Reimbursements to any provider of a New Series Reserve Fund Surety Bond shall constitute the curing of a deficiency in the New Series 2016 Tax-Exempt Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the New Series Reserve Fund Surety Bond to the Required Reserve.

(d) Earnings and income derived from the investment of amounts held for the credit of the New Series 2016 Tax-Exempt Bonds Reserve Fund shall be retained in the New Series 2016 Tax-Exempt Bonds Reserve Fund until the New Series 2016 Tax-Exempt Bonds Reserve Fund contains the Required Reserve. During such time as the New Series 2016 Tax-Exempt Bonds Reserve Fund contains the Required Reserve or any cash or investment is replaced with a New Series Reserve Fund Surety Bond pursuant to subsection (e) below, the Corporation may, at its option, withdraw funds that are in excess of the Required Reserve and deposit such surplus in the Gross Sales Tax Revenue Fund; provided that the face amount of any New Series Reserve Fund Surety Bond may be reduced at the option of the Corporation in lieu of such withdrawal of excess funds. Notwithstanding the foregoing, any surplus funds in excess of the Required Reserve that consist of gross proceeds of the New Series 2016 Tax-Exempt Bonds or interest thereon shall be used for purposes for which the New Series 2016 Tax-Exempt Bonds were issued or deposited to the New Series Debt Service Fund.

(e) The Corporation may, at any time, deposit, supplement, replace or substitute a New Series Reserve Fund Surety Bond for cash or investments on deposit in the New Series 2016 Tax-Exempt Bonds Reserve Fund or in substitution for or replacement of any existing New Series Reserve Fund Surety Bond.

(f) If the Corporation is required to make a withdrawal from the New Series 2016 Tax-Exempt Bonds Reserve Fund for any of the purposes described in this Section, the Corporation shall promptly notify the issuer of such New Series Reserve Fund Surety Bond of the necessity for a withdrawal from the New Series 2016 Tax-Exempt Bonds Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or permitted investments then on deposit in the New Series 2016 Tax-Exempt Bonds Reserve Fund, and next from a drawing under any New Series Reserve Fund Surety Bond to the extent of any deficiency.

(g) In the event there is a draw upon the New Series Reserve Fund Surety Bond, the Corporation shall reimburse the provider of such New Series Reserve Fund Surety Bond for such draw, in accordance with the terms of any agreement pursuant to which the New Series Reserve Fund Surety Bond is used, from Pledged Revenues; however, such reimbursement from Pledged Revenues shall be in accordance with the provisions of the New Series 2016 Tax-Exempt Resolution and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the then Outstanding New Series Parity Revenue Obligations.

(h) The Corporation may create and establish a debt service reserve fund pursuant to any resolution or resolutions authorizing the issuance of New Series Parity Revenue Obligations for the purpose of security that series of New Series Parity Revenue Obligations or any specific series of New Series Parity Revenue Obligations; the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the series of New Series Parity Revenue Obligations for which such debt service reserve fund was established. Each such debt service reserve fund shall be designated in such manner as is necessary to identify the New Series Parity Revenue Obligations it secures and to distinguish such debt service reserve fund from the debt service reserve funds created for the benefit of other New Series Parity Revenue Obligations.

In connection with the issuance of the New Series 2016 Tax-Exempt Bonds, the New Series 2016 Tax-Exempt Bonds Reserve Fund shall be funded with a New Series Reserve Fund Surety Bond.

New Series 2016 Taxable Bonds Reserve Fund.

(a) There is hereby created and ordered held at a depository bank of the Corporation, for the benefit of the New Series 2016 Taxable Bonds, the New Series 2016 Taxable Bonds Reserve Fund. As provided in the Taxable New Series 2016 Resolution, the Corporation shall deposit and credit to the New Series 2016 Taxable Bonds Reserve Fund amounts required to maintain the balance in the New Series 2016 Taxable Bonds Reserve Fund in an amount equal to the maximum annual debt service requirements of the New Series 2016 Taxable Bonds (the "Required Reserve"). The maximum annual debt service requirements of the New Series 2016 Taxable Bonds shall be calculated by the Corporation on the date of issuance of the New Series 2016 Taxable Bonds and on each October 1 thereafter, and the Required Reserve to be maintained in the New Series 2016 Taxable Bonds Reserve Fund after each such calculation shall be the amount determined by such calculation.

(b) All funds, investments and New Series Reserve Fund Surety Bonds on deposit and credited to the New Series 2016 Taxable Bonds Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the New Series 2016 Taxable Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make payments due under a New Series Reserve Fund Surety Bond and (iii) with respect to funds and investments on deposit and credited to the New Series 2016 Taxable Bonds Reserve Fund other than New Series Reserve Fund Surety Bonds, to retire the last maturity of or interest on the Bonds.

(c) When and for so long as the cash, investments and New Series Reserve Fund Surety Bonds in the New Series 2016 Taxable Bonds Reserve Fund equal the Required Reserve, no deposits need be made to the credit of the New Series 2016 Taxable Bonds Reserve Fund. If the New Series 2016 Taxable Bonds Reserve Fund at any time contains less than the Required Reserve, the Corporation covenants and agrees that the Corporation shall cure the deficiency in the New Series 2016 Taxable Bonds Reserve Fund by making deposits to such Fund from the Pledged Revenues in accordance with the New Series 2016 Taxable Resolution by monthly deposits and credits in amounts equal to not less than 1/60th of the Required Reserve with any such deficiency payments being made on or before the last day of each month until the Required Reserve has been fully restored; provided, however, that no such deposits shall be made into the New Series 2016 Taxable Bonds Reserve Fund during any six-month period beginning on February 1 and August 1 until there has been deposited into the New Series Debt Service Fund the full amount required to be deposited therein by the next following February 1 and August 1, as the case may be. In addition, in the event that a portion of the Required Reserve is represented by a New Series Reserve Fund Surety Bond, the Required Reserve and deposits to the New Series 2016 Taxable Bonds Reserve Fund shall take into account such value of the New Series Reserve Fund Surety Bond. The Corporation further covenants and agrees that, subject only to the prior deposits and credits for the Previously Issued Senior Lien Bonds and to be made to the New Series Debt Service Fund, the Pledged Revenues shall be applied, appropriated and used to establish and maintain the Required Reserve, including by paying payments under a New Series Reserve Fund Surety Bond when due, and any reserve established for the benefit of any issue or series of Additional Parity New Series Revenue Obligations and to cure any deficiency in such amounts as required by the terms of this Resolution and any other Resolution pertaining to the issuance of Additional Parity New Series Revenue Obligations. Reimbursements to any provider of a New Series Reserve Fund Surety Bond shall constitute the curing of a deficiency in the New Series 2016 Taxable Bonds Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the New Series Reserve Fund Surety Bond to the Required Reserve.

(d) Earnings and income derived from the investment of amounts held for the credit of the New Series 2016 Taxable Bonds Reserve Fund shall be retained in the New Series 2016 Taxable Bonds Reserve Fund until the New Series 2016 Taxable Bonds Reserve Fund contains the Required Reserve. During such time as the New Series 2016 Taxable Bonds Reserve Fund contains the Required Reserve or any cash or investment is replaced with a New Series Reserve Fund Surety Bond pursuant to subsection (e) below, the Corporation may, at its option, withdraw funds that are in excess of the Required Reserve and deposit such surplus in the Gross Sales Tax Revenue Fund; provided that the face amount of any New Series Reserve Fund Surety Bond may be reduced at the option of the Corporation in lieu of such withdrawal of excess funds. Notwithstanding the foregoing, any surplus funds in excess of the Required Reserve that consist of gross proceeds of the New Series 2016 Taxable Bonds or interest thereon shall be used for purposes for which the New Series 2016 Taxable Bonds were issued or deposited to the New Series Debt Service Fund.

(e) The Corporation may, at any time, deposit, supplement, replace or substitute a New Series Reserve Fund Surety Bond for cash or investments on deposit in the New Series 2016 Taxable Bonds Reserve Fund or in substitution for or replacement of any existing New Series Reserve Fund Surety Bond.

(f) If the Corporation is required to make a withdrawal from the New Series 2016 Taxable Bonds Reserve Fund for any of the purposes described in this Section, the Corporation shall promptly notify the issuer of such New Series Reserve Fund Surety Bond of the necessity for a withdrawal from the New Series 2016 Taxable Bonds Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or permitted investments then on deposit in the New Series 2016 Taxable Bonds Reserve Fund, and next from a drawing under any New Series Reserve Fund Surety Bond to the extent of any deficiency.

(g) In the event there is a draw upon the New Series Reserve Fund Surety Bond, the Corporation shall reimburse the provider of such New Series Reserve Fund Surety Bond for such draw, in accordance with the terms of any agreement pursuant to which the New Series Reserve Fund Surety Bond is used, from Pledged Revenues; however, such reimbursement from Pledged Revenues shall be in accordance with the provisions of the New Series 2016 Taxable Resolution and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the then Outstanding New Series Parity Revenue Obligations.

(h) The Corporation may create and establish a debt service reserve fund pursuant to any resolution or resolutions authorizing the issuance of New Series Parity Revenue Obligations for the purpose of security that series of New Series Parity Revenue Obligations or any specific series of New Series Parity Revenue Obligations; the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the series of New Series Parity Revenue Obligations for which such debt service reserve fund was established.

Each such debt service reserve fund shall be designated in such manner as is necessary to identify the New Series Parity Revenue Obligations it secures and to distinguish such debt service reserve fund from the debt service reserve funds created for the benefit of other New Series Parity Revenue Obligations.

(i) In connection with the issuance of the New Series 2016 Taxable Bonds, the New Series 2016 Taxable Bonds Reserve Fund shall be funded with a New Series Reserve Fund Surety Bond.

Deficiencies in Funds. If the Corporation shall, for any reason, fail to pay into the New Series Debt Service Fund or New Series Reserve Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into said funds from the first available revenues of the Corporation and such payments shall be in addition to the amounts hereinabove provided to be otherwise paid into said funds.

Security of Funds. All moneys on deposit in the funds referred to in the New Series Resolutions shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of funds of the City, and moneys on deposit in such funds shall be used only for the purposes permitted by the New Series Resolutions.

Investments. (a) Money in the funds established by the New Series Resolutions, or any resolution authorizing the issuance of any Additional Parity New Series Revenue Obligations, at the option of the Corporation, may be invested in such securities or obligations as permitted under the laws of the State of Texas applicable to the City.

(b) Any securities or obligations in which money is so invested shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

Investment Income. Interest and income derived from investment of any fund created by the Resolutions shall be credited to such fund.

Issuance of Superior Lien Obligations Prohibited. The Corporation hereby covenants that so long as any principal or interest pertaining to any Parity New Series Revenue Obligations remain outstanding and unpaid, it will not authorize or issue obligations secured by a lien on or pledge of the Pledged Revenues superior to the lien ascribed to the Parity New Series Revenue Obligations.

Issuance of Additional Parity New Series Obligations Authorized.

In addition to the right to issue obligations of inferior lien, the Corporation reserves the right to issue Additional Parity New Series Revenue Obligations which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be on a parity with the Bonds herein authorized and the Parity New Series Revenue Obligations, payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues and Pledged Funds; and the Parity New Series Revenue Obligations and Additional Parity New Series Revenue Obligations shall in all respects be of equal dignity. The Additional Parity New Series Revenue Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(a) The Corporation is not then in default as to any covenant, condition or obligation prescribed in a resolution authorizing the issuance of the outstanding Previously Issued Senior Lien Bonds or the Parity New Series Revenue Obligations.

(b) Each of the funds created for the payment, security and benefit of the Previously Issued Senior Lien Bonds and the Parity New Series Revenue Obligations contains the amount of money then required to be on deposit therein.

(c) The Corporation has secured from a Certified Public Accountant a certificate or report reflecting that for the Fiscal Year next preceding the date of the proposed Additional Parity New Series Revenue Obligations, or a consecutive twelve (12) month period out of the fifteen (15) month period next preceding the month in which the resolution authorizing the proposed Additional Parity New Series Revenue Obligations is adopted, the Gross Sales Tax Revenues were equal to at least: (i) 1.35 times the combined maximum annual principal and interest requirements on all Previously Issued Senior Lien Bonds and Parity New Series Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity New Series Revenue Obligations; and (ii) 1.50 times the combined average annual principal and interest requirements on all Previously Issued Senior Lien Bonds and Parity New Series Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity New Series Revenue Obligations; provided, that, in the event of an increase in the rate of the Sales Tax that becomes effective prior to the date of the resolution authorizing the issuance of the Additional Parity New Series Revenue Obligations, such certificate or report shall calculate the Gross Sales Tax Revenues for the calculation period as if such increased rate were in effect during such period.

(d) The Additional Parity New Series Revenue Obligations are made to mature on February 1 or August 1, either or both, of each year in which they are scheduled to mature.

(e) The resolution authorizing the Additional Parity New Series Revenue Obligations provides that: (i) the New Series Debt Service Fund be augmented by amounts adequate to accumulate the sum required to pay the principal and interest on such obligations as the same shall become due; and (ii) the amount to be maintained in the New Series Reserve Fund shall be increased to an amount not less than the New Series Reserve Fund Requirement calculated to include the debt service of the proposed additional obligations; and (iii) any additional amount required to be maintained in the New Series Reserve Fund shall

be deposited therein upon delivery of such Additional Parity New Series Revenue Obligations or in not more than 60 months from such date.

(f) Parity New Series Revenue Obligations may be refunded upon such terms and conditions as the Board may deem to be in the best interest of the Corporation; and if less than all such outstanding Parity New Series Revenue Obligations are refunded, the proposed refunding obligations shall be considered as "Additional Parity New Series Revenue Obligations" under the provisions of this Section, and the report or certificate required by paragraph (c) shall give effect to the issuance of the proposed refunding obligations and shall not give effect to the obligations being refunded.

No Further Issuance of Previously Issued Senior Lien Bonds.

The Corporation covenants not to issue any bonds superior in lien and pledge to the Parity New Series Revenue Obligations, including specifically additional bonds or obligations authorized under the Previously Issued Senior Lien Bond Resolution.

Pledged Funds and Pledged Revenues. (a) The Corporation represents and warrants that it is and will be authorized by applicable law and by its articles of incorporation and bylaws to authorize and issue the New Series Bonds, to adopt the New Series Resolutions and to pledge the Pledged Funds and Pledged Revenues in the manner and to the extent provided in the New Series Resolutions, and that the Pledged Funds and Pledged Revenues so pledged are and will be and remain free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by the New Series Resolutions except as expressly provided in the Resolutions for Parity New Series Revenue Obligations.

(b) The New Series Bonds and the provisions of the New Series Resolutions are and will be the valid and legally enforceable obligations of the Corporation in accordance with the terms of the New Series Resolutions, subject only to any applicable bankruptcy or insolvency laws or to any applicable law affecting creditors rights generally.

(c) The Corporation shall at all times, to the extent permitted by applicable law, defend, preserve and protect the pledge of the Pledged Funds and Pledged Revenues and all the rights of the Owners under the New Series Resolutions and the resolutions authorizing the issuance of any Additional New Series Parity Obligations, against all claims and demands of all persons whomsoever.

(d) The Corporation will take, and use its best efforts to cause the City to take, all steps reasonably necessary and appropriate to collect all delinquencies in the collection of the Sales Tax to the fullest extent permitted by the Act and other applicable law.

Accounts Periodical Reports and Certificates. The Corporation shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the funds and accounts established by the Resolutions and which, together with all other books and papers of the Corporation, shall at all times be subject to the inspection of, the Owner or Owners of not less than 5% in principal amount of the Parity New Series Revenue Obligations then outstanding or their representatives duly authorized in writing.

General. The Directors and Officers of the Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of the New Series Resolutions.

Repeal of Power to Collect Sales Tax. Any repeal or amendment of the right and power to levy, collect and apply the Sales Tax pursuant to the Act shall never be effective until all of the principal of and the interest on the Parity New Series Revenue Obligations have been paid in full or they have been lawfully defeased.

Payment of the New Series Bonds. While any of the New Series Bonds are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the New Series Debt Service Fund, money sufficient to pay the interest on and the principal of the Bonds, as applicable, as will accrue or mature on each applicable Interest Payment Date.

Events of Default. Each of the following occurrences or events for the purpose of the New Series Resolutions is hereby declared to be an "Event of Default," to-wit:

(a) the failure to make payment of the principal of or interest on any of the New Series Bonds when the same becomes due and payable; or

(b) default in the performance or observance of any other covenant, agreement or obligation of the Corporation, the failure to perform which materially, adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with New Series Resolutions, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the Corporation.

Remedies for Default. (a) Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the Corporation for the purpose of protecting and enforcing the rights of the Owners under the New Series Resolutions, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.



(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of New Series Bonds then outstanding.

**Remedies Not Exclusive.** (a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the New Series Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of the New Series Resolutions, the right to accelerate the debt evidenced by the New Series Bonds shall not be available as a remedy under the New Series Resolutions.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

**Discharge.** The Corporation reserves the right to defease, discharge or refund the New Series Bonds in any manner permitted by applicable law.

## INVESTMENTS

The Corporation is a nonprofit corporation acting on behalf of the City and is subject to the provisions of the Public Funds Investment Act (V.T.C.A., Government Code, (Ch. 2256) with respect to the investment of its funds. The Corporation invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors of the Corporation. Both state law and the Corporation's investment policies are subject to change.

**LEGAL INVESTMENTS . . .** Under Texas law, the Corporation is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including 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 (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 New Series Bonds described in clauses (1) through (6) or in any other manner and amount provided by law for Corporation deposits, or (ii) where; (a) the funds are invested by the Corporation through (i) a broker that has its main office or branch office in this state and is selected from a list adopted by the Corporation; (ii) a depository institution that has a main office or branch office in this state and that is selected by the Corporation; (b) the depository institution selected by the Corporation 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 Corporation appoints the depository institution acts as a custodian for the Corporation 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 of Texas, (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 Corporation, held in the Corporation's name and deposited at the time the investment is made with the Corporation or a third party designated by the Corporation; (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-loan 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 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 Corporation may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The Corporation 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 Corporation 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 includes a list of authorized investments for Corporation funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Corporation 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, Corporation 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 Corporation shall submit an investment report detailing: (1) the investment position of the Corporation, (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 Corporation funds without express written authority from the Board of Directors.

**ADDITIONAL PROVISIONS . . .** Under State law, the Corporation 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 Corporation's Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the Corporation to: (a) receive and review the Corporation's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Corporation and the business organization that are not authorized by the Corporation's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Corporation's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Corporation and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Corporation's investment policy; (6) provide specific investment training for the Corporation'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 Corporation'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 Corporation.

**TABLE 5- CURRENT INVESTMENTS**

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

Description of Investment	Total Investment	Percent of Portfolio
Nations Money Market Funds	\$ 2,594,494	37.05%
TexSTAR	4,407,356	62.95%
	<u>\$ 7,001,850</u>	<u>62.95%</u>

## **TAX MATTERS—NEW SERIES TAX-EXEMPT BONDS**

**TAX EXEMPTION . . .** In the opinion of Bracewell Giuliani LLP, Bond Counsel, under existing law, (i) interest on New Series Tax-Exempt Bonds is excludable from gross income for federal income tax purposes and (ii) the New Series Tax-Exempt Bonds are not “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and, as such, interest on the New Series Tax-Exempt Bonds 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 New Series Tax-Exempt Bonds, such as the New Series Tax-Exempt Bonds, 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 Corporation has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the New Series Tax-Exempt Bonds for federal income tax purposes and, in addition, will rely on representations by the Corporation, the Corporation’s Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Corporation, the Corporation’s Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report (the “Report”) of Grant Thornton, LLP, Certified Public Accountants, regarding the mathematical accuracy of certain computations. If the Corporation fails to comply with the covenants in the Resolution or if the foregoing representations or the Report are determined to be inaccurate or incomplete interest on the New Series Tax-Exempt Bonds could become includable from the date of delivery of the New Series Tax-Exempt Bonds, 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 New Series Tax-Exempt Bonds, is included in a corporation’s “adjusted current earnings,” ownership of the New Series Tax-Exempt Bonds 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 New Series Tax-Exempt Bonds.

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 Internal Revenue Service (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 bonds 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 New Series Tax-Exempt Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Corporation as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the New Series Tax-Exempt Bonds could adversely affect the value and liquidity of the New Series Tax-Exempt Bonds regardless of the ultimate outcome of the audit.

### **ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS**

**COLLATERAL TAX CONSEQUENCES . . .** Prospective purchasers of the New Series Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income 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 New Series Tax-Exempt Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the New Series Tax-Exempt Bonds 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 New Series Tax-Exempt Bonds, received or accrued during the year

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

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

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

The foregoing discussion assumes that (a) the Underwriters have purchased the New Series Tax-Exempt Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds 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 Corporation nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond 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 New Series Tax-Exempt Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

**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 New Series Tax-Exempt Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the New Series Tax-Exempt Bonds. Prospective purchasers of the New Series Tax-Exempt Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

## **TAX MATTERS – NEW SERIES TAXABLE BONDS**

### **GENERAL**

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

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

- dealers in securities or currencies;
- traders in securities that have elected the mark-to-market method of accounting for their securities;
- U.S. Bondholders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the New Series Taxable Bonds as part of a hedge, straddle, conversion or other “synthetic security” or integrated transaction;
- certain U.S. expatriates;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- persons subject to the alternative minimum tax;
- entities that are tax-exempt for U.S. federal income tax purposes; and
- partnerships and other pass-through entities and holders of interests therein.

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

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

#### **TAX CONSEQUENCES TO U.S. BONDHOLDERS**

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

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

#### *Interest on the New Series Taxable Bonds*

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

#### *Original Issue Discount*

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

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

#### *Premium*

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



### *Disposition of the New Series Taxable Bonds*

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

### **ADDITIONAL TAX ON INVESTMENT INCOME**

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

### **TAX CONSEQUENCES TO NON-U.S. BONDHOLDERS**

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

#### *Interest on the New Series Taxable Bonds-Portfolio Interest*

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

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

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

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

If a non-U.S. Bondholder is engaged in an active trade or business in the United States and interest on the New Series Taxable Bonds is effectively connected with the active conduct of that trade or business (and, in the case of an applicable income tax treaty, is attributable to a U.S. permanent establishment maintained by such holder), such non-U.S. Bondholder will be subject to U.S. federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same

manner as if such non-U.S. Bondholder were a U.S. person as defined under the Code. In addition, if a non-U.S. Bondholder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the New Series Taxable Bonds, that is effectively connected with the active conduct by such non-U.S. Bondholder of a trade or business in the United States.

#### *Disposition of the New Series Taxable Bonds*

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

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

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

#### **INFORMATION REPORTING AND BACKUP WITHHOLDING**

##### *U.S. Bondholders*

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

##### *Non-U.S. Bondholders*

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

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

##### *Foreign Account Tax Compliance*

Pursuant to the Foreign Account Tax Compliance Act ("FATCA"), withholding at a rate of 30% generally will be required in certain circumstances on payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition (including payments of principal) of, New Series Taxable Bonds held by or through certain foreign financial institutions (including investment funds) that do not qualify for an exemption from these rules, unless the institution either (i) enters into, and complies with, an agreement with the Service to undertake certain diligence and to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by

certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold 30% on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, undertakes such diligence and reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the New Series Taxable Bonds are held will affect the determination of whether such withholding is required. Similarly, in certain circumstances, payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition of, New Series Taxable Bonds held by or through a non-financial foreign entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (a) certifies that such entity does not have any “substantial United States owners” or (b) provides certain information regarding the entity’s “substantial United States owners,” which will be provided to the Service, as required. Prospective Bondholders should consult their tax advisors regarding the possible implications of these rules on their investment in the New Series Taxable Bonds.

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

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## CONTINUING DISCLOSURE OF INFORMATION

In the New Series Resolutions, the Corporation has made the following agreements for the benefit of the holders and beneficial owners of the New Series Bonds. The Corporation is required to observe the agreements for so long as it remains obligated to advance funds to pay the New Series Bonds. Under the agreements, the Corporation 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) <<http://www.emma.msrb.org>>.

**ANNUAL REPORTS . . .** The Corporation will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the Corporation of the general type included in this Official Statement under the Tables numbered 1 through 5 and in Appendix B. The Corporation will update and provide this information in the numbered Tables within six months after the end of each fiscal year ending in or after 2015 and, if then available, audited financial statements of the City. If audited financial statements are not available when the information is provided, the Corporation will provide audited financial statements when and if they become available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Corporation shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The Corporation's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-reference Tables must be provided by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if audited financial statements are not yet available) must be provided by September 30 of each year, unless the Corporation changes its fiscal year. If the Corporation changes its fiscal year, it will notify the MSRB of the change.

**EVENT NOTICES . . .** The Corporation 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 New Series Bonds: (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 New Series Bonds, or other material events affecting the tax status of the New Series Bonds; (7) modifications to rights of holders of the New Series Bonds, if material; (8) New Series Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the New Series Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the Corporation<sup>1</sup>; (13) The consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. In addition, the Corporation will provide timely notice of any failure by the Corporation to provide annual financial information in accordance with their agreement described above under "Annual Reports."

**AVAILABILITY OF INFORMATION . . .** All information and documentation filings required to be made by the Corporation in accordance with its undertaking made for the New Series Bonds 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](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS . . .** The Corporation has agreed to update information and to provide notices of material events only as described above. The Corporation 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 Corporation makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell New Series Bonds at any future date. The Corporation disclaims any

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<sup>1</sup> 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 Corporation 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 Corporation, 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 Corporation.

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 New Series Bonds may seek a writ of mandamus to compel the Corporation to comply with its agreement.

The Corporation may amend its continuing disclosure agreements 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 Corporation, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell New Series Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding New Series Bonds consent to the amendment or (b) any person unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the New Series Bonds. The Corporation 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 New Series Bonds in the primary offering of the New Series Bonds. If the Corporation 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 New Series Bonds are rated "Aa3" by Moody's, "A+" by S&P and "AA-" by Fitch. 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 Corporation 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 either of such rating companies, if in the judgment of either company, 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 New Series Bonds.

### **LITIGATION**

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

### **REGISTRATION AND QUALIFICATION OF NEW SERIES BONDS FOR SALE**

The sale of the New Series Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the New Series Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the New Series Bonds been qualified under the securities acts of any jurisdiction. The Corporation assumes no responsibility for qualification of the New Series Bonds under the securities laws of any jurisdiction in which the New Series Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the New Series Bonds 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 New Series Bonds 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 New Series Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the New Series Bonds be assigned a rating of "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 New Series Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The New Series Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Corporation has been made of the laws in other states to determine whether the New Series Bonds are legal investments for various institutions in those states.

## LEGAL MATTERS

The Corporation will furnish a complete transcript of proceedings had incident to the authorization and issuance of the New Series Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial New Series Bond and to the effect that the New Series Bonds are valid and legally binding special obligations of the Corporation, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the New Series Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes under existing law and the New Series Tax-Exempt Bonds are not private activity bonds, subject to the matters described under "Tax Matters – The New Series Tax-Exempt Bonds" herein, including the alternative minimum tax on corporations. Forms of such opinions are attached hereto as Appendix C. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the New Series Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said New Series Bonds will also be furnished. Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the New Series Bonds under the captions "Plan of Finance" (except the subcaption "Use of Bond Proceeds"), "The New Series Bonds" (except the subcaptions "Book-Entry-Only System," "Bondholders' Remedies"), "Selected Provisions of the New Series Resolutions," "Tax Matters – The New Series Tax-Exempt Bonds," "Tax Matters – The Taxable New Series Bonds," "Continuing Disclosure of Information" (except the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Investments and Eligibility to Secure Public Funds in Texas," and "Legal Matters" (except the last two sentences of the first paragraph) under the caption "Other Information" and such firm is of the opinion that the information relating to the New Series Bonds and legal issues contained under such captions and subcaptions is a fair and accurate description of the laws and legal issues addressed therein, and, with respect to the New Series Bonds, such information conforms to the New Series Resolutions. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the New Series Bonds is contingent on the sale and delivery of the New Series Bonds. The legal opinion may accompany the New Series Bonds deposited with DTC or may be printed on the New Series Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Locke Lord LLC, Dallas, Texas, Counsel to the Underwriters. The fees of Underwriter's Counsel are contingent upon the delivery of the New Series Bonds.

The various legal opinions to be delivered concurrently with the delivery of the New Series Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## FINANCIAL ADVISOR

First Southwest Company, LLC is employed as Financial Advisor to the Corporation in connection with the issuance of the New Series Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the New Series Bonds is contingent upon the issuance and delivery of the New Series Bonds. First Southwest Company, LLC, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the New Series Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the Corporation for the investment of bond proceeds or other funds of the Corporation upon the request of the Corporation.

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

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



One of the Underwriters is BOSC, Inc., which is not a bank, and the New Series Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

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

#### **VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS**

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

#### **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the Corporation, that are not purely historical, are forward-looking statements, including statements regarding the Corporation'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 Corporation on the date hereof, and the Corporation assumes no obligation to update any such forward-looking statements. The Corporation'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 Corporation. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

#### **MISCELLANEOUS**

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

The financial data and other information contained herein have been obtained from the Corporation's records, the City's 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.

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Board President  
Mansfield Park Facilities  
Development Corporation

ATTEST:

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Board Secretary  
Mansfield Park Facilities  
Development Corporation

**SCHEDULE OF REFUNDED TAX-EXEMPT BONDS\*****Sales Tax Revenue Bonds, Series 2006**

Original Dated Date	Original Maturity Date	Interest Rates	Principal Amount Refunded
2/15/2006	8/1/2018	4.150%	\$ 210,000
	8/1/2019	4.200%	220,000
	8/1/2020	4.250%	230,000
	8/1/2021	4.250%	235,000
	8/1/2022	4.250%	245,000
	8/1/2023	4.300%	260,000
	8/1/2024	4.350%	270,000
	8/1/2025	4.400%	280,000
	8/1/2026	4.400%	295,000
			<u>\$ 2,245,000</u>

The 2018 – 2026 maturities will be redeemed prior to original maturity on August 1, 2016 at a price of par.

**Sales Tax Revenue Bonds, Series 2007**

Original Dated Date	Original Maturity Date	Interest Rates	Principal Amount Refunded
12/1/2006	8/1/2019	4.000%	\$ 115,000
	8/1/2020	4.100%	120,000
	8/1/2021	4.200%	120,000
	8/1/2022	4.200%	130,000
	8/1/2023	4.250%	135,000
	8/1/2024	4.250%	140,000
	8/1/2025	4.300%	145,000
	8/1/2026	4.300%	150,000
	8/1/2027	4.300%	155,000
			<u>\$ 1,210,000</u>

The 2019 – 2027 maturities will be redeemed prior to maturity on August 1, 2016 at a price of par.

\* Preliminary, subject to change.

# **SCHEDULE OF REFUNDED TAXABLE BONDS\***

<b>Sales Tax Revenue Bonds, Taxable Series 2007A</b>			
<u>Original Dated Date</u>	<u>Original Maturity Date</u>	<u>Interest Rates</u>	<u>Principal Amount Refunded</u>
12/1/2007	8/1/2018 <sup>(1)</sup>	5.895%	\$ 135,000
	8/1/2028 <sup>(2)</sup>	6.513%	1,935,000
			<u>\$2,070,000</u>

**A portion of the 2018 maturity and all of the 2028 maturity will be redeemed prior to maturity on August 1, 2017 at a price of par.**

- (1) Represents a Term Bond with maturity sinking fund payments on August 1 in the years 2016, 2017 and 2018. Represents a partial redemption of the Term Bond.
- (2) Represent a Term Bond with mandatory sinking fund payments on August 1 in the years 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027 and a final maturity on August 1, 2028.

\* Preliminary, subject to change.

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## **APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY OF MANSFIELD, TEXAS

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

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

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

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

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

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

#### PRINCIPAL EMPLOYERS

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

**HISTORICAL EMPLOYMENT DATA (ANNUAL AVERAGE DATA) <sup>(1)</sup>**

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

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

(1) Source: Texas Employment Commission.

(2) Through August 2015.

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

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

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

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

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

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

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

**BUILDING PERMITS BY CATEGORY**

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

(1) 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
Bower Ranch Ph 1	47	2.5	145
Cardinal Park Estates	40	2.5	123
Colby Crossing	16	1.5	49
Five Oaks Crossing	46	2.5	142
Garden Heights Phs 1 - 3.5	131	3.0	403
Knightsbridge	6	1.5	18
Lone Star Ranch - Phs 1 & 2	22	1.5	68
Pemberley Estates, Ph 1	88	2.5	271
Southpointe, Phs 1A, Sec 1&2 and 1B	290	4.0	893
Spring Lake Estates, Ph 2	20	1.5	62
Twin Creeks West	12	1.5	37
The Villages of Parkhill	50	3.5	154
Total	768		2,365

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

Estimate of Platted Commercial and Industrial Acreage Available for Development

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

**APPENDIX B**

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

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

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

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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





### ***Opinions***

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

### ***Emphasis of Matter***

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

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 14–27, the budgetary comparison information on pages 72–73 and 77–78, and the schedules of funding progress on page 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

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



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

Dallas, Texas  
February 6, 2015

## **Management's Discussion and Analysis**

As management of the City of Mansfield (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### **Financial Highlights**

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

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

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on the City's assets less liabilities as the City's net financial position, or remaining net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported

in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include a Water and Sewer Fund, Law Enforcement Center Fund, and Drainage Utility Fund.

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

### **Fund Financial Statements**

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

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

### **Proprietary Funds**

The City maintains three different proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, Law Enforcement Center Fund, and Drainage Utility Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, the Law Enforcement Center Fund, and the Drainage Utility Fund, all of which are considered to be major funds of the City.

### **Fiduciary Funds**

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

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

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

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

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$401,584,527 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (82.01%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City's Net Position

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

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

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

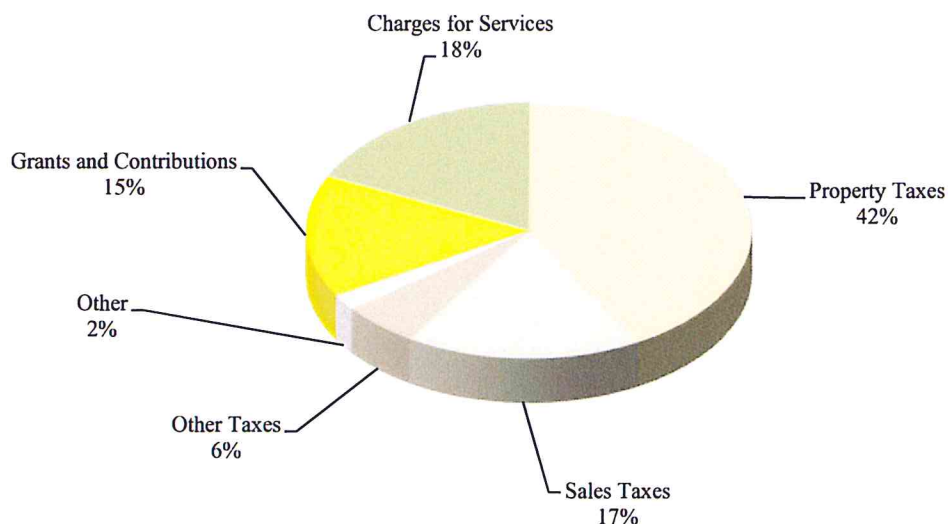
### City's Changes in Net Position

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

### Governmental Activities

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

### Governmental Activities - Revenues by Source for fiscal year ending 2014



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

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

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

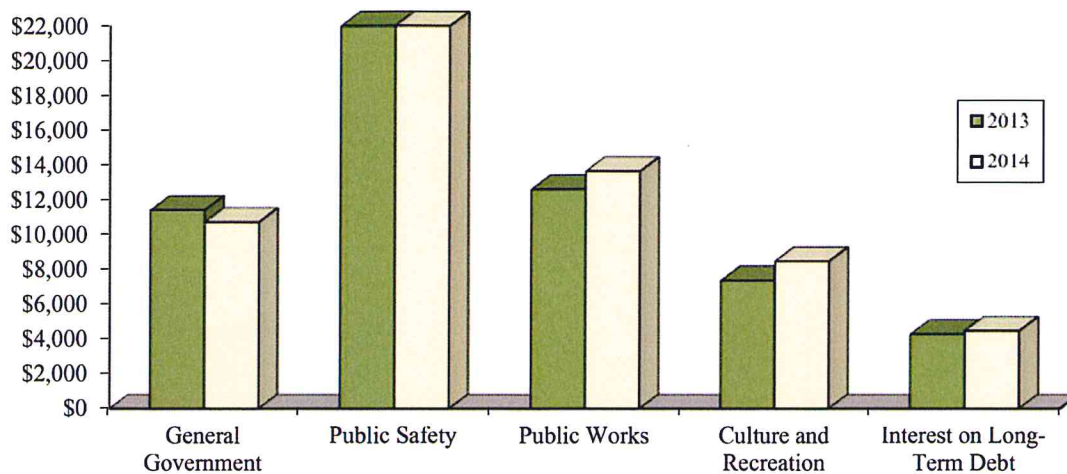
This fiscal year, the Governmental activities increased the City's net position by \$15.6 million. The increase in the City net position occurred because of capital contributions received by the City in the amount of \$11.9 million. The City's change in net position increased \$14.7 million before transfers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

### City's Changes in Net Position

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



### Governmental Activities – Expenses (in thousands)



### Business-Type Activities

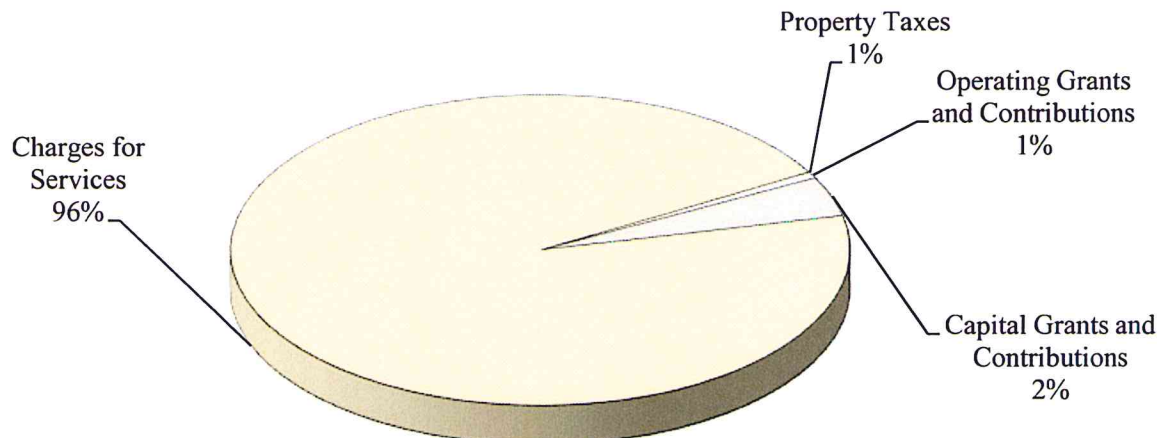
Revenues exceeded expenses for the City's business-type activities in fiscal year 2014. Total revenues were \$41.1 million and total expenses were \$34.5 million while equity transfers were \$(0.8) million that added \$5.8 million to the Business-Type's net financial position. This increased the net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

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

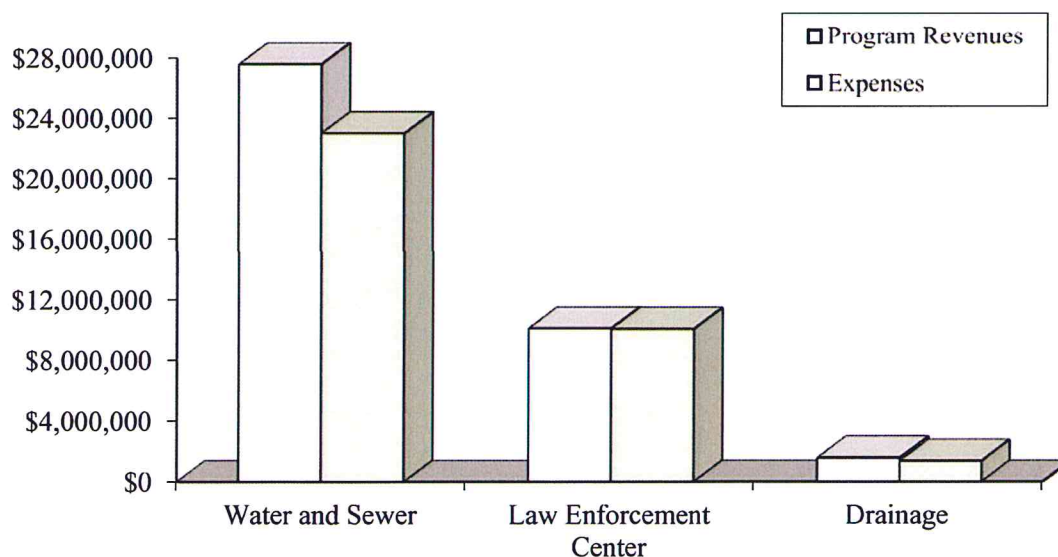
The City's Law Enforcement Center charges a fee for the Services rendered to support the contracts that the City has with other governmental agencies for the housing of inmates. These fees are recognized as Charges for Services in the Business-Type Activities and are used to pay for the cost of housing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

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

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



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



### Financial Analysis of the Government's Funds

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

#### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

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

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

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

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

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

### **Proprietary Funds**

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

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

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

## **Budgetary Highlights**

### **General Fund**

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

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

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

## Capital Asset and Debt Administration

### Capital Assets

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

### City's Capital Assets (net of depreciation)

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



## Governmental Capital Assets

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

Street projects in fiscal year 2014:

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

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

## Business-Type Assets

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

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

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

## Long-Term Debt

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

### City's Outstanding Debt - Tax Obligations and Revenue Bonds

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

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

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

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

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

### **Economic Factors: Next Year's Budgets and Rates**

#### **The City Economy**

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

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

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

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

#### **Requests for Information**

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net change in fund balances total governmental funds	\$ 14,833,369
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,916,814
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	5,424,964
Lease revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenue in the funds.	40,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(64,814)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the treatment of long-term debt and related items.	<u>(9,598,807)</u>
Changes in net position of governmental activities	<u><u>\$ 15,551,526</u></u>

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

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

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

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

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

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

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

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

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

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



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

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

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

**CITY OF MANSFIELD, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**I. Summary of Significant Accounting Policies**

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

**New Pronouncements**

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

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

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

**A. Reporting Entity**

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

**Blended Component Units**

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

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

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

#### **Discretely Presented Component Unit**

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

#### **B. Government-Wide and Fund Financial Statements**

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

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The previous reporting model emphasized fund types (the total of all funds of a particular type); in the reporting model as defined by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis –

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

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

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

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

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

**The government reports the following major governmental funds:**

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

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

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

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

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

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

**The government reports the following major proprietary funds:**

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

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

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

**Additionally, the government reports the following fund type:**

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

**D. Assets, Liabilities, and Net Position or Equity**

**1. Deposits and Investments:**

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

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

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

## **2. Inventory:**

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

## **3. Prepaid Items:**

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

## **4. Capital Assets:**

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

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

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

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

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

## **5. Deferred Inflows and Outflows:**

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

and its reacquisition price. This amount is deferred and amortized over the shorter of the life and the refunding or the refunded debt.

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

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

#### **6. Compensated Absences:**

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

#### **7. Interfund Charges:**

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

#### **8. Property Tax:**

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

#### **9. Long-Term Obligations:**

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



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

#### 10. Restricted Assets:

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

#### 11. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Final settlement amounts could differ from those estimates.

#### 12. Change in Accounting Principle:

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

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

#### 13. Fund Balance Classification:

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

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

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

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

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

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

#### 14. Net Position:

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

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

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

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

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

## **II. Reconciliation of Government-Wide and Fund Financial Statements**

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

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

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

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

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$4,916,814 difference are as follows:

Capital outlay	\$18,037,156
Depreciation expense	<u>(13,120,342)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 4,916,814</u>

Another element of that reconciliation states “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The statement of activities reports contributions of capital assets. Conversely, the governmental funds do not report any contributions of capital assets. The \$5,424,964 difference is as follows:

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

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

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

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

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(9,598,809) difference are as follows:

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

### III. Detailed Notes on All Funds

#### A. Deposits and Investments

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

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

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

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

#### Interest Rate Risk –

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

#### Credit Risk –

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

#### Custodial Credit Risk Deposits –

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

#### Custodial Credit Risk Investments –

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

#### Concentration of Credit Risk Investments –

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

## B. Receivables

Receivables at September 30, 2014 consisted of the following:

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

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

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

## C. Capital Assets

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

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

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

#### D. Capital assets continued

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

Governmental Activities:	
General Government	\$ 285,139
Public Safety	761,415
Public Works	10,241,478
Culture and Recreation	<u>1,832,310</u>
Total Depreciation Expense – Governmental Activities	<u>\$13,120,342</u>
Business-Type Activities:	
Water and Sewer	\$ 3,712,396
Law Enforcement Center	255,123
Drainage Utility Fund	<u>105,298</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 4,072,817</u>

## Construction Commitments

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

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

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

## Discretely Presented Component Unit

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

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

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

## E. Interfund Transfers

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

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



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

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

## **F. Long-Term Debt**

### **Governmental Activities -**

#### **General Obligation Bonds, Loans, and Certificates of Obligation**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Special Sales Tax Revenue Bonds

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

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

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

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

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

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

#### Changes in long-term liabilities

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

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

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

#### Business-Type Activities -

##### Water and Sewer Fund

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

##### Waterworks and Sewer System Refunding and Revenue Bonds

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

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

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

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

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

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

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

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

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

## Law Enforcement Center

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

## Refunding Bonds

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

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

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

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

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

## Drainage Utility Fund

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

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

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

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

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

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

#### Changes in business-type activity debt

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

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

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

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

#### Mansfield Economic Development Corporation

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

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

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

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

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

Changes in MEDC Debt



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

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

#### G. Restricted Assets

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

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

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

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

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

## **H. Retirement Plan**

### **Plan Description:**

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

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

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

### **Contributions:**

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

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

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

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

#### Funded Status and Funding Progress:

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

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

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

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

#### I. Supplemental Death Benefits

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

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

#### Contributions:

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

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

### **J. Other Post-Employment Benefits - OPEB**

#### Plan Description

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

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

#### Measurement Focus and Basis of Accounting

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

#### Benefits

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

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

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

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

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

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

#### Funding

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

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

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

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

#### Actuarial Methods and Assumptions

Actuarial Cost Method - Projected Unit Credit

Actuarial Valuation Date - October 1, 2013

Discount Rate - 7%

Amortization method - 30 years, level dollar open amortization

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

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

Mortality - IRS 2008 Combined Static Mortality Table

Retirement Rate –

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

Withdrawal Rate –

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

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

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

#### **K. Commitments and Contingencies**

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

#### **Audits of Grant Activities**

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

## **L. Contracts with Other Governmental Entities and Other Contracts**

### **Water Supply**

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

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

### **Sewer Treatment**

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

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

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

### **Law Enforcement Complex Housing Commitments**

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

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

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

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

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

#### Mansfield National Golf Club

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

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

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



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

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

#### Sports Park – Big League Dreams

During fiscal year 2008, the City completed the construction of a multipurpose recreational sports park known as "Big League Dreams Mansfield Sports Park," 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.

#### **M. Conduit Debt Obligations**

In prior years, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

There are no series of Industrial Revenue Bonds outstanding as of the fiscal year-end.

#### **N. Risk Management**

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

#### **O. Subsequent Events**

##### **Bond Issuances**

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

#### **P. New Accounting Pronouncements**

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

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

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

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

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

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

## **APPENDIX C**

### **FORMS OF BOND COUNSEL'S OPINIONS**

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Bracewell & Giuliani LLP  
1445 Ross Avenue  
Suite 3800  
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75202-2711

[CLOSING DATE]

\$ \_\_\_\_\_  
MANSFIELD PARK FACILITIES DEVELOPMENT CORPORATION  
SALES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS  
NEW SERIES 2016

WE HAVE represented the Mansfield Economic Development Corporation (the “Issuer”) as its bond counsel in connection with an issue of sales tax revenue refunding bonds (the “Bonds”) described as follows:

MANSFIELD PARK FACILITIES DEVELOPMENT CORPORATION  
SALES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS,  
NEW SERIES 2016, dated December 1, 2015, in the principal amount of  
\$ \_\_\_\_\_.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the Resolution adopted by the Board of Directors of the Issuer authorizing their issuance (the “Resolution”).

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

Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; an escrow agreement (the "Escrow Agreement") between the Issuer and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"); the report (the "Report") of Grant Thornton LLP, Certified Public Accountants (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; and customary certificates of officers, agents and representatives of the Issuer, the City of Mansfield, Texas (the "City") and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Resolution.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding special obligations of the Issuer;
- (B) The Bonds are payable from and secured by a lien on and pledge of the Pledged Revenues, which includes the proceeds of a ½ of 1% sales and use tax levied within the City for the benefit of the Issuer, as defined and described in the Resolution; provided, however, such lien on and pledge of the Pledged Revenues is junior and subordinate to the lien on and pledge of the Pledged Revenues made for the security and payment of the Previously Issued Senior Lien Bonds; and
- (C) Firm banking and financial arrangements have been made for the discharge and final payment of the obligations being refunded pursuant to an Escrow Agreement entered into between the Issuer and the Escrow Agent on the date of delivery of the Bonds, and, therefore, such obligations are deemed to be

fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE BONDS are not and do not create a debt of the State of Texas, of the City of Mansfield, Texas, or of any other political subdivision or governmental agency of the State of Texas. The Bonds are not secured by any mortgage or other lien on any real or personal property constituting the Project.

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

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

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

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



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

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

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

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75202-2711

[CLOSING DATE]

\$ \_\_\_\_\_  
MANSFIELD PARK FACILITIES DEVELOPMENT CORPORATION  
SALES TAX REVENUE REFUNDING BONDS  
TAXABLE NEW SERIES 2016

WE HAVE represented the Mansfield Economic Development Corporation (the “Issuer”) as its bond counsel in connection with an issue of sales tax revenue refunding bonds (the “Bonds”) described as follows:

MANSFIELD PARK FACILITIES DEVELOPMENT CORPORATION  
SALES TAX REVENUE REFUNDING BONDS, TAXABLE NEW SERIES  
2016, dated December 1, 2015, in the principal amount of \$ \_\_\_\_\_.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the Resolution adopted by the Board of Directors of the Issuer authorizing their issuance (the “Resolution”).

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

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

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding special obligations of the Issuer;
- (B) The Bonds are payable from and secured by a lien on and pledge of the Pledged Revenues, which includes the proceeds of a ½ of 1% sales and use tax levied within the City for the benefit of the Issuer, as defined and described in the Resolution; provided, however, such lien on and pledge of the Pledged Revenues is junior and subordinate to the lien on and pledge of the Pledged Revenues made for the security and payment of the Previously Issued Senior Lien Bonds; and
- (C) Firm banking and financial arrangements have been made for the discharge and final payment of the obligations being refunded pursuant to an Escrow Agreement entered into between the Issuer and the Escrow Agent on the date of delivery of the Bonds, and, therefore, such obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE BONDS are not and do not create a debt of the State of Texas, of the City of Mansfield, Texas, or of any other political subdivision or governmental agency of the State of Texas. The Bonds are not secured by any mortgage or other lien on any real or personal property constituting the Project.

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

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

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

The opinions set forth above are based on existing law which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.

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