

PRELIMINARY OFFICIAL STATEMENT

Dated January 6, 2020

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

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

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



\$4,475,000*
CITY OF MANSFIELD, TEXAS
(Tarrant, Johnson and Ellis Counties, Texas)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

Dated Date: January 1, 2020

Due: February 15, as shown on Page 2

Interest to accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$4,475,000* City of Mansfield, Texas, General Obligation Refunding Bonds, Series 2020 (the "Bonds") will accrue from the date of their delivery to the Initial Purchaser of the Bonds (the "Date of Delivery") and will be payable February 15 and August 15 of each year commencing August 15, 2020, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive 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 Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the 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 Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

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

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding a portion of the City's outstanding debt in order to lower the overall debt service requirements of the City, and (i) paying professional services of attorneys, financial advisors and other professionals in connection with the issuance of the Bonds. (See "Schedule I - Schedule of Refunded Obligations").

CUSIP PREFIX: 564378

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Mansfield, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2020" (the "Certificates"), under a common Official Statement, and the Bonds and the Certificates are hereinafter sometimes referred to as the "Obligations". The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser of the Bonds and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on February 19, 2020.

BIDS DUE MONDAY, JANUARY 13, 2020 AT 10:30 A.M. CST

* Preliminary, subject to change.

MATURITY SCHEDULE*

15-Feb Year	Principal Amount	Interest Rate	Initial Yield	CUSIP ⁽¹⁾ Suffix
2021	\$ 2,000,000			
2022	905,000			
2023	150,000			
2024	155,000			
2025	160,000			
2026	165,000			
2027	175,000			
2028	180,000			
2029	190,000			
2030	195,000			
2031	200,000			

(Interest to accrue from the Date of Delivery)

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

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

* Preliminary, subject to change.



(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated January 6, 2020

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

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

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



\$24,315,000*
CITY OF MANSFIELD, TEXAS
(Tarrant, Johnson and Ellis Counties, Texas)

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

Dated Date: January 1 2020

Due: February 15, as shown on Page 2

Interest to accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$24,315,000* City of Mansfield, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates") will accrue from the date of their delivery to the Initial Purchaser (the "Date of Delivery") and will be payable February 15 and August 15 of each year commencing August 15, 2020, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general law of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Section 9.13 of the City's Home Rule Charter, and an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council"), and constitute direct obligations of the City of Mansfield, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property in the City, and (ii) surplus revenues (not to exceed \$1,000) of the City's Waterworks and Sewer System (the "System") remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with any of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the net revenues of the System, as provided in the Ordinance (see "The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of (i) designing of new police facilities; (ii) designing, constructing, improving, expanding, equipping and furnishing Fire Station #5; (iii) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the City, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; (iv) acquiring signage, wayfinding and integrated navigation technology and equipment; (v) designing, improving, constructing and renovating facilities and infrastructure at the City's historic Ralph Man House museum; (vi) designing, improving, constructing and renovating facilities and infrastructure at the City Library; (vii) acquiring equipment and vehicles for fire, police, public works and community services (items (i) through (vii) collectively, the "Project"); and (viii) professional services incurred in connection with items (i) through (vii) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates.

CUSIP PREFIX: 564378

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 4

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the "City of Mansfield, Texas, General Obligation Refunding Bonds, Series 2020" (the "Bonds"), under a common Official Statement, and the Bonds and the Certificates are hereinafter sometimes referred to as the "Obligations". The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on February 19, 2020.

BIDS DUE MONDAY, JANUARY 13, 2020 AT 10:00 A.M. CST

* Preliminary, subject to change.

MATURITY SCHEDULE*

15-Feb Year	Principal Amount	Interest Rate	Initial Yield	CUSIP ⁽¹⁾ Suffix
2021	\$ 795,000			
2022	835,000			
2023	880,000			
2024	925,000			
2025	970,000			
2026	1,020,000			
2027	1,070,000			
2028	1,125,000			
2029	1,175,000			
2030	1,210,000			
2031	1,245,000			
2032	1,285,000			
2033	1,325,000			
2034	1,365,000			
2035	1,405,000			
2036	1,445,000			
2037	1,490,000			
2038	1,535,000			
2039	1,585,000			
2040	1,630,000			

(Interest to accrue from the Date of Delivery)

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OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").

* Preliminary, subject to change.

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

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

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

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

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

The Obligations are exempt from registration with the Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Obligations in accordance with applicable securities law provisions of the jurisdiction in which the Obligations have been registered, qualified or exempted should not be regarded as a recommendation thereof.

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

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE RESPECTIVE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Mansfield, Texas (the "City") is a political subdivision and home rule municipal corporation of the State, located in Tarrant, Johnson and Ellis Counties, Texas. The City covers approximately 36.69 square miles (see "Introduction – Description of the City").
THE BONDS	The Bonds will be issued as \$4,475,000* General Obligation Refunding Bonds, Series 2020. The Bonds are issued as serial bonds maturing on February 15 in the years 2021 through 2031 (see "The Obligations – Description of the Obligations").
THE CERTIFICATES	The Certificates will be issued as \$24,315,000* Combination Tax and Revenue Certificates of Obligation, Series 2020. The Certificates are issued as serial certificates maturing on February 15 in the years 2021 through 2040 (see "The Certificates – Description of the Obligations").
PAYMENT OF INTEREST	Interest on the Obligations accrues from the Date of Delivery and is payable August 15, 2020, and each February 15 and August 15 thereafter until maturity or prior redemption (see "The Obligations – Description of the Obligations" and "The Obligations – Optional Redemption").
AUTHORITY FOR ISSUANCE	<p>The Bonds are issued pursuant to the general laws of the State, including particularly Texas Government Code, Chapter 1207, as amended, Section 9.13 of the City's Home Rule Charter, and an ordinance to be adopted by the City Council of the City (the "Bond Ordinance") (see "The Obligations – Authority for Issuance").</p> <p>The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Section 9.13 of the City's Home Rule Charter, and an ordinance to be adopted by the City Council of the City (the "Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances") (see "The Obligations – Authority for Issuance").</p>
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see "The Obligations - Security and Source of Payment").
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the City payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property in the City and (ii) revenues (not to exceed \$1,000) of the City's Waterworks and Sewer System (the "System") remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with any of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the net revenues of the System, as provided in the Certificate Ordinance (see "The Obligations – Security and Source of Payment").
REDEMPTION	The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption").
TAX MATTERS	In the opinion of Bond Counsel, under existing law, interest on the Obligations is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the City's outstanding debt in order to lower the overall debt service requirements of the City, and (ii) paying the costs associated with the issuance of the Bonds. (See "Schedule I – Schedule of Refunded Obligations").

* Preliminary, subject to change.

Proceeds from the sale of the Certificates will be used for the purpose of (i) designing of new police facilities; (ii) designing, constructing, improving, expanding, equipping and furnishing Fire Station #5; (iii) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the City, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; (iv) acquiring signage, wayfinding and integrated navigation technology and equipment; (v) designing, improving, constructing and renovating facilities and infrastructure at the City's historic Ralph Man House museum; (vi) designing, improving, constructing and renovating facilities and infrastructure at the City Library; (vii) acquiring equipment and vehicles for fire, police, public works and community services (items (i) through (vii) collectively, the "Project"); and (viii) paying professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates.

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

BOOK-ENTRY-ONLY

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

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

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Total Tax Supported Debt Outstanding at End of Year	Per Capita Tax Debt	Ratio: Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2016	67,628	\$ 5,286,927,095	\$ 78,177	\$ 114,790,000	\$ 1,697	2.17%	99.00%
2017	68,784	5,913,637,667	85,974	127,860,000	1,859	2.16%	97.30%
2018	70,170	6,588,298,531	93,891	134,445,000	1,916	2.04%	100.04%
2019	73,410	7,030,584,424	95,771	138,605,000	1,888	1.97%	97.99% ⁽⁴⁾
2020	75,759	7,699,446,023	101,631	152,815,000 ⁽³⁾	2,017 ⁽³⁾	1.98% ⁽³⁾	N/A

- (1) Source: City Planning Department. The City has revised its population estimates for the previous three years.
(2) As reported by the Tarrant Appraisal District, Johnson County Central Appraisal District and Ellis Central Appraisal District on City's annual State Property Tax Board Reports; subject to change during ensuing year.
(3) Projected. Excludes the Refunded Obligations, includes the Obligations. Preliminary, subject to change.
(4) Unaudited.

GENERAL FUND CONSOLIDATED REVENUES AND EXPENDITURES STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2019 ⁽¹⁾	2018	2017	2016	2015
Beginning Fund Balance	\$ 17,028,977	\$ 14,476,031	\$ 13,076,981	\$ 12,020,382	\$ 11,657,018
Total Revenue	62,555,310	56,598,956	51,614,477	48,762,776	45,651,057
Total Expenditures	61,050,315	55,713,491	51,435,642	48,379,308	45,140,875
Total Other Sources (Uses)	(1,124,666)	1,667,481	1,220,215	673,131	(146,818)
Net Funds Available ⁽¹⁾	380,329	2,552,946	1,399,050	1,056,599	363,364
Ending Fund Balance	<u>\$ 17,409,306</u>	<u>\$ 17,028,977</u>	<u>\$ 14,476,031</u>	<u>\$ 13,076,981</u>	<u>\$ 12,020,382</u>

- (1) Unaudited.

For additional information regarding the City, please contact:

Clayton W. Chandler		Nick Bulaich		W. Boyd London, Jr.
Peter K. Phillis		Hilltop Securities Inc.		Hilltop Securities Inc.
City of Mansfield	or	777 Main Street	or	1201 Elm Street
1200 E. Broad Street		Suite 1200		Suite 3500
Mansfield, Texas 76063		Fort Worth, Texas 76102		Dallas, Texas 75270
(817) 276-4200		(817) 332-9710		(214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Elected	Term Expires	Occupation
David L. Cook Mayor, Place 1	Re-elected May, 2019	May 2022	Attorney
Brent Newsom Councilmember Place 2	Re-elected May, 2019	May 2022	Bank Manager
Mike Leyman Councilmember Place 3	Elected May, 2018	May 2021	Retired Police Officer
Casey Lewis Councilmember Place 4	Elected May, 2018	May 2021	Realtor
Julie Short Councilmember Place 5	Elected May, 2018	May 2021	Realtor
Terry Moore Councilmember Place 6	Elected May, 2017	May 2020	Cardiovascular Equipment Sales
Larry Broseh Councilmember Place 7	Re-elected May, 2017	May 2020	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	35 Years	45 Years
Peter K. Phillis, CPA	Deputy City Manager	22 Years	27 Years
Shelly Lanners	Deputy City Manager	19 Years	19 Years
Joe Smolinski	Deputy City Manager	18 Years	18 Years
Susana Marin	City Secretary	13 Year	17 Years
E. Allen Taylor, Jr.	City Attorney	22 Years	31 Years

CONSULTANTS AND ADVISORS

Auditors	KPMG LLP Dallas, Texas
Bond Counsel	Bracewell LLP Dallas, Texas
Financial Advisor.....	Hilltop Securities Inc. Dallas, Texas

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OFFICIAL STATEMENT
RELATING TO
\$4,475,000*
CITY OF MANSFIELD, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020
\$24,315,000*
CITY OF MANSFIELD, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$4,475,000 General Obligation Refunding Bonds, Series 2020 (the "Bonds") and the \$24,315,000* City of Mansfield, Texas Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates" and together with the Bonds, the "Obligations"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinances to be adopted by the City Council on the date of sale of the Obligations which will authorize the issuance of the Obligations (the "Bond Ordinance and the "Certificate Ordinance", respectively, and collectively, the "Ordinances").

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

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "Other Information - Forward-Looking Statements").

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1890, and first adopted its Home Rule Charter in 1975 and amended its Home Rule Charter on May 7, 1988. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. The term of office is a staggered three-year term. The City Manager is the chief executive officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, 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 2020 population is 75,759. The City covers approximately 36.69 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purposes of (i) refunding a portion of the City's outstanding debt in order to lower the overall annual debt service requirements of the City; and (ii) paying the costs of issuance of the Bonds.

The Certificates are being issued for the purposes of (i) design of new police facilities; (ii) designing, constructing, improving, expanding, equipping and furnishing Fire Station #5; (iii) engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the City, including related streetscape improvements, public utility improvements, storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of land therefor; (iv) acquiring signage, wayfinding and integrated navigation technology and equipment; (v) designing, improving, constructing and renovating facilities and infrastructure at the City's historic Ralph Man House museum; (vi) designing, improving, constructing and renovating facilities and infrastructure at the City Library; (vii) acquiring equipment and vehicles for fire, police, public works and community services (items (i) through (vii) collectively, the "Project"); and (viii) professional services of attorneys, financial advisors and the professionals in connection with Project and the costs of the issuance of the Certificates.

* Preliminary, subject to change.

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the respective redemption dates of such Refunded Obligations, from funds to be deposited pursuant to a certain Deposit Agreement (the "Deposit Agreement") between the City and BOKD, N.A., Dallas, Texas, as paying agent/registrar for each series of the Refunded Obligations (the "Refunded Obligation Paying Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Initial Purchaser of the Bonds and other funds of the City, if any, the City will deposit with the Refunded Obligation Paying Agent an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on the respective redemption dates. Such funds will be held by the Refunded Obligation Paying Agent in a special redemption account (the "Redemption Account") and used to pay principal and accrued interest on the Refunded Obligations on the respective redemption dates. Under the Deposit Agreement, the Redemption Account is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. The funds on deposit in the Redemption Account will not be available to pay debt service on the Bonds.

Either the Refunded Obligation Paying Agent, in its capacity as Paying Agent for each of the respective Refunded Obligations, or the City's financial advisor will certify as to the sufficiency of the amounts initially deposited therewith to pay the principal of and interest on the Refunded Obligations when due on the respective redemption dates. By the deposit of the proceeds of the Bonds and other funds of the City, if any are required, with the Refunded Obligation Paying Agent pursuant to the Deposit Agreement, the City will have effected the defeasance of the Refunded Obligations in accordance with applicable State law and the ordinances authorizing the Refunded Obligations. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Redemption Account held for such purpose by the Refunded Obligation Paying Agent, and the Refunded Obligations will not be deemed as being outstanding obligations of the City payable from ad valorem taxes, nor for the purpose of applying any limitation on the issuance of debt and the City will have no further responsibility with respect to amounts available in the Redemption Account for the payment of the Refunded Obligations.

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

<u>Sources:</u>	<u>The Bonds</u>	<u>The Certificates</u>
Par Amount		
Net Premium		
TOTAL SOURCES	\$ -	\$ -
 <u>Uses:</u>		
Deposit to Project Fund		
Deposit to Current Refunding Fund		
Costs of Issuance		
TOTAL USES	\$ -	\$ -

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated January 1, 2020, and mature on February 15 in each of the years and in the amounts shown on pages 2 and 4 hereof. Interest on the Obligations will accrue from the Date of Delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing August 15, 2020, until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

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

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

SECURITY AND SOURCE OF PAYMENT

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

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

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all tax-supported debt service, as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If a Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

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

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

Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Obligations held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Obligations from the beneficial owners. Any such selection of Obligations to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying

Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Obligations or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Obligations for redemption. See "The Obligations - Book-Entry-Only System" herein.

DEFEASANCE . . . The Ordinances provide that the City may discharge its obligations to the registered owners of any or all of the Obligations to pay principal, interest and redemption price thereon (i) by irrevocably depositing with the Paying Agent/Registrar, or other lawfully authorized escrow agent, in trust a sum of money equal to the principal of, premium, if any, and all interest to accrue on such Obligations to maturity or redemption or (ii) by irrevocably depositing with the Paying Agent/Registrar, or other lawfully authorized escrow agent, in trust amounts sufficient, together with the investment earnings thereon, to provide for the payment and/or redemption of such Obligations; 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, and (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Obligations, as the case may be.

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

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

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction,

as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments on the Obligations to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City or the respective Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligations are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, or the Financial Advisor.

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly

paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the owners of the Obligations and thereafter, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Obligation.

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

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

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

OBLIGATIONHOLDERS' REMEDIES . . . The Ordinances establish as "events of default" (i) the failure to make payment of principal of or interest on any of the Obligations when due and payable; (ii) default in the performance of observance of any other covenant, agreement or obligation of the City, which default materially, adversely affects the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of thirty days after notice of such default is given by any Owner to the City, or (iii) an order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the City any relief under any Applicable Law, or any other court having valid jurisdiction shall issue an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the City of any substantial part of its property, affairs or assets, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days. Under State law, there is no right to the acceleration of maturity of the Obligations upon the failure of the City to observe any covenant under the Ordinances. If an Owner of a Obligation does not receive payment of principal of or interest on the Obligations when due, the Owner may seek a writ of mandamus from a court of competent jurisdiction. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance under the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinances do not provide for the appointment of a trustee to represent the interest of the Owners of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, Owners may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions with respect to the rights of the Owners of the Obligations are subject to the applicable provisions of 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.

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AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Tarrant Appraisal District, the Johnson Central Appraisal District and the Ellis Central Appraisal District (the "Appraisal Districts"). Except as generally described below, the Appraisal Districts are required to appraise all property within the Appraisal Districts on the basis of 100% of its market value and are prohibited from applying any assessment ratios. In determining market value of property, the Appraisal Districts are required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of each Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “Ad Valorem Property Taxation – Tax Abatement Policy” for descriptions of the City’s tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see “Ad Valorem Property Taxation – City Application of property Tax Code” herein.

CITY AND TAXPAYER REMEDIES . . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal Districts by timely initiating a protest with the respective Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the respective Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “Tax Rate Limitations – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES . . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate.”

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax supported debt, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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

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

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

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

The City does not tax nonbusiness personal property.

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

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

The City does not tax freeport property.

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

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

The City does tax goods-in-transit.

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

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

TAX INCREMENT FINANCING ZONES . . . Reinvestment Zone Number One, City of Mansfield (the “Zone”) was created in January 2006, by the City with the consent of other taxing units overlapping the Zone. The 3,100-acre zone encompasses undeveloped agricultural and existing residential land. Ad valorem taxes on incremental growth in real property values (levied at the tax rates of each taxing unit assessing real property in the Zone) within the Zone from a base value established on January 1, 2006, are used to contribute to development of the Zone; these tax funds can be used only for public improvements in the Zone or for payment of debt service on bonds issued to provide funds for public improvements. The Zone terminates December 31, 2030, or at an earlier time designated by subsequent ordinance of the City Council, or at such time, subsequent to the issuance of any tax increment bonds, if any, that tax increment bonds, notes, or other obligations of the Zone, and the interest thereon, have been paid in full. The base taxable assessed value of real property within the Zone is \$81,015,358; the 2020 assessed value is \$461,543,911, representing \$380,528,553 of taxable incremental value. The City participates at 65% of its tax rate.

Reinvestment Zone Number Two (“Zone Two”), was created in calendar 2012 by the City with the participation of another taxing authority overlapping Zone Two. Zone Two encompasses the City downtown area and is 317 acres of land. This land is mostly developed but includes some undeveloped vacant land. The purpose of Zone Two is to revitalize the area by using the new funds or ad valorem taxes generated from the incremental property value growth within the Zone Two. Zone Two’s incremental value is measured by comparing the base year’s taxable property values or the value of the taxable property the year Zone Two was established, January 1, 2012, to the most current year’s taxable property values. The base year’s taxable assessed valuation of property within Zone Two is \$29,117,741; the 2020 taxable assessed value of the property in Zone Two is \$102,034,531, representing \$72,916,790 in taxable incremental value. The City contributes 100% incremental taxable property value to Zone Two at 100% of its tax rate.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2019/20 Market Valuation Established by the Appraisal Districts (excluding totally exempt property and property in arbitration)		\$8,779,537,340
Less Exemptions/Reductions at 100% Market Value:		
Over 65 Exemptions	\$ 169,530,332	
Disability	2,574,167	
Veterans	106,549,188	
Homestead Cap	6,330,307	
Agricultural Use Reductions	40,138,334	
Freeport Exemption	119,022,356	
Pro-rate Absolute	247,755	
Pollution Control	575,049	
Foreign Trade Zone	582,696,009	
Other Exemptions	52,427,820	1,080,091,317
2019/20 Taxable Assessed Valuation		\$ 7,699,446,023
Tax Supported Debt Payable from Ad Valorem Taxes		
Tax Supported Debt (as of 9/30/19) ⁽¹⁾	\$ 133,995,000	
The Bonds ⁽²⁾	4,475,000	
The Certificates ⁽²⁾	24,315,000	
Tax-Supported Debt Payable from Ad Valorem Taxes		\$ 162,785,000
Interest and Sinking Fund (as of 9/30/19) ⁽³⁾		\$ 1,670,694
Ratio: General Obligation Tax Debt to Taxable Assessed Valuation		2.11%

2020 Estimated Population - 75,759

Per Capita Taxable Assessed Valuation - \$101,631

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$2,149

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

(2) Preliminary, subject to change.

(3) Unaudited.

TABLE 1(a) - ADDITIONAL DEBT LIABILITIES

Please refer to "Pension Fund", beginning on page 28, for a complete description of the City's pension plan liability. Additional information with regard to the City's pension plan liability is also available via the TMRS website at www.tmrs.org.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year September 30,					
	2020		2019		2018	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 5,229,926,814	57.69%	\$ 4,701,999,294	59.28%	\$ 4,264,080,972	59.28%
Real, Residential, Multi-Family	644,596,187	7.11%	561,919,082	7.08%	499,438,121	6.94%
Real, Vacant Lots/Tracts	140,466,248	1.55%	149,515,423	1.89%	114,871,433	1.60%
Real, Acreage (Land Only)	41,683,224	0.46%	47,500,211	0.60%	51,119,683	0.71%
Real, Farm and Ranch Improvements	22,981,454	0.25%	21,612,371	0.27%	20,115,147	0.28%
Real, Commercial	1,205,414,164	13.30%	1,026,277,749	12.94%	947,928,223	13.18%
Real, Industrial	150,914,300	1.66%	136,232,387	1.72%	128,379,514	1.78%
Real and Tangible Personal, Utilities	88,414,504	0.98%	89,868,500	1.13%	86,486,310	1.20%
Tangible Personal, Commercial	1,225,820,639	13.52%	912,431,175	11.50%	818,728,598	11.38%
Tangible Personal, Industrial	209,887,611	2.32%	209,246,582	2.64%	205,831,581	2.86%
Tangible Personal, Mobile Homes	7,707,694	0.09%	8,625,737	0.11%	8,591,773	0.12%
Real Property, Inventory	67,113,518	0.74%	31,276,508	0.39%	19,130,445	0.27%
Mineral Lease Properties	30,674,906	0.34%	34,804,162	0.44%	27,911,663	0.39%
Total Appraised Value Before Exemptions	\$ 9,065,601,263	100.00%	\$ 7,931,309,181	100.00%	\$ 7,192,613,463	100.00%
Less: Property in Arbitration	286,063,923		102,067,954		174,131,889	
Less: Total Exemptions/Reductions	1,080,091,317		798,656,803		430,183,043	
Taxable Assessed Value	<u>\$ 7,699,446,023</u>		<u>\$ 7,030,584,424</u>		<u>\$ 6,588,298,531</u>	

Category	Taxable Appraised Value for Fiscal Year September 30,			
	2017		2016	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 3,798,353,186	59.44%	\$ 3,393,181,190	59.15%
Real, Residential, Multi-Family	389,188,371	6.09%	342,666,283	5.97%
Real, Vacant Lots/Tracts	184,261,605	2.88%	131,641,569	2.29%
Real, Acreage (Land Only)	55,980,225	0.88%	60,132,149	1.05%
Real, Farm and Ranch Improvements	19,102,133	0.30%	7,036,424	0.12%
Real, Commercial	780,268,818	12.21%	731,976,741	12.76%
Real, Industrial	82,773,126	1.30%	123,155,500	2.15%
Real and Tangible Personal, Utilities	86,079,843	1.35%	75,197,762	1.31%
Tangible Personal, Commercial	719,710,127	11.26%	513,420,906	8.95%
Tangible Personal, Industrial	210,863,074	3.30%	193,225,492	3.37%
Tangible Personal, Mobile Homes	9,930,003	0.16%	15,406,388	0.27%
Real Property, Inventory	15,645,963	0.24%	25,296,086	0.44%
Mineral Lease Properties	37,971,679	0.59%	124,684,471	2.17%
Total Appraised Value Before Exemptions	\$ 6,390,128,153	100.00%	\$ 5,737,020,961	100.00%
Less: Property in Arbitration	63,299,759		36,688,858	
Less: Total Exemptions/Reductions	413,190,727		413,405,008	
Taxable Assessed Value	<u>\$ 5,913,637,667</u>		<u>\$ 5,286,927,095</u>	

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Total Tax Supported Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2016	67,628	\$ 5,286,927,095	\$ 78,177	\$ 114,790,000	2.17%	\$ 1,697
2017	68,784	5,913,637,667	85,974	127,860,000	2.16%	1,859
2018	70,170	6,588,298,531	93,891	134,445,000	2.04%	1,916
2019	73,410	7,030,584,424	95,771	138,605,000	1.97%	1,888
2020	75,759	7,699,446,023	101,631	152,815,000 ⁽³⁾	1.98% ⁽³⁾	2,017 ⁽³⁾

(1) Source: City Planning Department.

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

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

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Total Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% of Total Collections
2016	\$ 0.7100	\$ 0.4683	\$ 0.2417	\$ 37,537,182	99.03%	99.00%
2017	0.7100	0.4708	0.2392	41,986,827	97.26%	97.30%
2018	0.7100	0.4745	0.2355	46,776,920	99.33%	100.04%
2019	0.7100	0.4845	0.2255	49,917,150	99.06% ⁽¹⁾	97.99% ⁽¹⁾
2020	0.7100	0.4778	0.2322	54,666,067	N/A	N/A

(1) Collections as of September 30, 2019; Unaudited.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	FYE 2020 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Mouser Electronics	Manufacturing	\$ 141,808,022	1.84%
Mid-America Apartments Lp	Apartments	67,160,000	0.87%
Mansfield KDC II & III LP Etal	Real Estate	58,854,268	0.76%
WMCi Dallas VIII LLC	Apartments	48,945,096	0.64%
Evolv AL LP	Apartments	48,250,000	0.63%
WP Motg-Txm Owner LLC	Apartments	46,950,000	0.61%
Klein Tools	Manufacturing	43,777,055	0.57%
Steadfast Villaggio LP	Apartments	41,700,000	0.54%
BREIT Steadfast MF Mansfield TX LP	Apartments	40,600,000	0.53%
CHP Watercrest at Mansfield	Apartments	38,000,000	0.49%
		<u>\$ 576,044,441</u>	<u>7.48%</u>

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

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

TABLE 6 - TAX ADEQUACY⁽¹⁾

2020 Principal and Interest Requirements	\$	15,740,438
\$0.2066 Tax Rate at 99% Collection Produces	\$	15,747,985
Average Annual Principal and Interest Requirements, 2020 - 2041	\$	9,889,453
\$0.1298 Tax Rate at 99% Collection Produces	\$	9,893,942
Maximum Principal and Interest Requirements, 2021	\$	16,583,540
\$0.2176 Tax Rate at 99% Collection Produces	\$	16,586,455

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

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

<u>Taxing Jurisdiction</u>	2019/20 Taxable Assessed Value	2019/20 Tax Rate	Total G.O. Tax Debt (9/30/19)	Estimated % Applicable	City's Overlapping G.O. Tax Debt (9/30/19)	Authorized But Unissued Debt As Of (9/30/19)
City of Mansfield	\$ 7,699,446,023	\$0.71000	\$162,785,000 ⁽¹⁾	100.00%	\$162,785,000 ⁽¹⁾	\$ -
Ellis County	17,592,041,486	0.32956	40,425,000	0.08%	32,340	-
Johnson County	12,300,143,661	0.38470	24,205,000	3.29%	796,345	-
Mansfield Independent School District	14,951,225,852	0.71000	928,545,000	44.49%	413,109,671	-
Midlothian Independent School District	5,191,677,325	1.47000	355,236,373	0.32%	1,136,756	120,000,000
Tarrant County	211,499,174,386	0.23400	266,375,000	3.65%	9,722,688	30,600,000
Tarrant County Hospital District	211,985,667,192	0.22443	17,735,000	3.65%	647,328	-
Tarrant County College District	213,412,565,613	0.13017	-	3.65%	-	-
Total Direct and Overlapping G. O. Tax Debt					\$ 588,230,126	
Ratio of Direct and Overlapping G.O. Tax Debt to 2017/18 Taxable Assessed Valuation					7.64%	
Per Capita Overlapping G. O. Tax Debt					\$ 7,764	

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

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TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

- (1) Excludes the Refunded Obligations, preliminary, subject to change.
- (2) Average life of the Bonds is 3.384 years. Interest calculated at an average rate of 3.613% for purposes of illustration. Preliminary, subject to change.
- (3) Average life of the Certificates is 11.680 years. Interest calculated at an average rate of 3.254% for purposes of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/20 ⁽¹⁾		\$ 15,740,438
Interest and Sinking Fund, September 30, 2019 ⁽²⁾	\$ 1,697,691	
Prior Year Delinquent Taxes	36,527	
Delinquent Penalty & Interest	-	
Interest Earnings	-	
Interest and Sinking Fund Tax Levy at 99% collections	17,699,333	19,433,551
Estimated Balance, 9/30/20		\$ 3,693,113

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

(2) Unaudited.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

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

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

As of October 1, 2019, the City does not have any authorized but unissued general obligation bonds

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City anticipates the issuance of additional general obligation debt within the next 12 months in the approximate amount of \$25,000,000.

TABLE 12 – OTHER OBLIGATIONS

The City has no other unfunded obligations.

PENSION PLAN

Plan Description – The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the “TMRS Act”) as an agent multiple-employer retirement system for municipal employees in the State. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees (the “Board”). Although the Governor, with advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

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

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

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

	Plan Year 2017	Plan Year 2018
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years require for vesting	5	5
Service retirement eligibility (expressed as age/y years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees covered by benefit terms:

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	196
Inactive employees entitled to but not yet receiving benefits	185
Active employees	486
Total	867

Contributions - The contribution rates for employees in TMRS is 7% of employee gross earnings, and the City matching percentages is 14.95%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their gross earnings during the fiscal year. The contribution rates for the City were 14.94% and 14.95% in calendar years 2018 and 2019 respectively. The City's contributions to TMRS as of September 30, 2018 were \$5,672,743 and were equal to the required contributions.

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.5% per year
Overall payroll growth:	3.0% per year
Investment Rate of Return:	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustments used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2017	\$160,939,483	\$ 144,329,440	\$ 16,610,043
Changes for the year:			
Service Cost	6,781,902	-	6,781,902
Interest	10,919,655	-	10,919,655
Change in benefit terms	-	-	-
Difference between expected and actual experience	2,214,327	-	2,214,327
Changes of assumptions	-	-	-
Contributions - employer	-	5,679,463	(5,679,463)
Contributions - employee	-	2,661,060	(2,661,060)
Net investment income	-	(4,327,905)	4,327,905
Benefit payments, including refunds of employee contributions	(5,115,537)	(5,115,537)	-
Administrative expense	-	(83,556)	83,556
Other changes	-	(4,365)	4,365
Net changes	14,800,347	(1,190,840)	15,991,187
Balance at 12/31/2018	\$175,739,830	\$ 143,138,600	\$ 32,601,230

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

The following presents the net position liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 60,432,763	\$ 32,601,230	\$ 9,999,191

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2019, the City recognized expense of \$8,856,150.

At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Due to Liabilities:	Recognition Period (or Amortized yrs)	Total (Inflow) or Outflow of Resources	2018 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
2014 Difference in expected and actual experience actuarial (gains) or losses	2.9001	\$ 30,492	\$ 10,515	\$ 19,977
2015 Difference in expected and actual experience actuarial (gains) or losses	3.7300	89,860	24,091	65,769
2016 Difference in expected and actual experience actuarial (gains) or losses	4.7900	1,387,711	289,710	1,098,001
2017 Difference in expected and actual earnings on actuarial (gains) or losses	5.7300	734,942	128,262	606,680
2018 Difference in expected and actual earnings on actuarial (gains) or losses	6.4200	2,214,327	344,911	1,869,416
			<u>797,489</u>	<u>3,659,843</u>
2015 Difference in assumption changes actuarial (gains) or losses	3.7300	(371,347)	(99,557)	(271,790)
			<u>(99,557)</u>	<u>(271,790)</u>

Due to Assets:				
2014 Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	1.0000	250,457	250,457	-
2015 Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	2.0000	2,952,125	1,476,062	1,476,063
2016 Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	3.0000	(8,614)	(2,872)	(5,742)
2017 Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	4.0000	(7,062,550)	(1,765,638)	(5,296,912)
2018 Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	5.0000	14,070,142	2,814,028	11,256,114
			<u>\$2,772,037</u>	<u>\$ 7,429,523</u>
Total				<u>\$ 10,817,576</u>

\$4,186,161 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred Outflows/(Inflows) of resources
2019	\$ 3,219,513
2020	1,742,399
2021	1,756,186
2022	3,516,074
2023	438,543
Threafter	144,861
Total	<u>\$ 10,817,576</u>

SUPPLEMENTAL DEATH BENEFITS

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual earnings (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust meeting the criteria in paragraph 4 of GASB Statement No. 75). TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	155
Inactive employees entitled to but not yet receiving benefits	38
Active employees	486
Total	<u>679</u>

Contributions - The contribution rates for employees in SDBF is .02% of employee gross earnings, and the city matching percentages is .15%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of 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.

Employees for the City were required to contribute .02% of their gross earnings during the fiscal year. The contribution rates for the City of Mansfield, Texas were .15% and .15% in calendar years 2018 and 2019 respectively. The City's contributions to SDBF as of September 30, 2019 were \$56,361 and were equal to the required contributions.

Total OPEB Liability:

The City's Total OPEB Liability related to SDBF was measured and determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions:

The Total OPEB Liability related to SDBF in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% per year, including inflation
Discount Rate	3.71%, based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018
Retirees' share of benefit related costs	\$0.00
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates - service retirees	RP2000 combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.
Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% per year, including inflation
Discount Rate	3.31%, based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017
Retirees' share of benefit related costs	\$0.00
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates - service retirees	RP2000 combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability related to SDBF:

	Total OPEB Liability (SDBF)
Balance at 12/31/2017	<u>\$ 1,030,717</u>
Changes for the year:	
Service Cost	57,023
Interest	34,935
Differences between expected and actual experience	145,354
Changes in assumptions or other inputs	(81,348)
Benefit payments*	<u>(7,603)</u>
Net Changes	<u>148,361</u>
Balance at 12/31/2018	<u>\$ 1,179,078</u>

*Due to the SDBF being considered an unfunded SDBF plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the total OPEB liability related to SDBF to changes in the discount rate:

The following presents the total OPEB liability related to SDBF of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability related to SDBF would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB Liability	<u>\$ 1,400,162</u>	<u>\$ 1,179,078</u>	<u>\$ 1,008,727</u>

OPEB Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (SDBF):

For the year ended September 30, 2019, the City recognized expense of \$110,998.

At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Due to Liabilities	Recognition Period (or Amortization yrs)	Total Remaining (Inflow) or Outflow of Resources	2019 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
2018 Change in assumptions	8.0400	\$ (81,348)	\$ (10,118)	\$ (71,230)
2017 Change in Assumptions	7.0400	\$ 77,997	\$ 11,079	\$ 66,918
2018 Difference in expected and actual experience	8.0400	\$ 145,354	\$ 18,079	\$ 127,275
actuarial (gains) or losses			<u>\$ 19,040</u>	<u>\$ 122,963</u>

\$42,002 was reported as deferred outflows of resources related to OPEB (SDBF) resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability related to SDBF for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB (SDBF) will be recognized in pension expense as follows:

For the year ended September 30,	Net deferred outflows (inflows) of resources
2020	\$ 19,040
2021	19,040
2022	19,040
2023	19,040
2024	19,040
Thereafter	27,763
	<u>\$ 122,963</u>

OTHER POST-EMPLOYMENT BENEFITS

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

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

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

Benefits - City employees will be provided the opportunity to elect employer-subsidized health programs until the age of 65. Employees and their dependents who retire before of age of 65 with ten years of service and less than 20 years of service are eligible to receive full health insurance coverage as a life time benefit at the same cost of an active employee. Employees and their dependents who retire with 20 years of service are eligible to receive full health insurance coverage as a life time benefit; while their dependents are eligible for full health insurance coverage they must pay the same cost as an active employee for full insurance coverage of their dependents.

At the time of the actuarial valuation, the City had 484 active plan members and 63 retired plan members and 93 retired plan members receiving benefits. Of the retired members, 40 had less than 20 years of service and 53 had more than 20 years of service.

Contributions - Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the Plan upon retirement. Expenditures for post-retirement healthcare and other benefits are recognized monthly and funded into the irrevocable trust. The City funds 100% of the actuarially determined contribution (ADC), which approximates the annual OPEB cost, and totaled \$2,410,000 for the fiscal year ended September 30, 2018. The City also funded 100% of the ADC, which approximates the annual OPEB cost, and totaled \$4,820,000 for the fiscal year ended September 30, 2019.

Net OPEB Liability

The City's net OPEB liability (NOL) was measured as of December 31, 2019 and the total OPEB liability (TOL) used to calculate the NOL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The NOL in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial method	Entry Age Normal
Discount Rate	7.0% per annum. The plan is funded in an irrevocable trust maintained by the plan sponsor. The City has, on average, made contributions the last five years that, if continued in this fashion, the plan will always be sufficiently funded to pay benefits due.
Inflation	2.5% per annum
Mortality	RP-2014 Mortality Table with Improvement Scale MP-201
Marriage Assumptions	3-year spouse age difference with females assumed 3 years younger than males. 25% of participants eligible for future post-employment benefits are assumed to have an eligible spouse electing to receive plan benefits. For retired members, we have used actual marital status, as provided, and assumed all such spouses are receiving plan benefits.
Health-care cost trend rates	7% in year 1 graded downward ½% per year to 4.5% in year 6 & later
Post-65 premium reductions	It is assumed that employer-subsidized premiums will be reduced by two-thirds after age 65 due to Medicare eligibility.
Implied subsidy	Included a load of 5% to include the estimated value of implied subsidies for the plan's post-retirement medical benefits.
Assumed utilization	75% of eligible future retirees are assumed to elect plan benefits
Changes in assumptions	We have changed the mortality table improvement scale from MP-2017 to MP-2018
Salary rate	3% per annum

Retirement Rate

<u>Attained Age</u>	<u>Rates per 100 Participants</u>
50	3.00
51-54	1.50
55-57	7.50
58-59	10.00
60	25.00
61-64	10.00
65	100.00

Withdrawal Rate

<u>Attained Age</u>	<u>Rates per 100 Participants</u>
25	19.50
30	18.80
35	17.68
40	15.90
45	13.42
50	9.74
55	5.18

The plan's policy in regard to the allocation of invested assets is established by the City Council. The target asset allocation policy is 50% equity investments, 45% fixed income investments, and 5% cash. The long-term expected rate of return on plan investments used in the valuation was determined using a building-block method in which the City's best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighing the City's expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The City's best estimates of geometric real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	50%	3.6%
Fixed Income	45%	0.9%
Cash	5%	0.0%
Inflation	N/A	2.5%
Total	100%	7.0%

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 6/30/2018	\$ 48,772,103	\$ 11,263,823	\$ 37,508,280
Changes for the year:			
Service Cost	568,220	-	568,220
Interest	3,333,223	-	3,333,223
Difference between expected and actual experience	8,760,461	-	8,760,461
Contributions - employer	-	7,261,311	(7,261,311)
Benefit Payments	(2,441,311)	(2,441,311)	-
Net Investment Income	-	959,456	(959,456)
Administrative expense	-	(66,652)	66,652
Net changes	10,220,593	5,712,804	4,507,789
Balance at 6/30/2019	\$ 58,992,696	\$ 16,976,627	\$ 42,016,069

Sensitivity of the Total Pension Liability to Changes in the Discount and Trend Rates

The following presents the net OPEB liability of the City, calculated using the discount rate of 7%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Total OPEB Liability	\$ 51,478,242	\$ 42,016,069	\$ 34,486,195

The following presents the net OPEB liability of the City, calculated using the trend rates of 7%, as well as what the City's net OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rates:

	1% Decrease in Trend Rates (6.00%)	Trend Rates (7.00%)	1% Increase in Trend Rates (8.00%)
Total OPEB Liability	\$ 34,405,648	\$ 42,016,069	\$ 51,474,229

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2019, the City recognized expense of \$4,826,810.

At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Recognition Period (or Amortization yrs)	Total Remaining (Inflow) or Outflow of Resources	2018 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities				
2018 Change in assumptions	3.3900	\$ (1,109,590)	\$ (327,313)	\$ (782,277)
2019 Difference in projected and actual earnings on OPEB plan	4.6200	(37,379)	(7,476)	(29,930)
			<u>\$ (334,789)</u>	<u>\$ (812,207)</u>
Due to Assets				
2018 Difference in projected and actual earnings on OPEB plan investments	4.0000	\$ 119,030	\$ 29,758	\$ 89,272
2019 Defference between expected and actuarial expereince	4.2000	8,760,491	2,085,824	6,674,637
Total			<u><u>\$ 2,115,582</u></u>	<u><u>\$ 6,763,909</u></u>

\$0.00 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the year ended September 30,	Net deferred outflows (inflows) of resources
2020	\$ 1,780,793
2021	1,780,793
2022	1,980,453
2023	409,690
2024	-
Thereafter	-
	<u>\$ 5,951,729</u>

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Governmental Activities 2019 ⁽¹⁾	Governmental Activities 2018	Governmental Activities 2017	Governmental Activities 2016	Governmental Activities 2015
REVENUES:					
Program Revenues:					
Charges for services	\$ 16,417,313	\$ 17,039,875	\$ 13,762,203	\$ 14,086,752	\$ 14,243,888
Operating grants and contributions	364,704	537,571	744,621	767,307	556,952
Capital grants and contributions	9,190,904	12,138,654	3,357,730	8,236,152	13,380,396
General revenues:					
Property taxes	51,392,861	46,358,223	41,638,465	38,341,205	35,306,939
Other taxes	23,820,535	22,064,495	20,783,110	20,206,945	19,275,580
Other	1,327,897	796,305	400,055	1,781,910	43,688
Total Revenues	<u>\$ 102,514,214</u>	<u>\$ 98,935,123</u>	<u>\$ 80,686,184</u>	<u>\$ 83,420,271</u>	<u>\$ 82,807,443</u>
EXPENSES:					
General government	19,297,289	18,218,204	14,432,936	11,753,157	11,647,954
Public safety	40,252,350	34,407,383	31,997,593	30,908,765	28,057,591
Public works	20,480,795	15,647,044	15,236,701	15,016,503	13,765,132
Culture and recreation	12,247,448	10,104,737	10,348,391	9,500,285	8,268,412
Interest on long-term debt	6,903,807	6,567,752	6,344,763	5,345,071	4,843,447
Total Expenses	<u>\$ 99,181,689</u>	<u>\$ 84,945,120</u>	<u>\$ 78,360,384</u>	<u>\$ 72,523,781</u>	<u>\$ 66,582,536</u>
Increase in net assets before transfers	3,332,525	13,990,003	2,325,800	10,896,490	16,224,907
Transfers	758,794	1,589,807	1,560,112	723,188	919,171
Increase in net assets	<u>4,091,319</u>	<u>15,579,810</u>	<u>3,885,912</u>	<u>11,619,678</u>	<u>17,144,078</u>
Beginning Net assets	262,796,786	247,216,976 ⁽³⁾	268,951,844	257,332,166	240,188,088 ⁽²⁾
Ending Net assets	<u>\$ 266,888,105</u>	<u>\$ 262,796,786</u>	<u>\$ 272,837,756</u>	<u>\$ 268,951,844</u>	<u>\$ 257,332,166</u>

(1) Unaudited

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

(3) Beginning Net Assets restated for GASB No. 75. GASB No. 75 requires a prior period adjustment be made for certain items previously reported as assets and liabilities.

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TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Years Ended September 30,				
	2019 ⁽¹⁾	2018	2017	2016	2015
Revenues:					
Taxes, Penalties and Interest	\$ 50,832,200	\$ 45,495,286	\$ 41,578,450	\$ 38,987,751	\$ 36,588,049
Licenses and Permits	2,260,191	2,309,844	1,759,695	1,973,666	1,705,391
Intergovernmental	599,725	414,039	632,317	687,972	348,172
Charges for Services	5,537,205	5,388,483	4,764,006	4,245,709	4,030,611
Fine and Forfeitures	1,727,667	1,735,354	1,840,769	1,912,343	2,239,655
Interest	589,290	281,448	88,435	29,282	7,696
Contributions	-	-	-	-	-
Miscellaneous	1,009,032	974,502	950,805	926,053	731,483
Total Revenues	<u>\$ 62,555,310</u>	<u>\$ 56,598,956</u>	<u>\$ 51,614,477</u>	<u>\$ 48,762,776</u>	<u>\$ 45,651,057</u>
Expenditures:					
General Government	\$ 15,635,490	\$ 14,728,798	\$ 11,952,386	\$ 10,835,089	\$ 10,845,388
Public Safety	36,353,285	32,450,352	30,308,335	28,865,315	26,766,659
Public Works	4,689,809	3,640,450	4,244,277	4,065,720	3,603,304
Cultural and Recreation	4,197,037	3,898,431	4,291,402	3,895,625	3,552,113
Capital Outlay	174,694	984,336	639,242	717,559	373,411
Total Expenditures	<u>\$ 61,050,315</u>	<u>\$ 55,713,491</u>	<u>\$ 51,435,642</u>	<u>\$ 48,379,308</u>	<u>\$ 45,140,875</u>
Other Financing Sources (Uses):					
Unreserved, current	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of City Property	98,825	-	30,359	2,031,544	66,368
Bond Proceeds	-	1,038,206	-	-	-
Premiums/Discounts, net	-	62,917	-	-	-
Transfers In	1,963,663	1,727,443	1,562,352	1,208,513	810,532
Transfers Out	(3,187,154)	(1,161,085)	(372,496)	(2,566,926)	(1,023,718)
Total Other Sources (Uses)	<u>\$ (1,124,666)</u>	<u>\$ 1,667,481</u>	<u>\$ 1,220,215</u>	<u>\$ 673,131</u>	<u>\$ (146,818)</u>
Excess (Deficiency) of					
Revenues Over Expenditures					
and Other Sources (Uses)	\$ 380,329	\$ 2,552,946	\$ 1,399,050	\$ 1,056,599	\$ 363,364
Beginning Fund Balance	17,028,977	14,476,031	13,076,981	12,020,382	11,657,018
Ending Fund Balance	<u>\$ 17,409,306</u>	<u>\$ 17,028,977</u>	<u>\$ 14,476,031</u>	<u>\$ 13,076,981</u>	<u>\$ 12,020,382</u>

(1) Unaudited.

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

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

Fiscal Year Ended 9/30	1% Local Sales Tax Collected For General Fund ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽²⁾
2015	\$ 9,708,974	27.58%	\$ 0.1958	\$ 150.09
2016	10,304,696	27.45%	0.1949	152.37
2017	10,771,905	25.66%	0.1822	156.60
2018	11,570,527	24.74%	0.1756	164.89
2019	12,439,543 ⁽³⁾	24.92%	0.1769	164.20

(1) Excludes (a) one-half cent sales tax collections for Mansfield Economic Development Corporation, collected for the promotion and development of new and expanded business enterprises and (b) one-half cent sales collections for Mansfield Park Facilities Development Corporation collected for park, downtown and historical improvements.

(2) Based on population estimates of City Planning Department.

(3) Unaudited.

FINANCIAL POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies used by the City are described below. The audited financial statements of the City for the year ended September 30, 2017, prepared in accordance with the GASB Statements, are included in Appendix B hereto.

Government-wide and Fund Financial Statements . . . The government-wide financial statement (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

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

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

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

INVESTMENTS

The City may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

AUTHORIZED INVESTMENTS

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations 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) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and

deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "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 United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the City may enter into 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 (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service, if the City Council authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by ordinance, order or resolution.

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

INVESTMENT POLICIES

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

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment

officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the treasurer, chief financial officer and investment officers; (6) 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 repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 15 - CURRENT INVESTMENTS

As of September 30, 2019, the City's invested funds were invested in the following categories:

Description of Investment	Percent of Portfolio	Total Investment ⁽¹⁾
AIM Invesco	0.67%	\$ 464,862
Bank of America Merrill Lynch	35.92%	24,937,290
TexStar	63.41%	44,018,169
	100.00%	\$ 69,420,321

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Obligations should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Obligations.

TAX EXEMPTION . . . In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Obligations is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific preference item for purposes of the alternative minimum tax.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Obligations from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor, the Initial Purchaser of the Bonds and the Initial Purchaser of the Certificates with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Initial Purchaser of the Bonds and the Initial Purchaser of the Certificates, respectively, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinances or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Obligations could become includable in gross income from the date of delivery of the Obligations, regardless of the date on which the event causing such inclusion occurs.

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 Obligations.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Obligations. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the City as the taxpayer and the owners may not have a right to participate in such audit. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Obligations 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 otherwise qualifying for the health insurance premium credit, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Obligations. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Obligations 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 Obligations, received or accrued during the year.

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

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

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The issue price of all or a portion of the Obligations may be less than the stated redemption price payable at maturity of such Obligations (the "Original Issue Discount Obligations"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation constitutes original issue discount with respect to such Original Issue Discount Obligation in the hands of any owner who has purchased such Original Issue Discount Obligation in the initial public offering of the Obligations. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Obligation continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Obligations under the caption "Tax Matters - Tax Exemption" and "Tax Matters - Additional Federal Income Tax Considerations - Collateral Tax Consequences" generally apply, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Obligation was held by such initial owner) is includable in gross income.

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

Under existing law, the original issue discount on each Original Issue Discount Obligation accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Obligations 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 Obligations for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Obligation.

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

TAX LEGISLATIVE CHANGES . . . Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Obligations, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Obligations from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Obligations. Prospective purchasers of the Obligations should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation..

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds and Certificates, respectively. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds and Certificates, respectively. Under the agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org <<http://www.emma.msrb.org>>.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The City will update and provide this information in the numbered Tables within six months after the end of each fiscal year ending in or after 2019 and, if then available, audited financial statements of the City. If audited financial statements are not available when the information is provided, the City will provide audited financial statements within 12 months of the end of the fiscal year, when and if they become available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

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

EVENT NOTICES . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Obligations: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Obligations, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with its agreement described above under "Annual Reports."

For these purposes, (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the City, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinances define "Financial Obligation" as (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure 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 City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreements, 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 believes it 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 Bonds and the presently outstanding tax supported debt of the City are rated "Aa2" by Moody's, "AAA" by S&P and "AA+" by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Certificates.

LITIGATION

Saverling et al. v. City of Mansfield et al. On August 28, 2014, Josh and Kelli Saverling and others filed suit against the City of Mansfield ("City"), the Mansfield Park Facilities Development Corporation ("Corporation"), and several individuals associated with the City or the Corporation (collectively "City Defendants") to resolve a dispute over the construction of a bridge that connects a public park to a walking trail that abuts plaintiffs' property. Plaintiffs alleged various causes of action against the City Defendants and also sought equitable relief in the form of an injunction to require the City to prohibit members of the public from crossing the bridge. Although, the plaintiffs have not alleged damages in connection with their primary claim of prohibiting the members of the public from crossing the bridge, they have pled alternative claims of trespassing, and inverse condemnation of their home sites because of the bridge and members of the public crossing the bridge on land that abuts the plaintiff's property.

Initially, all of plaintiffs' requests for injunctive relief had been denied by the trial court. After an evidentiary hearing on plaintiffs' original motion requesting a temporary injunction, the court denied the motion and plaintiff appealed said denial. The case was submitted to the second Court of Appeals for review of the trial court's decision to deny the plaintiffs' motion and the second Court of Appeals upheld the trial court's decision to deny the plaintiffs' requested injunctive relief. Plaintiffs filed a motion for reconsideration with the Court of Appeals and the court again upheld the trial court's decision to deny plaintiffs' requested injunction in a three justice panel ruling. Plaintiffs, for a second time, filed a motion for reconsideration and the court of appeals granted plaintiffs' second motion for reconsideration and withdrew its opinion and judgment which had been previously entered. In a 4/3 decision, the Court of Appeals issued a new ruling on September 29, 2016, in which the Court changed courses from its previous three rulings and ruled that the trial court should have granted plaintiffs' requested injunction. The City Defendants appealed the interlocutory ruling to the Texas Supreme Court, however, the Supreme Court denied the request to hear the petition and remanded the case back to the trial court.

Subsequent to the decision of the Texas Supreme Court, the case has moved forward at the trial court level with motions for summary judgment being filed by all parties. On October 9, 2018, the trial court granted portions of the plaintiffs' request for summary judgment finding that the residential lots that had been the center of the dispute between the parties had been conveyed to the Homeowner's Association by the Declaration of Covenants, Conditions and Restrictions and that the City did not have a valid title to those properties. The court refused a request to find that the City or related defendants' had trespassed on the property and refused to find that attorney's fees were recoverable against the City or its related parties based upon the summary judgment evidence.

Shortly before trial, the plaintiffs non-suited their trespass to try title or ultra vires claims, as well as their alternative claims for trespass and inverse condemnation, choosing to rely on the court's rulings on the summary judgment motions. The city non-suited its alternative eminent domain action, which can be brought at a later date, if necessary. That left the issue of attorney's fees as the only issue for trial.

The case proceeded to trial as scheduled on December 3, 2018. At the conclusion of the evidence and arguments, the court took the matter under advisement.

The court signed a final judgment in the case on March 20, 2019 awarding plaintiffs title to the property in question (based upon the earlier rulings on summary judgment motions) and attorney's fees against the MPFDC in the amount of \$124,570.80 and conditional attorney's fees in the event of successful appeals totaling \$116,000.00.

The City appealed the court's judgment, primarily attacking the decision with respect to title and, as a consequence, the award of attorney's fees. The City's brief was filed in late August 2019 and the respondents' brief was due in early November. It is impossible to predict the timing of the appellate court's action.

The City Defendants continue in their opinion that this case will not have a significant effect upon the financial condition of the city or the MPFDC.

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Obligations have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this Official Statement. The Obligations have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and Initial Certificate respectively, and to the effect that the Obligations are valid and binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City. Issuance of the Obligations is also subject to the legal opinion of Bracewell LLP ("Bond Counsel") to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein. The forms of Bond Counsel's opinion are attached hereto as Appendix C. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement or Notice of Sale, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Ordinance. . The legal opinions of Bond Counsel will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

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

FINANCIAL ADVISOR

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

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

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Initial Purchaser of the Bonds") to purchase the Bonds at the prices shown on page 2 of the Official Statement. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser of the Bonds. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Bonds.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Initial Purchaser of the Certificates") to purchase the Certificates at the prices shown on page 4 of the Official Statement. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Certificates.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Obligations, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Obligations and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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.

The Ordinances authorizing the issuance of the Obligations will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Obligations by the Initial Purchaser of the Bonds and the Initial Purchaser of the Certificates, respectively.

Mayor
City of Mansfield, Texas

ATTEST:

City Secretary

SCHEDULE OF REFUNDED OBLIGATIONS**General Obligation Refunding Bonds, Series 2009**

<u>Original Dated Date</u>	<u>Original Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Redemption Date</u>
4/1/2009	2/15/2021	4.000%	\$ 1,060,000	2/21/2020
	2/15/2022	4.000%	410,000	2/21/2020
			<u>\$ 1,470,000</u>	

Combination Tax & Revenue Certificates of Obligation 2011

<u>Original Dated Date</u>	<u>Original Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Redemption Date</u>
1/15/2011	2/15/2021	4.000%	\$ 145,000	2/21/2020
	2/15/2022	4.000%	150,000	2/21/2020
	2/15/2023	4.250%	155,000	2/21/2020
	2/15/2024	4.250%	165,000	2/21/2020
	2/15/2025	4.375%	170,000	2/21/2020
	2/15/2026	4.375%	175,000	2/21/2020
	2/15/2027	4.625%	185,000	2/21/2020
	2/15/2028	4.625%	195,000	2/21/2020
	2/15/2029	5.000%	205,000	2/21/2020
	2/15/2030	5.000%	215,000	2/21/2020
	2/15/2031	5.000%	225,000	2/21/2020
			<u>\$ 1,985,000</u>	

General Obligation Refunding Bonds, Series 2011

<u>Original Dated Date</u>	<u>Original Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Redemption Date</u>
1/15/2011	2/15/2021	3.625%	\$ 805,000	2/21/2020
	2/15/2022	4.000%	350,000	2/21/2020
			<u>\$ 1,155,000</u>	

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY . . . The City of Mansfield encompasses 36.69 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 2018 population at 70,170 reflecting a 20% increase since 2010.

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 (MEDC) has assisted over 165 companies in making Mansfield their home by providing over \$36 million in economic assistance. These companies have made cumulative capital investments of over \$800 million and created over 5,000 jobs in the City.

Since 2010, the MEDC has assisted 50 companies with increasing their presence in Mansfield; 22 expansions, 32 new developments and 8 road projects. The new developments include AMC Warehouse, a refrigerated and freezer warehouse consisting of over 450,000 SF creating 100 jobs and over \$67 million in capital investment and Utex, which manufactures specialty metal coatings used in high pressure pumping applications for the oil and gas industry making a \$20 million capital investment which will create 130 jobs. MEDC also assisted several company expansions, including Mouser Electronics who is adding 127,000 SF of warehouse space and constructing a new 50,000 SF corporate office for a total new investment of over \$25 million and 200 new employees. Klein Tools is constructing a new 200,000 SF distribution facility with a total investment of \$35 million and 125 jobs. MEDC also assisted with a 130,000+ SF neighborhood retail center including Market Street, a specialty grocery store, as the primary anchor.

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PRINCIPAL EMPLOYERS

Company	Product Line	Number of Employees
Mouser Electronics	Distribution of Electronics Parts	2,100
Methodist Mansfield Medical Center	Full Service Hospital	1,240
Klein Tools	Manufacturer of Hand Tool Products	460
Hoffman Cabinets	Cabinet Manufacturer	448
Wal-Mart Super Center	Superstore	400
Kroger	Grocery Stores(2)	320
BCB Transport	Transportation Provider	268
SJ Louis Construction of TX.	Utility Contractor	265
Super Target	Super center	250
Lifetime Fitness	Fitness Center	200
Walnut Creek Country Club	Country Club	190
Best Buy	Electronics Store	180
Kindred Hospital	Treatment Center	155
Sam's Club	Warehouse Store	150
Lowe's	Home Improvement Store	146
Home Depot	Home Improvement Store	145
Utex Industries	Manufacturer of Consumable Components for High Pressure Pumping Applications	138
Conveyors, Inc.	Manufacturer Conveyor Equipment	130
Gamma Aerospace	CNC Machining	130
On The Border	Mexican Restaurant	125
B-Way Packaging	Producer of Injection Molded Plastic Buckets	120
RJ Carroll	Telecommunications Contractor	115
Pier 1 Distribution Center	Home Goods	112
Master Meter	Manufactuer of Water Meters	108
Southern Champion Tray	Manufacturer of Paperboard Folding Cartons	106
Champion	RV Manufacturer	105
R1	Medical Billing	100
Ramtech Building Systems	Manufacturer of Modular Office Buildings	100
LyondellBasell/Equistar Chemicals	Manufacturer of Plastic Polymers used in Auto Industry	93
Trinity Forge	Drop Forger	90
Hensley Attachments	Manufacturer of Excavator Buckets	87
Oldcastle Precast	Manufacturer of Concrete Utility Products	80
Sellmark	Outdoor Products Manufacturer & Distributor	77
Parker Hannifin	Manufacturer of Thermoplastic & Fluoropolymers	76
PCX Aerostructures	Manufacturer of Aeronautical Components	75
Lok-Mor	Manufacturer of Threaded Products	75
Martin Conveyor	Manufactuer of Screw Conveyors	72
Drill King	Manufacturer of Drill Bits	60
Paragon	Manufactuer of Plastic Bottles	60
American Carton	Cartons	56

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HISTORICAL EMPLOYMENT DATA (ANNUAL AVERAGE DATA) ⁽¹⁾

City of Mansfield	2019 ⁽²⁾	2018	2017	2016	2015
Labor Force	37,479	36,957	36,038	34,046	33,176
Employed	36,254	35,758	34,823	32,845	32,042
Unemployed	1,225	1,199	1,215	1,201	1,134
% Unemployment	3.3%	3.2%	3.4%	3.5%	3.4%

Tarrant County	2019 ⁽²⁾	2018	2017	2016	2015
Labor Force	1,076,042	1,062,733	1,037,441	1,011,580	992,292
Employed	1,039,858	1,025,619	998,810	971,375	951,071
Unemployed	36,184	37,114	38,631	40,205	41,221
% Unemployment	3.4%	3.5%	3.7%	4.0%	4.2%

(1) Source: Texas Employment Commission.

(2) Through August 2019.

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 145 and 95 persons, respectively. Emergency ambulance service is also offered. Park and recreation facilities include 18 City parks consisting of 917 acres, 14 playgrounds, 30 athletic fields and over nine 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 24 elementary schools with grades pre-kindergarten through 4; six intermediate schools with grades 5 and 6; one STEM Academy, six middle schools for grades 7 and 8; five high schools, with grades 9 through 12; one high school with grades 11 and 12; one career & technology academy and one alternative school campus. Current enrollment for the District is approximately 34,309. The District employs a total of 4,590 personnel, of which 2,223 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	
2015	63	\$ 102,367,778	314	\$ 147,302,936	\$ 249,670,714
2016	55	73,855,151	396	185,334,922	259,190,073
2017	38	61,880,960	412	144,216,289	206,097,249
2018	44	92,342,272	598	231,982,881	324,325,153
2019 ⁽¹⁾	45	68,079,866	471	162,391,591	230,471,457

(1) As of September 2019.

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 & 2	29	1.5	90
Cypress Crossing	59	1.5	182
Dove Chase Ph 1	21	1.0	65
Five Oaks Crossing Ph 1 & 2	7	0.5	22
Garden Heights Phs 1 - 4	52	2.5	161
Knightsbridge	6	0.5	19
Ladera (condominiums) Ph 1 & 2	78	3.0	241
Manchester Heights Ph 1	10	5.0	31
Mill Valley	187	5.0	578
Pemberley Estates, Ph 1	3	0.5	9
Somerset Ph 1	71	3.5	219
Southpointe, Phs 1A, 1B, 2 & 3	345	8.0	1,066
Spring Lake Estates, Ph 2	7	0.5	22
Total	<u>875</u>		<u>2,705</u>

Estimate of Preliminary Platted Residential Lots for Future

Development	Number of Lots to be Developed	Total Projected Population
Bower Ranch, Ph 3	86	266
Dove Chase, Ph 2	106	328
Lone Star Heights	50	155
Lone Star Ranch, Ph 3	69	213
The Oak Reserve	149	460
Pemberely Estates, Ph 2	85	263
Queensgate	36	111
Riverwalk	90	278
Rockwood Addition	440	1,360
Seeton Estates	66	204
Somerset Addition, Phs 2	376	1,162
Somerset Addition, Phs 3 & 4	408	1,261
Southpointe, Ph 6A	46	142
Southpointe, Phs. 4, 5, 7, 8A, & 8B	691	2,135
Sunset Crossing	54	167
Triple Diamond Ranch	176	544
The View at the Reserve	346	1,069
	<u>3,274</u>	<u>10,118</u>

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Estimate of Platted Commercial and Industrial Acreage Available for Development

<u>Development</u>	<u>Number of Acres</u>	<u>Uses</u>
Broad Street Medical Add.	1.700	Office/Commercial
Cannon Professional Plaza	4.860	Office
Community of Hope Add.	5.310	Retail
Creeside Plaza	3.290	Office
Enclave, The	2.760	Office
Fountainview Center	2.630	Office
Golden Acres	3.210	Retail/Commercial
Heritage Industrial Park	71.250	Commercial/Industrial
Heritage Estates	2.770	Retail/Commercial
Highland Heights	13.380	Office/Commercial
Hillcrest Addition	30.140	Commercial/Industrial
Hillcrest Business Park	1.940	Commercial/Industrial
Jacob Back Addition	1.150	Retail/Commercial
J.M. Thomas	1.360	Retail/Commercial
Knapp Sisters Business Park	3.290	Retail/Commercial
Legends Mansfield Addition	2.540	Retail/Commercial
Mansfield 287 Addition	1.510	Retail/Commercial
Mansfield Debbie Lane Addition	1.270	Retail/Commercial
Mansfield Hospital Addition	0.690	Retail/Commercial
Mansfield Industrial Park East	2.860	Commercial/Industrial
Mansfield Marketplace	0.710	Retail/Commercial
Mansfield Medical Plaza	6.270	Office
Mansfield Town Center East	5.330	Retail/Commercial
Mansfield Town Center West	8.070	Retail/Commercial
McCaslin Business Park	13.594	Commercial/Industrial
Ritter-Meehan No. 1 Addition	3.360	Retail/Commercial
Nationwide Addition	0.980	Retail/Commercial
New Intermediate School South	11.000	Retail/Commercial
Sar Medical Plaza	4.430	Office
Sentry Industrial Park	16.240	Heavy Industrial
Stadium Plaza	4.870	Commercial/Automotive
Steadfast Heritage Center	3.170	Commercial/Industrial
The Shops at Broad Street	13.280	Retail/Commercial
TSC Addition	4.440	Commercial/Industrial
Tuscany at Walnut Creek	1.720	Office/Commercial
Village Off Broadway	10.000	Retail/Commercial
Walnut Creek Corner	4.460	Retail/Commercial
Walnut Creek Village Ph 2	1.630	Retail/Automotive
Weatherford Addition	1.570	Retail/Commercial
Total	<u>273.03</u>	

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APPENDIX B

EXCERPTS FROM THE
CITY OF MANSFIELD, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2018

The information contained in this Appendix consists of excerpts from the City of Mansfield, Texas Annual Financial Report for the Year Ended September 30, 2018, 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 1400
2323 Ross Avenue
Dallas, TX 75201-2721

Independent Auditors' Report

The Honorable Mayor and Members of the City Council
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, 2018, 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 *Governmental 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.

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, 2018, 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 financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The October 1, 2017 beginning net position has been restated for the retrospective application of this new accounting guidance. Our opinions are not modified with respect to this matter.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 and capital assets used in the operation of governmental funds schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 and capital assets used in the operation of governmental funds schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2019 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 solely 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
March 21, 2019



Management's Discussion and Analysis

As management of the City of Mansfield, Texas (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, 2018. 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 and deferred outflows less its liabilities and deferred inflows at the close of the City's fiscal year is approximately \$448 million.
- The City recognized approximately \$159 million in revenue from various sources of taxes, services, and capital contributions and recognized approximately \$127 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 approximately \$57 million. Approximately 29% of this \$57 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 approximately \$17 million or 31% of total general fund expenditures.
- The City's total debt obligations increased by \$11.72 million (5.15%) during the current fiscal year. This is from approximately \$28.3 million in new bond proceeds offset by \$16.6 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:

Certificates of Obligation of \$15.960 million for the purpose of street improvements and other public purposes.

Sales Tax Revenue Improvement Bonds of \$3.785 million for the purpose of constructing a public recreational facility.

Sales Tax Revenue Improvement Bonds of \$2.325 million for the purpose of constructing an administrative facility.

Sales Tax Revenue Improvement Bonds of \$6.200 million for the purpose of land acquisition and infrastructure improvements.

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 and deferred outflows of resources less liabilities and deferred inflows of resources 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. The City has a public improvement district - South Pointe Public Improvement District. The City established the public improvement district for the purpose of maintaining public improvements on approximately 873 acres in the TIRZ number one area. An annual assessment will fund the public improvement district.

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 12 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 Number 1, all of which are considered to be major funds. Data from the other 7 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 notes to the required supplementary information.

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 \$448,113,271 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (89.89%) 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	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other	\$ 69,318,983	\$ 61,369,005	\$ 48,975,014	\$ 45,118,590	\$118,293,997	\$106,487,595
Capital	424,290,267	403,539,846	198,684,457	191,690,019	622,974,724	595,229,865
Total assets	493,609,250	464,908,851	247,659,471	236,808,609	741,268,721	701,717,460
Deferred outflows:	9,948,826	11,023,885	5,373,449	6,003,796	14,872,275	17,027,681
Liabilities:						
Long-Term	227,281,180	192,759,078	62,733,505	58,750,646	290,014,685	251,509,724
Other	7,721,895	8,494,700	3,588,917	3,629,019	11,310,812	12,123,719
Total liabilities	235,003,075	201,253,778	66,322,422	62,379,665	301,325,497	263,633,443
Deferred inflows:	5,308,215	1,841,202	1,394,013	141,639	6,702,228	1,982,841
Net investment in capital assets	247,101,905	238,473,191	155,722,327	144,312,984	402,824,232	382,786,175
Restricted	36,285,740	32,960,033	13,197,895	12,841,972	49,483,635	45,802,005
Unrestricted	(20,590,859)	1,404,532	16,396,263	23,136,145	(4,194,596)	24,540,677
Total net position	\$262,796,786	\$272,837,756	\$185,316,485	\$180,291,101	\$448,113,271	\$453,128,857

As of September 30, 2018, a portion of the City's net position, \$49,483,635 or 11.04% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position of (\$4,194,596) is unavailable for use as this amount represents current and future uses of unrestricted assets. The current use and future use of assets, deficit balance, occurred from the implementation of the Government Accounting Standards Board's guidance on postemployment benefits. Total net position of the City is \$448,113,271.

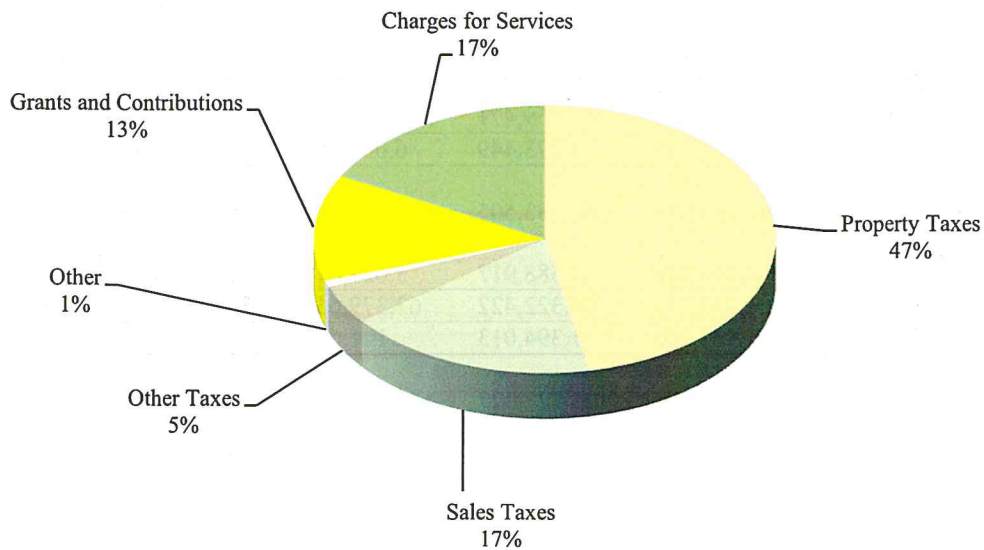
City's Changes in Net Position

	Governmental Activities		Business Activities		Total	
	2018	2017	2018	2017	2018	2017
Beg - Net Position (adjusted)	\$247,216,976	\$268,951,844	\$169,310,140	\$170,388,237	\$416,527,116	\$439,340,081
Revenues	\$98,935,123	\$80,686,184	\$59,599,884	\$50,969,959	\$158,535,007	\$131,656,143
Expenses	84,945,120	78,360,384	42,003,732	39,745,433	126,948,852	118,105,817
Transfers, net	1,589,807	1,560,112	(1,589,807)	(1,321,662)	-	238,450
Net Change in Position	15,579,810	3,885,912	16,006,345	9,902,864	31,586,155	13,788,776
End - Net Position	\$262,796,786	\$272,837,756	\$185,316,485	\$180,291,101	\$448,113,271	\$453,128,857

Governmental Activities

City governmental activity revenue for fiscal year 2018 increased \$18.2 million from fiscal year 2017. Revenues in fiscal year 2017 were \$80.7 million compared to this fiscal year revenue of \$98.9 million. The increases were from new property taxes from new development, sales taxes, capital grants and better than expected collections from other revenues. Most of these increases were modest increases over prior year and primarily related to the improvements in the overall economy and the growth in the City's property improvements from the fiscal year ended 2018.

Governmental Activities - Revenues by Source for fiscal year ending 2018



Expenses in fiscal year 2018 compared to expenses in fiscal year 2017 increased by 8.40% or \$6.6 million. The demand for services increased expenditures in fiscal 2018 compared to prior year. The increases: legal services, infrastructure costs and public safety have been a priority of the administration in recent years. The increases occurred in public safety primarily due to added new personnel and this department represents the greatest number of employees working for the City. The increase in public works 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 2018, the City recognized \$11.5 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 \$2.4 million in maintenance and repairs on its 590 plus miles of linear streets.

This year the City recognized \$6.6 million in interest, amortization and associated issuance costs. 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.

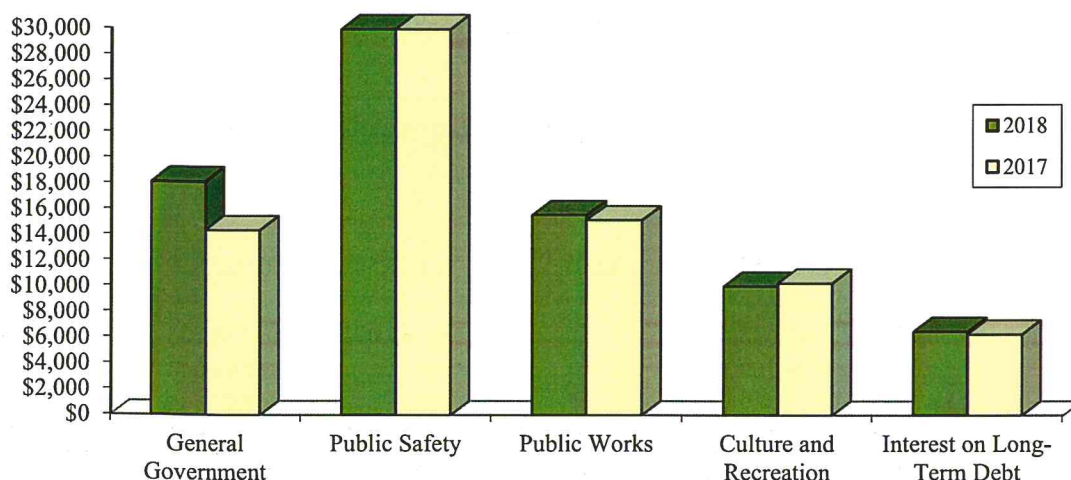
This fiscal year, the Governmental activities increased the City's net position by \$15.6 million which is an increase of \$11.7 million over the prior year. The increase in the City net position primarily occurred because of an increase in capital contributions received by the City in the amount of \$8.8 million, an increase in all tax categories collected of \$6.0 million, an increase in charges for services of \$3.2 million, and an increase in expenditures of \$6.6 million.

City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES -						
Program Revenues:						
Charges for Services	\$17,039,875	\$13,762,203	\$55,327,502	\$49,088,304	\$72,367,377	\$62,850,507
Operating grants and Contributions	537,571	744,621	-	-	537,571	744,621
Capital Grants and Contributions	12,138,654	3,357,730	3,900,175	1,647,585	16,038,829	5,005,315
General Revenues:						
Property taxes	46,358,223	41,638,465	-	63,091	46,358,223	41,701,556
Sales taxes	17,397,040	16,200,158	-	-	17,397,040	16,200,158
Other taxes	4,667,455	4,582,952	-	-	4,667,455	4,582,952
Other	796,305	400,055	372,207	170,979	1,168,512	571,034
Total Revenues	98,935,123	80,686,184	59,599,884	50,969,959	158,535,007	131,656,143
EXPENSES -						
General government	18,218,204	14,432,936	-	-	18,218,204	14,432,936
Public safety	34,407,383	31,997,593	-	-	34,407,383	31,997,593
Public works	15,647,044	15,236,701	-	-	15,647,044	15,236,701
Culture and recreation	10,104,737	10,348,391	-	-	10,104,737	10,348,391
Interest on debt	6,567,752	6,344,763	-	-	6,567,752	6,344,763
Water and Sewer	-	-	29,153,375	26,649,517	29,153,375	26,649,517
Law Enforcement	-	-	11,509,861	11,885,817	11,509,861	11,885,817
Drainage	-	-	1,340,496	1,210,099	1,340,496	1,210,099
Total Expenses	84,945,120	78,360,384	42,003,732	39,745,433	126,948,852	118,105,817
Before transfers	13,990,003	2,325,800	17,596,152	11,224,526	31,586,155	13,550,326
TRANSFERS, net	1,589,807	1,560,112	(1,589,807)	(1,321,662)	-	238,450
Change in net position	15,579,810	3,885,912	16,006,345	9,902,864	31,586,155	13,788,776
NET POSITION,						
Beginning, adjusted	247,216,976	268,951,844	169,310,140	170,388,237	416,527,116	439,340,081
Ending	\$262,796,786	\$272,837,756	\$185,316,485	\$180,291,101	\$448,113,271	\$453,128,857

Beginning fiscal year 2018, net position was restated as required by Government Accounting Standards Board, Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The Standard states that the City is required to restate its beginning net positions as it reports the Net and Total OPEB obligations for the prior year. The adjustment reflects the restatement and the effect on the City's net position. The Governmental Accounting Standards Board issued Statement No. 75 and declared it effective for government reporting bodies. The required effective date for implementing this new reporting standard for the City is fiscal year 2018.

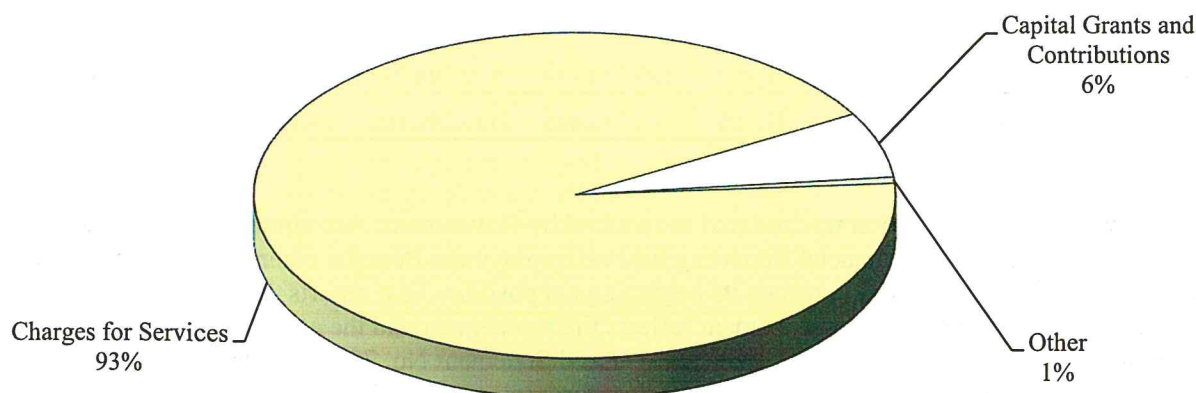
Governmental Activities – Expenses (in thousands)



Business-Type Activities

Revenues exceeded expenses for the City's business-type activities in fiscal year 2018. Total revenues including capital contributions were approximately \$59.6 million and total expenses including interest expense were approximately \$42.0 million while equity transfers were approximately \$1.6 million which added approximately \$16.0 million to the Business-Type's net financial position. This, netted with a prior period adjustment of approximately \$11.0 million, increased the net position before adjustment of the business-type activities from approximately \$180.3 million to approximately \$185.3 million by the end of fiscal year 2018.

Business-Type Activities – Revenues by Source for fiscal year ending 2018



Comparatively, Business-Type Revenues exceeded prior year Business-Type Revenues by 16.93% or \$8.6 million. Revenues including capital contributions for fiscal year 2018 were approximately \$59.6 million and revenues including capital contributions for fiscal year 2017 were approximately \$51.0 million. Expenses including interest for fiscal year 2018 were approximately \$42.0 million before equity transfers of approximately \$1.6 million and expenses including interest expense for fiscal year 2017 were approximately

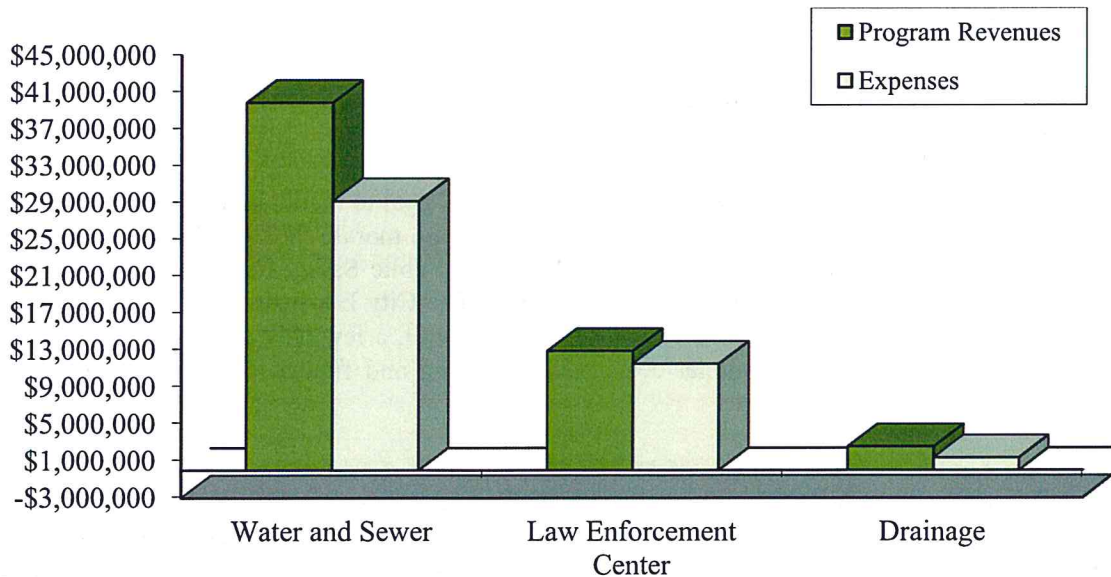
\$39.7 million before equity transfers of approximately \$1.3 million. The increase in net position was primarily the result of the activity of the City’s Water & Sewer Fund as the financial results of the City’s other Business-Type Funds, Law Enforcement Center Fund, and Drainage Utility Fund, for fiscal year 2018 was five 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 2018, developers contributed public improvements or assets of \$3.9 million. 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 which are conveyed to the City as the developer finishes 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 - Program Revenues and Expenses for fiscal year ending 2018



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 \$57,335,695, an increase of \$7,679,189 in comparison with the prior year. The majority of the increase is from the borrowing of bond proceeds that were used to construct infrastructure and purchase equipment. Approximately 29.05% or \$16,660,193 of the ending fund balance of \$57,335,695 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) debt service or for future construction contracts, \$36,244,282; 2) for committed purposes, \$4,239,503, such as park improvements; and 3) for assigned purposes, \$191,717, such as capital improvements and land acquisition.

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 \$17,028,977. 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 approximately 31% of total general fund expenditures for fiscal year 2018.

The City's General Fund unassigned fund balance and fund balance increased \$2,552,946 in fiscal year 2018. The key reasons for the increases are as follows:

- Actual revenues exceeded actual expenditures by \$885,465 in the general fund.
- 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 \$1,589,807 in fiscal year 2018.
- Other Sources of revenue included bond proceeds of \$1,038,206 for land acquisition of which approximately \$400,000 was a prior period purchase.
- 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 2018 and personnel costs were managed and funded based on demand for services.

The debt service fund has a fund balance of \$1,288,464, 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 \$665,887. 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 \$6,289,907 during fiscal year 2018. This fund's fund balance increased as a result of bonds issued and contributions received offset by construction payments of \$10,217,840 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. The fee generated \$2,377,696 in fiscal year 2018.

The building construction fund expended \$8,461,407 for the construction of the Stars Center recreational facilities. These facilities will add ice skating venues to the City's recreational programs.

TIRZ #1 spent \$623,340 for infrastructure improvements in the tax increment reinvestment zone.

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 \$21,905,411, for the Law Enforcement Center amounted to \$(8,345,431), and for the Drainage Utility Fund amounted to \$2,836,283. 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 2018, Water and Sewer revenue increased \$3,416,705 or 10.96%. The increase is attributable to new connects to the system in fiscal year 2017, and a water and sewer fee increase in fiscal year 2018. Weather influences the system's revenue. Fiscal year 2018 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 rainy 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 year without rain.
- During fiscal year 2018, the City distributed 4.9 billion gallons of water while billing customers for 4.7 billion gallons of water usage or 95.5% of the actual plant's production. In fiscal year 2017, the City billed for 4.1 billion gallons of water usage compared to actual plant production of 4.5 billion. Actual water and sewer revenue in fiscal year 2018 increased compared to fiscal year 2017. Actual water and sewer revenue in 2018 was \$34.6 million compared to \$31.2 million in fiscal 2017. Demand for water in fiscal year 2018 was consistent with demand for water in fiscal year 2017 even though the total number of customers increased year over year by 566 new accounts. The water and sewer activity of the business-type activities produced operating income of \$12.5 million for fiscal year 2018 as compared to \$10.4 million in fiscal year 2017.
- Unrestricted net position decreased in the Water and Sewer Fund by \$1,041,485. Operating expenses increased \$2,578,712 over last year, excluding depreciation. Operating expenses are controlled through the direct administration of personnel costs and variable costs, which are directly caused by consumers' demand for the water. The City spent \$5,287,257 for raw water in fiscal year 2018 compared to \$5,082,946 in fiscal year 2017, and the City spent \$6,862,364 to treat the City wastewater in fiscal 2018 compared to \$5,876,036 in fiscal year 2017. The cost for raw water increased year over year by \$204,311 while the cost to treat used water increased year over year by \$986,328.
- The Law Enforcement Center Fund had operating gain of \$1,420,699 this fiscal year. The operating gain is attributable to the increase in revenue from the Fort Worth contracts in fiscal year 2018. No transfers from the General Fund were made in fiscal year 2018 as transfers were made in fiscal year 2017.
- The Drainage Utility Fund revenue had operating income of \$1,358,947 this fiscal year. Drainage Fees were \$2,552,820 and operating expenses excluding depreciation were \$1,054,341.

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 \$558,029 for fiscal year ended 2018:

- Property Taxes were below budgeted estimates by \$1,336,726 as collections were less than anticipated. Property valuations improved year over year which has improved overall property tax revenue compared to prior year; however, collections were anticipated to be greater than actual collections.
- Sales Taxes exceeded budgeted projections by \$318,395 as the effects of the national economy loosened its hold on consumer spending in Mansfield, Texas, during fiscal 2018. New development occurred in 2018 that created new sales tax collections as well.
- Licenses and permits exceeded budgeted estimates by \$583,016. The City's building permit revenues were above expectations because of the economic recovery in the residential construction sector in the area; although the City's economy performed well during the great recession, development has generally improved in the area because the region has been improving.
- Intergovernmental revenue was unexpected grant revenue that was awarded to the City in fiscal year 2018. The grant revenue was received by the City in fiscal year 2018 and used for purpose of public safety.
- Charges for services exceeded budgeted estimates by \$1,023,963 as the majority of the better than expected revenue was derived from the collections of fees for trash services within the City.
- The most significant expenditure of the City was human capital. Management has been effective in maintaining the human capital costs of the organization. The bonds issued include reimbursement of a prior period land purchase. With the other financing sources and uses activity included with the operational activity, the City's revenue exceeded its expenditures for the fiscal year. The City was within the overall budget of \$57,490,840 inclusive of all financial activity for the fiscal year 2018.

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, 2018 amounts to \$622,974,724 (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	
	2018	2017	2018	2017	2018	2017
Land	\$101,730,579	\$100,908,564	\$2,271,603	\$2,045,523	\$104,002,182	\$102,954,087
Buildings and system	90,651,980	72,111,048	136,987,744	136,229,320	227,639,724	208,340,368
Improvements	11,681,322	6,684,582	2,335,119	2,382,642	14,016,441	9,067,224
Machinery and equipment	9,930,276	9,117,577	1,611,757	1,512,916	11,542,033	10,630,493
Infrastructure	190,194,825	174,677,980	42,091,192	39,348,135	232,286,017	214,026,115
Construction in progress	20,101,285	40,040,095	13,387,042	10,171,483	33,488,327	50,211,578
Total	<u>\$424,290,267</u>	<u>\$403,539,846</u>	<u>\$198,684,457</u>	<u>\$191,690,019</u>	<u>\$622,974,724</u>	<u>\$595,229,865</u>

Governmental Capital Assets

Roadway expansion and improvements remain a primary element of the City's public works program. In 2018, 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 \$115 million in new street improvements over the next 10 years.

Street projects in fiscal year 2018:

- The City began to improve North Main Street and continued improvement of Mouser Way. Other road improvements include the completion of Debbie Lane west of FM 157.
- Several small arterial streets are under construction and design throughout neighborhoods.
- In total, the City spent \$10,217,840 in street improvements and related work during fiscal year 2018.

Most of the capital assets that were added to construction in progress or the asset base of the City during fiscal year 2018 were planned or budgeted expenditures during fiscal year 2018. 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 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 19% of the City's more than \$78 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 had some improvements this year which were mostly related improving systems detention basins. The City has spent over \$7.5 million on the drainage improvements as of September 30, 2018.

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 \$239,450,000. Of this amount, \$134,445,000 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 \$26,775,000 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 2018
Security Instrument:				
Tax obligation bonds	\$ 133,905,000	\$ 540,000	\$ -	\$ 134,445,000
Sales tax revenue bonds	36,930,000	-	26,775,000	63,705,000
Revenue bonds	-	41,300,000	-	41,300,000
Total	<u>\$ 170,835,000</u>	<u>\$ 41,840,000</u>	<u>\$26,775,000</u>	<u>\$ 239,450,000</u>

The City's total debt increased \$11,720,000 or 5.15% during the current fiscal year. Key factors for the increase are from the issuance of additional bonds, which were offset by principal payments on existing outstanding debt. The City issued \$28,270,000 in new bonds proceeds. The City maintains bond ratings from three rating agencies:

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

For additional information on the City's debt obligations, see note III. H, of 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 2017/2018 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 \$117,930,544, per year could be raised before reaching the maximum allowable tax base on the current year's appraised net taxable value of \$6,588,298,531.

Economic Factors: Next Year's Budgets and Rates

The City Economy

- New residential construction is expected to add 984 units with approximately 443 single-family units in 2019. The City's tax year is one year in arrear; the housing starts in calendar year 2018 are for budget year or fiscal year 2020. The new development is expected to generate additional ad valorem tax for fiscal year 2020.
- The City's annual growth in property valuation has increased 6% annually on average for the past ten years. For fiscal years 2019 and 2020, the City's valuations are expected to increase 9.79% and 9.62%, respectively. Generally, the City has weathered the great recession and property valuations are expected to improve in fiscal 2019 and into 2020. The improvements are expected because of limited residential inventory, that the City is a good place to live as crime is low, that school ratings are fairly high, that 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 recently - over the last decade. The City is also seeing the continued demand for commercial development because of the significant discretionary spending ability of its residents and the relatively stable economy within the City.

- Sales tax revenue is expected to increase with the new residential development and will grow annually; like property valuations, the City has adjusted its projections of anticipated sales tax receipts in 2019 and 2020. The expected budgeted sales tax receipts in 2019 are anticipated to exceed actual collections of 2018 by 5%. Management is monitoring the collections of sales tax revenue and may modify projections into 2019 depending upon the overall economy.
- Retail developments continue into 2019 and 2020. The challenge has been the effect of the national economy and the ability of companies and businesses to obtain capital financing. The City has taken an aggressive position in continuing development in the City because of the support for continued retail development and the community's expectation of additional retail. 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 standards that require sustainable developments to assist in extending the asset life of the tax base into the future.
- Efforts have been made to revitalize the City's downtown. The area has suffered in past years from the lack of commerce and trade. The City has created a reinvestment zone to restore and generate new development in this area of the City. The City has purchased land and offered incentives to businesses for locating their new operations in the downtown area. The area is beginning to show signs of growth from the efforts and incentives.

These variables were considered in preparing the City's budget for the 2019 fiscal year.

The City's 2019 General Fund Operating Revenue Budget increased approximately 8% or \$4.8 million over the fiscal year 2018 budget. Most of this revenue growth was from new development in the City that generated additional property tax and sales tax revenue. The tax rate is \$0.71 per \$100 in assessed valuation of property within the City limits for fiscal year 2019. Any additional appropriations made during fiscal year 2019 will be offset through the management of the operating expenditures of the General Fund during the course of fiscal year 2019.

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 City of Mansfield, 1200 E. Broad Street, Mansfield, Texas 76063. Questions may also be directed to 817-276-4257.

City of Mansfield, Texas
Statement of Net Position
As of September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	MEDC
ASSETS				
Cash and cash equivalents and investments	\$ 62,232,633	\$ 28,797,705	\$ 91,030,338	\$ 1,307,794
Receivables (net of allowance for uncollectibles)	5,386,072	6,312,474	11,698,546	502,619
Lease receivable	1,700,278	-	1,700,278	-
Inventories	-	682,288	682,288	-
Restricted assets:				
Cash and cash equivalents and investments	-	13,182,547	13,182,547	7,006,013
Capital assets (net of accumulated depreciation):				
Land	101,730,579	2,271,603	104,002,182	12,325,640
Buildings and systems	90,651,980	136,987,744	227,639,724	-
Improvements other than buildings	11,681,322	2,335,119	14,016,441	94,028
Machinery and equipment	9,930,276	1,611,757	11,542,033	-
Infrastructure	190,194,825	42,091,192	232,286,017	-
Construction in progress	20,101,285	13,387,042	33,488,327	15,822,820
Subtotal capital assets	424,290,267	198,684,457	622,974,724	28,242,488
Total assets	493,609,250	247,659,471	741,268,721	37,058,914
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension contributions	3,089,869	1,109,854	4,199,723	49,519
Deferred OPEB contributions	1,765,257	672,929	2,438,186	14,477
Deferred assumption changes	56,711	20,373	77,084	913
Deferred actuarial experience	1,633,349	584,821	2,218,170	24,833
Deferred loss on refunding	2,953,640	2,985,472	5,939,112	148,163
Total deferred outflows of resources	9,498,826	5,373,449	14,872,275	237,905
LIABILITIES				
Accounts payable and other current liabilities	7,721,895	978,123	8,700,018	607,647
Liabilities payable from restricted assets	-	2,610,794	2,610,794	-
Noncurrent liabilities:				
Due within one year	14,022,681	5,152,859	19,175,540	1,678,088
Due in more than one year	173,419,531	42,692,393	216,111,924	26,146,412
Net pension liability	12,098,574	4,319,257	16,417,831	192,212
Net OPEB liability	26,990,959	10,299,773	37,290,732	217,548
Total OPEB liability	749,435	269,223	1,018,658	12,059
Total liabilities	235,003,075	66,322,422	301,325,497	28,853,966
DEFERRED INFLOWS OF RESOURCES				
Prepaid rent	1,493,333	-	1,493,333	-
Deferred assumption changes	1,078,995	407,347	1,486,342	10,889
Deferred investment gains	2,735,887	970,899	3,706,786	42,766
Deferred loss on refunding	-	15,767	15,767	-
Total deferred inflows of resources	5,308,215	1,394,013	6,702,228	53,655
NET POSITION				
Net investment in capital assets	247,101,905	155,722,327	402,824,232	7,285,749
Restricted for:				
Debt Service	1,005,773	3,845,371	4,851,144	224,224
Capital Projects	35,279,967	9,352,524	44,632,491	-
Unrestricted	(20,590,859)	16,396,263	(4,194,596)	879,225
Total net position	\$ 262,796,786	\$ 185,316,485	\$ 448,113,271	\$ 8,389,198

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

City of Mansfield, Texas
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			MEDC
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 18,218,204	\$ 6,553,166	\$ -	\$ -	\$ (11,665,038)	\$ -	\$ (11,665,038)	\$ -
Public safety	34,407,383	3,408,463	422,096	846,696	(29,730,128)	-	(29,730,128)	-
Public Works	15,647,044	4,403,292	-	11,291,958	48,206	-	48,206	-
Culture and recreation	10,104,737	2,674,954	115,475	-	(7,314,308)	-	(7,314,308)	-
Interest on long-term debt	6,567,752	-	-	-	(6,567,752)	-	(6,567,752)	-
Total governmental activities	84,945,120	17,039,875	537,571	12,138,654	(55,229,020)	-	(55,229,020)	-
Business-type activities:								
Water	21,169,172	27,274,662	-	1,971,834	-	8,077,324	8,077,324	-
Sewer	7,984,203	12,580,718	-	1,928,341	-	6,524,856	6,524,856	-
Law enforcement center	11,509,861	12,915,547	-	-	-	1,405,686	1,405,686	-
Drainage	1,340,496	2,556,575	-	-	-	1,216,079	1,216,079	-
Total business-type activities	42,003,732	55,327,502	-	3,900,175	-	17,223,945	17,223,945	-
Total primary government	126,948,852	\$ 72,367,377	\$ 537,571	\$ 16,038,829	\$ (55,229,020)	\$ 17,223,945	\$ (38,005,075)	\$ -
Component units:								
MEDC	6,179,330	39,876	-	-	-	-	-	(6,139,454)
Total component units	6,179,330	\$ 39,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,139,454)
General revenues:								
Property taxes					46,358,223	-	46,358,223	-
Sales taxes					17,397,040	-	17,397,040	5,799,013
Franchise taxes					3,721,772	-	3,721,772	-
Mixed drink taxes					199,869	-	199,869	-
Hotel/Motel taxes					745,814	-	745,814	-
Unrestricted investment earnings					599,566	386,366	985,932	107,220
Gas royalty income					179,493	-	179,493	-
Gain/(loss) on sale of capital assets					17,246	(14,159)	3,087	-
Transfers					1,589,807	(1,589,807)	-	-
Total general revenues					70,808,830	(1,217,600)	69,591,230	5,906,233
Change in net position					15,579,810	16,006,345	31,586,155	(233,221)
Net position beginning					272,837,756	180,291,101	453,128,857	8,912,655
Prior period adjustment					(25,620,780)	(10,980,961)	(36,601,741)	(290,236)
Net position beginning as adjusted					247,216,976	169,310,140	416,527,116	8,622,419
Net position ending					\$ 262,796,786	\$ 185,316,485	\$ 448,113,271	\$ 8,389,198

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

City of Mansfield, Texas
Balance Sheet
Governmental Funds
As of September 30, 2018

	General	Debt Service	Street Construction	Building Construction	TIRZ #1	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash, cash equivalents, and investments	\$ 16,579,215	\$ 1,289,194	\$ 25,464,130	\$ 2,327,919	\$ 2,991,712	\$ 13,580,463	\$ 62,232,633
Receivables (net of allowance for uncollectibles)	3,213,895	101,906	857,326	-	24,582	1,188,363	5,386,072
Due from other funds	579,251	-	-	-	-	-	579,251
Total assets	<u>\$ 20,372,361</u>	<u>\$ 1,391,100</u>	<u>\$ 26,321,456</u>	<u>\$ 2,327,919</u>	<u>\$ 3,016,294</u>	<u>\$ 14,768,826</u>	<u>\$ 68,197,956</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,147,283	\$ -	\$ 654,928	\$ 82,756	\$ 867,573	760,759	3,513,299
Due to other funds	-	-	-	21,241	-	558,010	579,251
Accrued liabilities	1,503,168	-	7,268	-	-	1,034,981	2,545,417
Retainage payable	-	-	296,958	241,811	-	212,394	751,163
Unearned revenue	683,497	102,636	-	-	-	1,830,866	2,616,999
Total liabilities	<u>3,333,948</u>	<u>102,636</u>	<u>959,154</u>	<u>345,808</u>	<u>867,573</u>	<u>4,397,010</u>	<u>10,006,129</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable grants	9,436	-	846,696	-	-	-	856,132
Total deferred inflows of resources	<u>9,436</u>	<u>-</u>	<u>846,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>856,132</u>
Fund balances:							
Restricted	-	1,288,464	24,515,606	1,982,111	2,148,721	6,309,380	36,244,282
Committed	-	-	-	-	-	4,239,503	4,239,503
Assigned	-	-	-	-	-	191,717	191,717
Unassigned	17,028,977	-	-	-	-	(368,784)	16,660,193
Total fund balances	<u>17,028,977</u>	<u>1,288,464</u>	<u>24,515,606</u>	<u>1,982,111</u>	<u>2,148,721</u>	<u>10,371,816</u>	<u>57,335,695</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,372,361</u>	<u>\$ 1,391,100</u>	<u>\$ 25,474,760</u>	<u>\$ 2,327,919</u>	<u>\$ 3,016,294</u>	<u>\$ 14,768,826</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.	424,290,267
Lease receivables in the governmental activities are not financial resources and, therefore, are not reported in the funds.	1,700,278
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,975,656
Long-term liabilities, including bonds payable and pension expense, are not due and payable in the current period and therefore are not reported in the funds	<u>(222,505,110)</u>
Net position of governmental activities	<u>\$ 262,796,786</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, 2018

	General	Debt Service	Street Construction	Building Construction	TIRZ #1	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	\$ 29,975,619	\$ 15,316,478	\$ -	\$ -	\$ 891,415	\$ 155,000	\$ 46,338,512
Sales	11,598,026	-	-	-	-	5,799,014	17,397,040
Franchise	3,721,772	-	-	-	-	-	3,721,772
Mixed drink	199,869	-	-	-	-	-	199,869
Hotel/motel	-	-	-	-	-	745,814	745,814
Licenses and permits	2,309,844	-	-	-	-	179,493	2,489,337
Intergovernmental	414,039	-	-	-	-	-	414,039
Charges for services	5,388,483	-	-	1,398,678	-	1,401,917	8,189,078
Fines	1,735,354	-	-	-	-	136,831	1,872,185
Interest earnings	281,448	6,628	166,744	22,617	21,906	100,223	599,566
Contributions and donations	-	-	-	-	-	114,096	114,096
Impact fees	-	-	2,377,696	-	-	907,250	3,284,946
Miscellaneous	974,502	-	10,632	-	-	179,588	1,164,722
Total revenues	<u>56,598,956</u>	<u>15,323,106</u>	<u>2,555,072</u>	<u>1,421,295</u>	<u>913,321</u>	<u>9,719,226</u>	<u>86,530,976</u>
EXPENDITURES							
Current:							
General government	14,728,798	-	-	-	623,340	1,462,369	16,814,507
Public safety	32,450,352	-	-	-	-	27,857	32,478,209
Public works	3,640,450	-	300,471	-	-	-	3,940,921
Culture and recreation	3,898,431	-	-	-	-	4,060,076	7,958,507
Debt service:							
Principal	-	9,330,000	-	-	-	1,315,000	10,645,000
Interest	-	5,303,669	-	-	-	1,172,721	6,476,390
Fiscal charges	-	10,550	-	-	-	3,022	13,572
Bond issuance cost	11,124	13,000	149,180	105,887	-	106,483	385,674
Capital outlay:							
Land	704,962	-	-	-	-	127,053	832,015
Highways and streets	-	-	10,217,840	-	-	-	10,217,840
Buildings	-	-	-	8,461,407	-	2,107,986	10,569,393
Improvements other than buildings	12,000	-	-	-	-	-	12,000
Equipment	267,374	-	-	-	-	1,141,505	1,408,879
Parks	-	-	-	-	-	1,831,655	1,831,655
Total expenditures	<u>55,713,491</u>	<u>14,657,219</u>	<u>10,667,491</u>	<u>8,567,294</u>	<u>623,340</u>	<u>13,355,727</u>	<u>103,584,562</u>
Excess (deficiency) of revenues over (under) expenditures	<u>885,465</u>	<u>665,887</u>	<u>(8,112,419)</u>	<u>(7,145,999)</u>	<u>289,981</u>	<u>(3,636,501)</u>	<u>(17,053,586)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,727,443	-	-	450,457	-	1,475,528	3,653,428
Transfers out	(1,161,085)	-	(364,900)	-	(137,636)	(400,000)	(2,063,621)
Sale of city property	-	-	-	-	-	23,699	23,699
Bonds issued	1,038,206	-	13,923,441	3,785,000	-	3,323,353	22,070,000
Premium on bonds issued	68,976	-	925,040	-	-	193,272	1,187,288
Discounts on bonds issued	(6,059)	-	(81,255)	(29,113)	-	(21,592)	(138,019)
Total other financing sources and uses	<u>1,667,481</u>	<u>-</u>	<u>14,402,326</u>	<u>4,206,344</u>	<u>(137,636)</u>	<u>4,594,260</u>	<u>24,732,775</u>
Net change in fund balances	<u>2,552,946</u>	<u>665,887</u>	<u>6,289,907</u>	<u>(2,939,655)</u>	<u>152,345</u>	<u>957,759</u>	<u>7,679,189</u>
Fund balances - beginning	<u>14,476,031</u>	<u>622,577</u>	<u>18,225,699</u>	<u>4,921,766</u>	<u>1,996,376</u>	<u>9,414,057</u>	<u>49,656,506</u>
Fund balances - ending	<u>\$ 17,028,977</u>	<u>\$ 1,288,464</u>	<u>\$ 24,515,606</u>	<u>\$ 1,982,111</u>	<u>\$ 2,148,721</u>	<u>\$ 10,371,816</u>	<u>\$ 57,335,695</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, 2018

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

Net change in fund balances total governmental funds	\$ 7,679,189
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.	9,464,914
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	11,285,505
Lease revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenue in the funds.	208,334
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	886,609
Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow until then. Deferred outflows are deferred pension contributions, deferred investment losses, deferred charges on refunding and deferred pension expenses.	(195,641)
Deferred inflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an inflow until then. Deferred inflows are deferred pension contributions	(5,871,293)
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 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. Also included is net pension liability which is the difference in Total Pension Liability less the Plan Fiduciary Net Position.	<u>(7,877,807)</u>
Changes in net position of governmental activities	<u>\$ 15,579,810</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, 2018

	Business-Type Activities Enterprise Funds			
	Water and Sewer	Law Enforcement Center	Drainage Utility	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 24,769,491	\$ 1,138,061	\$ 2,890,153	\$ 28,797,705
Accounts receivable (net of allowance for uncollectibles)	5,442,245	529,999	340,230	6,312,474
Inventories	662,383	19,905	-	682,288
Current assets	30,874,119	1,687,965	3,230,383	35,792,467
Current restricted assets:				
Cash and cash equivalents	12,974,914	119,671	87,962	13,182,547
Total current assets	43,849,033	1,807,636	3,318,345	48,975,014
Noncurrent assets:				
Capital assets:				
Land	186,976	234,528	1,850,099	2,271,603
Buildings and systems	227,723,705	7,363,784	7,641,872	242,729,361
Improvements other than buildings	62,818	2,688,591	-	2,751,409
Machinery and equipment	3,926,813	1,300,661	215,314	5,442,788
Construction in progress	13,387,042	-	-	13,387,042
Less accumulated depreciation	(61,039,892)	(5,551,708)	(1,306,146)	(67,897,746)
Total capital assets (net of accumulated depreciation)	184,247,462	6,035,856	8,401,139	198,684,457
Total noncurrent assets	184,247,462	6,035,856	8,401,139	198,684,457
Total assets	228,096,495	7,843,492	11,719,484	247,659,471
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension contributions	373,941	706,526	29,387	1,109,854
Deferred OPEB contributions	241,380	412,698	18,851	672,929
Deferred assumption changes	6,864	12,971	538	20,373
Deferred actuarial experience	194,291	374,986	15,544	584,821
Deferred loss on refunding	2,842,512	-	142,960	2,985,472
	3,658,988	1,507,181	207,280	5,373,449
LIABILITIES				
Current liabilities:				
Accounts payable	710,754	44,950	60,239	815,943
Compensated absences	182,754	330,656	9,986	523,396
Accrued liabilities	58,674	98,534	4,972	162,180
Current liabilities	952,182	474,140	75,197	1,501,519
Current liabilities payable from restricted assets:				
Customer deposits payable	1,516,488	3,362	-	1,519,850
Revenue bonds payable	4,156,960	-	422,503	4,579,463
Certificates of obligation payable	-	50,000	-	50,000
Accrued interest payable	811,208	2,614	-	813,822
Retainage payable	223,584	-	5,126	228,710
Accrued liabilities	4,947	25,503	17,962	48,412
Current liabilities payable from restricted assets	6,713,187	81,479	445,591	7,240,257
Total current liabilities	7,665,369	555,619	520,788	8,741,776
Noncurrent liabilities:				
Compensated absences	503,414	951,413	28,121	1,482,948
General obligation bonds payable (net of unamortized discounts)	-	487,098	-	487,098
Revenue bonds payable (net of deferred amount on refunding)	37,970,045	-	2,752,302	40,722,347
Total OPEB liability	90,703	171,408	7,112	269,223
Net OPEB liability	3,698,316	6,312,643	288,814	10,299,773
Net pension liability	1,551,133	2,702,256	65,868	4,319,257
Total noncurrent liabilities	43,813,611	10,624,818	3,142,217	57,580,646
Total liabilities	51,478,980	11,180,437	3,663,005	66,322,422
DEFERRED INFLOWS OF RESOURCES				
Deferred assumption changes	147,486	249,304	10,557	407,347
Deferred investment gains	285,727	650,547	34,625	970,899
Deferred loss on refunding	-	15,767	-	15,767
	433,213	915,618	45,182	1,394,013
NET POSITION (DEFICIT)				
Net investment in capital assets	144,962,965	5,482,992	5,276,370	155,722,327
Restricted for debt service	3,719,001	20,446	105,924	3,845,371
Restricted for capital projects	9,255,913	96,611	-	9,352,524
Unrestricted	21,905,411	(8,345,431)	2,836,283	16,396,263
Total net position	\$ 179,843,290	\$ (2,745,382)	\$ 8,218,577	\$ 185,316,485

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, 2018

	Business-type Activities		Enterprise Funds	
	Law			
	Water and Sewer	Enforcement Center	Drainage Utility	Total
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 22,008,371	\$ -	\$ -	\$ 22,008,371
Sewer charges	12,580,718	-	-	12,580,718
Drainage fees	-	-	2,552,820	2,552,820
Housing services	-	12,569,171	-	12,569,171
Other services	5,266,291	346,376	3,755	5,616,422
Total operating revenues	39,855,380	12,915,547	2,556,575	55,327,502
Operating expenses:				
Costs of sales and services	19,722,397	10,847,221	176,187	30,745,805
Administration	3,128,042	409,143	878,154	4,415,339
Depreciation	4,526,367	238,484	143,287	4,908,138
Total operating expenses	27,376,806	11,494,848	1,197,628	40,069,282
Operating income	12,478,574	1,420,699	1,358,947	15,258,220
Nonoperating revenues (expenses):				
Gain (loss) on sale of assets	-	(14,159)	-	(14,159)
Interest earnings	371,649	-	14,717	386,366
Interest expense	(1,776,569)	(15,013)	(142,868)	(1,934,450)
Total nonoperating revenue	(1,404,920)	(29,172)	(128,151)	(1,562,243)
Income (loss) before contributions and transfers	11,073,654	1,391,527	1,230,796	13,695,977
Capital contributions	3,900,175	-	-	3,900,175
Transfers out	(1,589,807)	-	-	(1,589,807)
Change in net position	13,384,022	1,391,527	1,230,796	16,006,345
Total net position - beginning	170,233,872	2,782,269	7,274,960	180,291,101
Prior period adjustment	(3,774,604)	(6,919,178)	(287,179)	(10,980,961)
Total net position - as restated	166,459,268	(4,136,909)	6,987,781	169,310,140
Total net position- ending	\$ 179,843,290	\$ (2,745,382)	\$ 8,218,577	\$ 185,316,485

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, 2018

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Law Enforcement Center	Drainage Utility Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customer and users	\$ 39,259,207	\$ 12,762,378	\$ 2,527,029	\$ 54,548,614
Payments to suppliers	(17,348,815)	(994,779)	(472,767)	(18,816,361)
Payments to employees	(5,968,581)	(10,831,189)	(494,429)	(17,294,199)
Net cash provided by operating activities	15,941,811	936,410	1,559,833	18,438,054
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to/from other funds	(1,589,807)	-	-	(1,589,807)
Net cash used in capital and related financing activities	(1,589,807)	-	-	(1,589,807)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(6,869,719)	(140,368)	(1,006,471)	(8,016,558)
Principal paid on capital debt	(4,000,000)	(45,000)	(405,000)	(4,450,000)
Interest paid on capital debt	(1,881,592)	(16,532)	(141,221)	(2,039,345)
Net cash used in capital and related financing activities	(12,751,311)	(201,900)	(1,552,692)	(14,505,903)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	371,649	-	14,717	386,366
Net cash provided by investing activities	371,649	-	14,717	386,366
Net increase in cash and cash equivalents	1,972,342	734,510	21,858	2,728,710
Cash and cash equivalents, October 1	35,772,063	523,222	2,956,257	39,251,542
Cash and cash equivalents, September 30 (including \$12,974,914; \$119,671; and \$87,962 for the Water and Sewer fund, Law Enforcement Center fund, and Drainage Utility fund, respectively, reported in restricted accounts)	\$ 37,744,405	\$ 1,257,732	\$ 2,978,115	\$ 41,980,252
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 12,478,574	\$ 1,420,699	\$ 1,358,947	\$ 15,258,220
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	4,526,367	238,484	143,287	4,908,138
(Increase) in accounts receivable	(664,833)	(153,169)	(29,546)	(847,548)
(Increase) in inventories	(284,645)	4,479	-	(280,166)
Increase (decrease) in accounts payable	(113,652)	(574,083)	87,145	(600,590)
Total adjustments	3,463,237	(484,289)	200,886	3,179,834
Net cash provided by operating activities	\$ 15,941,811	\$ 936,410	\$ 1,559,833	\$ 18,438,054
Noncash capital activities:				
Contributions of capital assets from developers	\$ 3,900,175	\$ -	\$ -	\$ 3,900,175

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, 2018

	<u>Agency</u>
ASSET	
Cash and cash equivalent	\$ 1,534,821
Total assets	<u>\$ 1,534,821</u>
 LIABILITIES	
Insurance payable	\$ 1,534,821
Total liabilities	<u>\$ 1,534,821</u>

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

CITY OF MANSFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 Accounting Pronouncements Implemented in Fiscal Year 2018

For fiscal year 2018, the City implemented the following statements issued by GASB.

GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The implementation of this Statement did not result in any significant changes to the City's financial statements.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. The effect of the Statement recognizes additional Deferred Outflows and Deferred Inflows on the Statement of Net Position along with additional note disclosures for other postemployment benefits.

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The primary objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for fiscal years beginning after December 15, 2016. The implementation of this Statement did not result in any significant changes to the City's financial statements.

In March 2016, the GASB issued Statement No. 82, Pension Issues – An Amendment of GASB No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That*

are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2017. The implementation of this Statement did not result in any significant changes to the City's 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 #1) - The City and the City's management maintain significant influence and management responsibility in the approval of programs, expenditures, and obligations of the TIRZ #1. The TIRZ #1 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 #1 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 #1 as it is a 3,100-acre tract of land that is in three Counties. The TIRZ #1 does not issue separate financial statements, as the TIRZ #1 is included as a major fund of the City. The TIRZ #1 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 #1, which are owned and maintained by the City.

Mansfield Tax Increment Financing Reinvestment Zone Number Two (TIRZ #2) - The City and the City's management maintain significant influence and responsibility in the approval of programs, expenditures, and obligations of the TIRZ #2. The TIRZ #2 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 #2 was established to revitalize the City's Historic Downtown area, which includes 317 developed acres. The TIRZ #2 does not issue separate financial statements, as the TIRZ #2 is included as a non-major fund of the City. The TIRZ #2 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 #2, which will be owned and maintained by the City.

South Pointe Public Improvement District - The City established a public improvement district for the purpose of maintaining public improvements on approximately 873 acres in the TIRZ number one area.

An annual assessment will fund the public improvement district. There was no financial activity for fiscal year 2017.

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 #1 fund. The major enterprise funds are the water and sewer fund, the law enforcement center fund, and the drainage utility fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds along with other qualitative factors. The 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 \$3,900,175 are recorded as non-operating revenue in the water and sewer fund financial statements. These amounts represent revenues from non-exchange 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 \$11,291,958.

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 2018, 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 capital assets are recorded at acquisition cost at 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 2018.

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 six items that qualify for this category. Deferred pension/OPEB contributions relate to contributions made by the City after the measurement date so they are deferred and recognized in the upcoming fiscal year. Deferred investment gains/losses are the differences in the projected and actual earnings on the pension/OPEB assets. This difference is deferred and amortized over a closed five year period. Deferred actuarial expense is the difference in the expected and actual pension experience. This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date. Deferred assumption changes are differences arising from a change in actuarial assumptions and are deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date. Deferred loss on refunding are the differences in carrying value of the refunded debt compared to its acquisition price. This difference is deferred and amortized over the remaining life of the refunded debt. Unavailable revenue is only reported 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.

This separate financial statement element, deferred inflows of resources is used to report revenues of 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. Deferred pension contribution is the difference in assumption changes or actuarial gains or losses. This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

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, 2018, the liability for accrued vacation was \$9,370,861. The amount applicable to the Proprietary Funds of \$2,006,344 and the MEDC of \$64,305 have been recorded in these funds, and the amount applicable to other funds of \$7,300,212 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, 2018, 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 60 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. Net pension liability is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit plan. Net OPEB/total OPEB liabilities are the liabilities of postemployment benefits provided to employees separately from a pension plan. Net OPEB liabilities are funded through an irrevocable trust while total OPEB liabilities are not.

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. 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 Deputy City Manager 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 non-spendable 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 the expenditure is incurred for purposes for which an amount in the committed, assigned, or unassigned amounts could be used. The City considers expenditures 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 the 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 #1	Other Governmental Funds	Total Governmental Funds
Fund balances:							
Restricted:							
Debt service reserve	-	1,288,464	-	-	-	-	1,288,464
Parks debt service reserve	-	-	-	-	-	522,547	522,547
Street construction/improvements	-	-	24,515,606	-	-	-	24,515,606
Municipal building improvements	-	-	-	1,982,111	-	-	1,982,111
Parks and recreation	-	-	-	-	-	3,489,702	3,489,702
Parks capital improvements	-	-	-	-	-	1,078,095	1,078,095
Other capital projects	-	-	-	-	2,148,721	-	2,148,721
Equipment /other purposes	-	-	-	-	-	1,177,770	1,177,770
Court seizure fund	-	-	-	-	-	28,566	28,566
Public infrastructure	-	-	-	-	-	12,700	12,700
Committed:							
Tree mitigation	-	-	-	-	-	26,890	26,890
Parks and recreation	-	-	-	-	-	2,822,784	2,822,784
Tourism promotion	-	-	-	-	-	955,484	955,484
Court security and technology	-	-	-	-	-	366,343	366,343
Animal control	-	-	-	-	-	68,002	68,002
Assigned:							
COPS Grant	-	-	-	-	-	102,101	102,101
Library	-	-	-	-	-	89,616	89,616
Unassigned:	17,028,977	-	-	-	-	(368,784)	16,660,193
Total fund balances	<u>17,028,977</u>	<u>1,288,464</u>	<u>24,515,606</u>	<u>1,982,111</u>	<u>2,148,721</u>	<u>10,371,816</u>	<u>57,335,695</u>

The deficit fund balance in TIRZ #2, included in other governmental funds, will be satisfied with future TIRZ fund revenues or a subsidy from the General Fund.

13. 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 \$222,505,110 difference are as follows:

Bonds payable	170,835,000
Premium on issuance of bonds	10,300,959
Discounts on issuance of bonds	(993,959)
Deferred loss on refunding	(2,953,640)
Accrued interest payable	907,874
Compensated absences	7,300,212
Deferred pension contributions	(3,089,869)
Deferred OPEB contributions	(1,765,257)
Deferred investment losses	(2,405,981)
Deferred assumption changes	(56,711)
Net pension liability	12,098,574
Net OPEB liability	26,990,959
Total OPEB liability	749,435
Deferred pension expense	(1,633,349)
Deferred assumption changes	1,078,995
Deferred investment gains	5,141,868
Net adjustment to reduce fund balance – total governmental funds to arrive at net position– governmental activities	<u>\$222,505,110</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 \$9,464,914 difference are as follows:

Capital outlay	\$24,871,782
Depreciation expense	<u>(15,406,868)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 9,464,914</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 \$11,285,505 difference is as follows:

Net adjustment to increase changes in fund balances – total government funds to arrive at changes in net position of governmental activities	<u>\$ 11,285,505</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 \$208,334 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. \$208,334

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds”. The \$886,609 difference is as follows:

The governmental funds defer revenue related to uncollected receivables. However, in the statement of activities, this is recognized in the current period. \$ 886,609

Another element of that reconciliation states that “deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow until then.” Deferred outflows are deferred pension contributions, deferred investment losses, deferred charges on refunding and deferred pension expenses. The details of this (\$195,641) difference are as follows:

Changes in deferred pension contributions	\$ 234,333
Changes in deferred OPEB contributions	697,062
Changes in deferred investment losses	(1,169,796)
Changes in deferred actuarial expense	298,589
Changes in deferred assumption changes	56,711
Changes in deferred loss on refunding	<u>(312,540)</u>

Net adjustment to increase net changes in fund balances – total
governmental funds to arrive at changes in net position of governmental
activities \$ (195,641)

Another element of that reconciliation states that “deferred inflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an inflow until then.” Deferred inflows are deferred pension contributions, and deferred rent. The details of this (\$5,871,293) difference are as follows:

Changes in deferred investment gains	(\$5,133,500)
Changes in deferred assumption changes	<u>(737,793)</u>

Net adjustment to decrease net changes in fund balances – total
governmental funds to arrive at changes in net position of governmental
activities \$ (5,871,293)

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 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 \$(7,877,807) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$(15,960,000)
Issuance of sales tax revenue bonds	<u>(6,110,000)</u>

Premium on issuance of bonds	(1,187,288)
Discounts on issuance of bonds	138,019
Accrued interest payable	(44,680)
Amortization of premiums/discounts	665,104
Compensated absences	(439,289)
Principal payments or payments to escrow agent	10,645,000
Change in net pension liability	5,466,745
Change in net OPEB liability	(934,820)
Change in total OPEB liability	<u>(116,598)</u>

Net adjustment to decrease net changes in fund balances – total
governmental funds to arrive at changes in net position of governmental
activities \$ (7,877,807)

III. Detailed Notes on All Funds

A. Deposits and Investments

As of September 30, 2018, the primary government had cash and cash equivalents of \$40,710,055 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>\$63,502,830</u>	<u>0.08</u>

As of September 30, 2018, the Mansfield Economic Development Corporation had cash and cash equivalents of \$3,950,186 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>4,363,621</u>	<u>0.08</u>

Money market accounts are marketable securities in active markets that have observable inputs and prices.

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, 2018, 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, 2018, the City’s investments are held in Bank of America Merrill Lynch Money Market Mutual Fund; and TexStar Participant Services. These investments are 35.95%; and 63.38% 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, 2018 consisted of the following:

	Governmental Funds					
	General	Debt Service	Street Construction	TIRZ #1	Non-major	Total
Receivables:						
Property Taxes	\$983,228	\$488,118	\$ -	\$ -	\$ -	\$1,471,346
Accounts	9,219,879	-	857,326	24,582	1,188,363	11,290,150
Gross Receivables	10,203,107	488,118	857,326	24,582	1,188,363	12,761,496
Less: Allowance for						
Uncollectible	(6,989,212)	(386,212)	-	-	-	(7,375,424)
Net Total Receivables	\$3,213,895	\$101,906	\$857,326	\$24,582	\$1,188,363	\$5,386,072

	Proprietary Funds			
	Water & Sewer	Law Enforcement	Drainage Utility	Total
Receivables:				
Accounts	\$6,402,999	\$529,999	\$ 408,587	\$7,341,585
Other	148,645	-	-	148,645
Gross Receivables	6,551,644	529,999	408,587	7,490,230
Less: Allowance for Uncollectible	(1,109,399)	-	(68,357)	(1,177,756)
Net Total Receivables	<u>\$5,442,245</u>	<u>\$529,999</u>	<u>\$340,230</u>	<u>\$6,312,474</u>

The MEDC has a receivable in the amount of \$502,619 as of September 30, 2018.

C. Capital Assets

Capital asset activity for the year ended September 30, 2018 is as follows:

Governmental activities:	Sept 30, 2017	Increases	Decreases	Sept 30, 2018
Capital assets, not being depreciated:				
Land	\$ 100,908,564	\$ 822,015	\$ -	\$ 101,730,579
Construction in progress	40,040,095	24,049,767	(43,988,577)	20,101,285
Total capital assets, not being depreciated	<u>140,948,659</u>	<u>24,871,782</u>	<u>(43,988,577)</u>	<u>121,831,864</u>
Capital assets, being depreciated:				
Buildings	84,738,073	19,782,609	-	104,520,682
Other improvements	21,019,625	6,741,195	-	27,760,820
Machinery and equipment	26,326,942	1,729,727	(315,545)	27,741,124
Infrastructure	<u>356,658,071</u>	<u>27,027,005</u>	<u>-</u>	<u>383,685,076</u>
Total capital assets, being depreciated	<u>488,742,711</u>	<u>55,280,536</u>	<u>(315,545)</u>	<u>543,707,702</u>
Less accumulated depreciation for:				
Buildings	(12,627,025)	(1,241,677)	-	(13,868,702)
Other improvements	(14,335,043)	(1,744,455)	-	(16,079,498)
Machinery and equipment	(17,209,365)	(910,577)	309,094	(17,810,848)
Infrastructure	<u>(181,980,091)</u>	<u>(11,510,160)</u>	<u>-</u>	<u>(193,490,251)</u>
Total accumulated depreciation	<u>(226,151,524)</u>	<u>(15,406,869)</u>	<u>309,094</u>	<u>(241,249,299)</u>
Total capital assets being depreciated, net	<u>262,591,187</u>	<u>39,873,667</u>	<u>(6,451)</u>	<u>302,458,403</u>
Governmental activities capital assets, net	<u>\$ 403,539,846</u>	<u>\$ 64,745,449</u>	<u>\$ (43,995,028)</u>	<u>\$ 424,290,267</u>

Business-type activities:	Sept 30, 2017	Increases	Decreases	Sept 30, 2018
Capital assets, not being depreciated:				
Land	\$ 2,045,523	\$ 226,080	\$ -	\$ 2,271,603
Construction in progress	10,171,483	7,479,723	(4,264,164)	13,387,042
Total capital assets, not being depreciated	12,217,006	7,705,803	(4,264,164)	15,658,645
Capital assets, being depreciated:				
Buildings and systems	178,228,670	4,157,103	-	182,385,773
Improvements other than buildings	2,751,409	-	-	2,751,409
Machinery and equipment	5,101,508	467,869	(126,589)	5,442,788
Infrastructure	56,476,425	3,867,163	-	60,343,588
Total capital assets, being depreciated	242,558,012	8,492,135	(126,589)	250,923,558
Less accumulated depreciation for:				
Buildings and systems	(42,001,632)	(3,396,397)	-	(45,398,029)
Improvements other than buildings	(368,766)	(47,524)	-	(416,290)
Machinery and equipment	(3,586,310)	(340,112)	95,391	(3,831,031)
Infrastructure	(17,128,291)	(1,124,105)	-	(18,252,396)
Total accumulated depreciation	(63,084,999)	(4,908,138)	95,391	(67,897,746)
Total capital assets being depreciated, net	179,473,013	3,583,997	(31,198)	183,025,812
Business-type activities capital assets, net	\$ 191,690,019	\$ 11,289,800	\$ (4,295,362)	\$ 198,684,457

D. Capital assets continued

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

Governmental Activities:

General Government	\$ 933,279
Public Safety	953,816
Public Works	11,594,301
Culture and Recreation	1,925,473
Total Depreciation Expense – Governmental Activities	<u>\$15,406,869</u>

Business-Type Activities:

Water and Sewer	\$ 4,526,367
Law Enforcement Center	238,484
Drainage Utility Fund	143,287
Total Depreciation Expense – Business-Type Activities	<u>\$ 4,908,138</u>

Construction Commitments

The general government had outstanding commitments at September 30, 2018, under authorized construction contracts of approximately \$4,717,112. 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, 2018, under authorized construction contracts of approximately \$766,382. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources.

The Water and Sewer Fund had outstanding commitments at September 30, 2018, under authorized construction contracts of approximately \$2,293,105. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources.

The Drainage Fund had outstanding commitments at September 30, 2018, under authorized construction contracts of approximately \$141,932. 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, 2018 was as follows:

Mansfield Economic Development Corporation:				
	Sept 30, 2017	Increases	Decreases	Sept 30, 2018
Capital assets, not being depreciated:				
Land	\$12,181,740	\$143,900	-	\$12,325,640
Construction in progress	4,661,344	11,161,476	-	15,822,820
Total capital assets, not being depreciated	16,843,084	11,305,376	-	28,148,460
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	(70,168)	(3,052)	-	(73,220)
Machinery and equipment	(72,312)	-	-	(72,312)
Total accumulated depreciation	(142,480)	(3,052)	-	(145,532)
Total capital assets being depreciated, net	97,080	(3,052)	-	94,028
MEDC capital assets, net	\$16,940,164	\$11,302,324	\$ -	\$28,242,488

The MEDC had outstanding commitments at September 30, 2018 under authorized construction contracts of approximately \$3,637,262.

E. Deferred Outflows and Inflows of Resources

The City has six items that qualify for this category. Deferred pension/OPEB contributions relate to contributions made by the City after the measurement date so they are deferred and recognized in the upcoming fiscal year. Deferred investment losses are the differences in the projected and actual earnings on the pension/OPEB assets. This difference is deferred and amortized over a closed five year period. Deferred actuarial expense is the difference in the expected and actual pension experience. This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date. Deferred assumption changes are differences arising from a change in actuarial

assumptions and are deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date. Deferred loss on refunding are the differences in carrying value of the refunded debt compared to its acquisition price. This difference is deferred and amortized over the remaining life of the refunded debt.

The City has four types of deferred inflows of resources. Deferred investment gains are the differences in the projected and actual earnings on the pension/OPEB assets. This difference is deferred and amortized over a closed five year period. Deferred assumption changes are differences arising from a change in actuarial assumptions and are deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date. Deferred loss on refunding are the differences in carrying value of the refunded debt compared to its acquisition price. This difference is deferred and amortized over the remaining life of the refunded debt. Unavailable revenue is only reported 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.

F. Due to/Due from

The composition of the due to/due from balances as of September 30, 2018 is as follows:

Fund	Due to	Due from
General Fund	\$579,251	\$ -
Building Construction	-	21,241
TIRZ #2	-	558,010
TOTAL	\$579,251	\$579,251

G. Interfund Transfers

The composition of interfund balances as of September 30, 2018 is as follows:

Fund	Transfers In	Transfers Out
General Fund	\$1,727,443	\$1,161,085
Building Construction	450,457	-
MPFDC	222,496	400,000
TIRZ #2	364,900	-
Equipment Replacement	888,132	-
Street Construction	-	364,900
TIRZ #1	-	137,636
Water and Sewer Fund	-	1,589,807
TOTAL	\$3,653,428	\$3,653,428

The General Fund received a transfer from the Water and Sewer Fund for a payment-in-lieu of taxes, in the amount of \$1,589,807, 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 capital 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.

H. 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 2041, 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 \$52,541 at September 30, 2018.

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 \$33,436 at September 30, 2018.

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 were 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 were 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 \$31,988 at September 30, 2018.

In 2015, the City issued \$15,870,000 in Combination Tax and Revenue Certificates of Obligation Bonds, Series 2015, for the purpose of construction of street improvements and building improvements. The bonds of \$15,870,000 plus premiums of \$2,223,562, less discounts of \$100,908 and less issuance costs of \$142,655 were used to construct and design street improvements and to purchase equipment.

In 2015, the City issued \$11,700,000 in General Obligation Refunding Bonds, Series 2015, for the purpose of refunding \$12,940,000 of the City's outstanding debt. The bonds of \$11,700,000 plus premiums of \$1,773,891, less discounts of \$68,304 and less issuance costs of \$136,800 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 \$708,384 and resulted in an economic gain of \$1,035,085. 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 \$491,934 at September 30, 2018.

In 2016, the City issued \$13,705,000 in Combination Tax and Revenue Certificates of Obligation Bonds, Series 2016, for the purpose of construction of street improvements and building improvements. The bonds of \$13,705,000 plus premiums of \$2,078,521, less discounts of \$86,147 and less issuance costs of \$127,374 will be used to construct and design street improvements and to purchase equipment.

In 2016, the City issued \$14,885,000 in General Obligation Refunding and Improvements Bonds, Series 2016, for the purpose of refunding \$14,475,000 of the City's outstanding debt. The bonds of \$14,885,000 plus premiums of \$2,510,526, less discounts of \$92,270 and less issuance costs of \$148,038 were used to refund a portion of the City's outstanding debt and to fund municipal library improvements.

The City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$1,545,218 and resulted in an economic gain of \$1,942,477. 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 \$1,339,189 at September 30, 2018.

In 2016, the City issued \$3,770,000 in General Obligation Refunding, Series 2016 for the purpose of refunding \$3,550,000 of the City's outstanding debt. The bonds of \$3,550,000 less discounts of \$23,640 and less issuance costs of \$54,832 were used to refund a portion of the City's outstanding debt.

In 2016, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$312,126 and resulted in an economic gain of \$493,265. 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 \$242,764 at September 30, 2018.

In 2017, the City issued \$18,975,000 in Combination Tax and Revenue Certificates of Obligation Bonds, Series 2017, for the purpose of construction of street improvements and building improvements. The bonds of \$18,975,000 plus premiums of \$696,455 and less issuance costs of \$171,455 will be used to construct and design street improvements and to purchase equipment.

In 2017, the City issued \$2,960,000 in Combination Tax and Revenue Certificates of Obligation Bonds, Series 2017, for the purpose of construction of a public recreational facility. The bonds of \$2,960,000 less discounts of \$19,340 and less issuance costs of \$85,660 will be used to construct and design a public recreational ice skating facility.

In 2018, the City issued \$15,960,000 in Combination Tax and Revenue Certificates of Obligation Bonds, Series 2018, for the purpose of construction of street improvements, land acquisition, purchase of

equipment and building improvements. The bonds of \$15,960,000 plus premiums of \$1,060,344 and less issuance and discount costs of \$264,140 will be used to construct and design street improvements, land acquisition, purchase equipment and building improvements.

As of September 30, 2018 there was \$-0- of defeased debt outstanding related to the General Obligation Bonds.

General obligation debt outstanding at September 30, 2018 comprises the following issues:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2009 GO Refunding	3.00% to 4.00%	2022	10,400,000	3,450,000
2011 GO Refunding	2.00% to 4.00%	2022	9,730,000	2,885,000
2011 CO	2.00% to 5.00%	2025	3,090,000	2,260,000
2012 GO Refunding	2.00% to 3.13%	2025	5,855,000	5,210,000
2012 CO	2.00% to 4.00%	2032	3,415,000	2,620,000
2012A CO	3.49% to 4.65%	2032	3,075,000	2,395,000
2013 CO	2.00% to 4.00%	2033	5,335,000	4,285,000
2013 GO Refunding	2.00% to 4.00%	2025	4,200,000	2,820,000
2013A GO Refunding	2.00% to 3.00%	2023	2,880,000	1,635,000
2014 GO Refunding	2.00% to 2.50%	2019	6,710,000	390,000
2014 CO	2.50% to 4.38%	2034	16,500,000	14,560,000
2014A CO	2.00% to 4.13%	2034	1,255,000	1,105,000
2015 CO	2.00% to 5.00%	2035	15,870,000	14,095,000
2015 GO Refunding	4.00% to 5.00%	2027	11,700,000	8,350,000
2016 GO Refunding	1.35% to 3.71%	2028	3,770,000	3,405,000
2016 CO	2.00% to 5.00%	2036	13,705,000	12,790,000
2016 GO	2.00% to 5.00%	2036	14,885,000	14,455,000
2016A CO	1.25% to 3.90%	2041	2,960,000	2,870,000
2017 CO	3.00% to 5.00%	2037	18,975,000	18,365,000
2018 CO	3.00% to 4.00%	2038	15,960,000	15,960,000
TOTAL				\$133,905,000

Annual debt service requirements to maturity for general obligation debt, including interest of \$45,681,897, are as follows:

Fiscal Year	Principal	Interest	Total
2019	9,540,000	5,293,738	14,833,738
2020	9,460,000	4,964,506	14,424,506
2021	9,345,000	4,619,619	13,964,619
2022	9,035,000	4,272,005	13,307,005
2023	8,595,000	3,920,412	12,515,412
2024-2028	39,780,000	14,326,198	54,106,198
2029-2033	30,855,000	6,857,107	37,712,107
2034-2038	16,775,000	1,397,307	18,172,307
2039-2041	520,000	31,005	551,005
TOTAL	\$133,905,000	\$45,681,897	\$179,586,897

Special Sales Tax Revenue Bonds

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

In 2018, the City issued \$2,325,000 in Revenue Improvements Bonds, Taxable Series 2018 for the purpose of construction and equipping a public recreational facility. The bonds of \$2,325,000 plus premiums of \$126,944 less discounts of \$15,767 and less issuance costs of \$86,177 will be used to construct and design an administrative building.

In 2018, the City issued \$3,785,000 in Revenue Improvements Bonds, Series 2018 for the purpose of construction of an administrative building. The bonds of \$3,785,000 less discounts of \$29,113 and less issuance costs of \$105,887 will be used to construct and equip a public recreational ice skating facility.

As of September 30, 2018 there was \$-0- of defeased debt outstanding related to the Sales Tax Revenue Bonds.

Special Sales Tax Revenue and Revenue Refunding Bonds outstanding at September 30, 2018 are as follows:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2012	2.00% to 3.25%	2024	4,995,000	2,075,000
2016	2.00% to 4.00%	2035	6,775,000	6,055,000
2016	1.05% to 4.83%	2040	14,930,000	14,635,000
2016A	1.50% to 2.95%	2041	8,295,000	8,055,000
2018	3.00% to 4.00%	2043	2,325,000	2,325,000
2018	2.54% to 4.35%	2043	3,785,000	3,785,000
TOTAL				<u>\$36,930,000</u>

Debt service requirements to maturity for Special Sales Tax Revenue Bonds, including interest of \$17,641,001, are as follows:

Fiscal Year	Principal	Interest	Total
2019	1,670,000	1,484,395	3,154,395
2020	1,815,000	1,344,861	3,159,861
2021	1,855,000	1,298,358	3,153,358
2022	1,910,000	1,247,861	3,157,861
2023	1,965,000	1,192,847	3,157,847
2024-2028	8,605,000	5,031,736	13,636,736
2029-2033	6,955,000	3,614,109	10,569,109
2034-2038	7,850,000	2,024,955	9,874,955
2039-2043	4,305,000	401,879	4,706,879
TOTAL	<u>\$36,930,000</u>	<u>\$17,641,001</u>	<u>\$54,571,001</u>

Changes in long-term liabilities

Long-term debt activity for the year ended September 30, 2018 was as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 127,275,000	\$ 15,960,000	\$ (9,330,000)	\$ 133,905,000	\$ 9,540,000
Sales Tax Revenue Bonds	32,135,000	6,110,000	(1,315,000)	36,930,000	1,670,000
Deferred Amounts:					
Premiums	9,968,415	1,187,287	(854,743)	10,300,959	797,959
Discounts	(1,045,580)	(138,019)	189,640	(993,959)	(100,185)
Total bonds payable	168,332,835	23,119,268	(11,310,103)	180,142,000	11,907,774
Compensated absences	6,860,923	2,276,901	(1,837,612)	7,300,212	2,114,907
Total	<u>\$ 175,193,758</u>	<u>\$ 25,396,169</u>	<u>\$ (13,147,715)</u>	<u>\$ 187,442,212</u>	<u>\$ 14,022,681</u>
Net Pension Liability	\$ 17,565,320	\$ -	\$ (5,466,746)	\$ 12,098,574	
Net OPEB Liability	26,056,139	2,264,666	(1,329,846)	26,990,959	
Total OPEB Liability	632,836	170,078	(53,479)	749,435	
Total pension & OPEBs	<u>\$ 44,254,295</u>	<u>\$ 2,434,744</u>	<u>\$ (6,850,071)</u>	<u>\$ 39,838,968</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 2035, and interest is payable semiannually.

Waterworks and Sewer System Refunding and Revenue Bonds

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 \$63,258 at September 30, 2018.

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 \$85,737 at September 30, 2018.

In 2015, the City issued \$9,540,000 in Revenue Refunding Bonds, Series 2015 for the purpose of refunding \$9,875,000 of the City's outstanding debt. The bonds of \$9,540,000 plus premiums of \$953,667, less discounts of \$49,493 and less issuance costs of \$135,100 were used to refund a portion of the City's outstanding debt.

In 2015, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$427,370 and resulted in an economic gain of \$534,193. 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 \$296,785 at September 30, 2018.

In 2016, the City issued \$24,510,000 in Revenue Refunding & Improvements Bonds, Series 2016 for the purpose of refunding \$18,430,000 of the City's outstanding debt. The bonds of \$24,510,000 plus premiums of \$4,057,204, less discounts of \$146,376 and less issuance costs of \$202,794 were used to refund a portion of the City's outstanding debt along with funding water and sewer infrastructure costs.

In 2016, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$2,788,035 and resulted in an economic gain of \$3,081,707. 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 \$2,396,732 at September 30, 2018.

The total amount of defeased debt outstanding related to Water/Sewer Bonds as of September 30, 2018 was \$-0-.

The total deferred amount on refunding for the water and sewer revenue bonds was \$2,842,512 at September 30, 2018.

Water and sewer fund debt outstanding at September 30, 2018 comprises the following issues:

Date Issued	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2009	3.00% to 4.50%	2030	\$2,585,000	\$1,760,000
2011	2.00% to 5.00%	2030	13,995,000	8,040,000
2012	2.00% to 3.00%	2023	2,320,000	1,095,000
2015	2.00% to 5.00%	2027	9,540,000	4,740,000
2016	2.00% to 5.00%	2035	24,510,000	22,500,000
TOTAL				<u>\$38,135,000</u>

Debt service requirements to maturity for water and sewer fund debt, including interest of \$11,433,453, are as follows:

Fiscal Year	Principal	Interest	Total
2019	3,875,000	1,711,534	5,586,534
2020	3,180,000	1,554,834	4,734,834
2021	3,300,000	1,435,871	4,735,871
2022	3,440,000	1,291,871	4,731,871
2023	3,065,000	1,141,034	4,206,034
2024-2028	14,930,000	3,611,471	18,541,471
2029-2033	5,455,000	633,038	6,088,038
2034-2035	890,000	53,800	943,800
TOTAL	<u>\$38,135,000</u>	<u>\$11,433,453</u>	<u>\$49,568,453</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 2016, the City issued \$595,000 in General Obligation Refunding, Series 2016 for the purpose of refunding \$555,000 of the City's outstanding debt. The bonds of \$595,000 less discounts of \$3,731 and less issuance costs of \$8,654 were used to refund a portion of the City's outstanding debt.

In 2016, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$49,261 and resulted in an economic gain of \$77,850. 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 \$15,767 at September 30, 2018.

Law Enforcement Center Fund debt outstanding at September 30, 2018 comprises the following issue:

Date Issued	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2016 GO	1.35% to 3.71%	2028	595,000	540,000
TOTAL				<u>\$540,000</u>

Debt service requirements to maturity for Law Enforcement Center debt, including interest of \$93,856, are as follows:

Fiscal Year	Principal	Interest	Total
2019	50,000	15,686	65,686
2020	45,000	14,685	59,685
2021	50,000	13,538	63,538
2022	50,000	12,210	62,210
2023	55,000	10,729	65,729
2024-2028	290,000	27,008	317,008
TOTAL	<u>\$540,000</u>	<u>\$93,856</u>	<u>\$633,856</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 \$142,960 at September 30, 2018.

Drainage Utility Fund debt outstanding at September 30, 2018 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	\$1,210,000
2012	2.00% to 3.13%	2024	3,740,000	1,955,000
TOTAL				<u>\$3,165,000</u>

Debt service requirements to maturity for Drainage Utility debt, including interest of \$478,843, are as follows:

Fiscal Year	Principal	Interest	Total
2019	420,000	107,770	527,770
2020	430,000	97,070	527,070
2021	440,000	79,750	519,750
2022	460,000	66,710	526,710
2023	475,000	52,175	527,175
2024-2027	940,000	75,368	1,015,368
TOTAL	<u>\$3,165,000</u>	<u>\$478,843</u>	<u>\$3,643,843</u>

Changes in business-type activity debt

A summary of business-type activity debt transactions, including activity for the year ended September 30, 2018, is as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Water/Sewer Revenue Bonds	\$ 42,135,000	\$ -	\$ (4,000,000)	\$ 38,135,000	\$ 3,875,000
LEC Certificates of Obligation	585,000	-	(45,000)	540,000	50,000
Drainage Utility Revenue Bonds	3,570,000	-	(405,000)	3,165,000	420,000
Deferred Amounts:					
Premiums	4,541,107	-	(304,965)	4,236,142	304,965
Discounts	(258,046)	-	20,812	(237,234)	(20,502)
Total bonds payable	50,573,061	-	(4,734,153)	45,838,908	4,629,463
Compensated absences	1,894,723	566,392	(454,771)	2,006,344	523,396
Total	<u>\$ 52,467,784</u>	<u>\$ 566,392</u>	<u>\$ (5,188,924)</u>	<u>\$ 47,845,252</u>	<u>\$ 5,152,859</u>
Net Pension Liability	\$ 6,282,862	\$ 3,684,635	\$ (5,648,240)	\$ 4,319,257	
Net OPEB Liability	11,211,990	(404,747)	(507,470)	10,299,773	
Total OPEB Liability	226,348	175,359	(132,484)	269,223	
Total pension & OPEBs	<u>\$ 17,721,200</u>	<u>\$ 3,455,247</u>	<u>\$ (6,288,194)</u>	<u>\$ 14,888,253</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 $\frac{1}{2}$ of 1% sales and use tax levied by the City. The bonds are serial obligations payable annually in varying amounts with interest payable semiannually.

In 2015, the City issued \$2,880,000 in Revenue Refunding Bonds, Series 2015 for the purpose of refunding \$2,880,000 of the City's outstanding debt. The bonds of \$2,880,000 plus premiums of \$171,114, less discounts of \$17,011 and less issuance costs of \$77,121 were used to refund a portion of the City's outstanding debt.

In 2015, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$75,079 and resulted in an economic gain of \$291,881. 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 \$44,491 at September 30, 2018.

In 2015, the City issued \$5,630,000 in Revenue Refunding Taxable Bonds, Series 2015 for the purpose of refunding \$5,305,000 of the City's outstanding debt. The bonds of \$5,630,000 less discounts of \$32,775 and less issuance costs of \$113,738 were used to refund a portion of the City's outstanding debt.

In 2015, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by \$174,946 and resulted in an economic gain of \$710,459. 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 \$103,672 at September 30, 2018.

In 2017, the City issued \$14,125,000 in Revenue Improvements Bonds, Series 2017 for the purpose of construction of a public recreational facility. The bonds of \$14,125,000 plus premiums of \$1,141,332, less discounts of \$84,063 and less issuance costs of \$182,270 will be used to construct and design street improvements and building improvements.

In 2018, the City issued \$6,200,000 in Revenue Improvements Bonds, Series 2018 for the purpose of land acquisition and infrastructure improvements. The bonds of \$6,200,000, less discounts of \$44,099 and less issuance costs of \$155,902 will be used for land acquisition and infrastructure improvements.

There was \$-0- of outstanding defeased debt as September 30, 2018.

The total deferred amount on refunding of the MEDC was \$148,163 at September 30, 2018.

MEDC debt outstanding at September 30, 2018 comprises the following issues:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2012	2.00% to 4.00%	2032	\$3,090,000	\$2,325,000
2015A	0.50% to 3.55%	2024	5,630,000	3,475,000
2015	2.00% to 4.00%	2024	2,880,000	1,800,000
2016	2.00% to 4.00%	2036	14,125,000	12,975,000
2018	2.52% to 4.29%	2038	6,200,000	6,200,000
TOTAL				<u>\$26,775,000</u>

Debt service requirements to maturity for MEDC debt, including interest of \$9,346,967, are as follows:

Fiscal Year	Principal	Interest	Total
2019	1,605,000	1,052,375	2,657,375
2020	1,740,000	911,126	2,651,126
2021	1,795,000	868,484	2,663,484
2022	1,850,000	810,857	2,660,857
2023	1,905,000	748,848	2,653,848
2024-2028	6,510,000	2,857,920	9,367,920
2029-2033	6,510,000	1,652,863	8,162,863
2034-2038	4,860,000	444,494	5,304,494
TOTAL	<u>\$26,775,000</u>	<u>\$9,346,967</u>	<u>\$36,121,967</u>

Changes in MEDC Debt

A summary of MEDC debt transactions, including activity for the year ended September 30, 2018, is as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
MEDC Revenue Bonds	\$ 22,030,000	\$ 6,200,000	\$ (1,455,000)	\$ 26,775,000	\$ 1,605,000
Deferred Amounts:					
Premiums	1,230,717	-	(66,655)	1,164,062	66,653
Discounts	(147,430)	(44,099)	12,662	(178,867)	(13,394)
Total bonds payable	23,113,287	6,155,901	(1,508,993)	27,760,195	1,658,259
Compensated absences	79,044	2,490	(17,229)	64,305	19,829
Total Noncurrent Liabilities	<u>\$ 23,192,331</u>	<u>\$ 6,158,391</u>	<u>\$ (1,526,222)</u>	<u>\$ 27,824,500</u>	<u>\$ 1,678,088</u>
Net Pension Liability	\$ 279,825	\$ -	\$ (87,613)	\$ 192,212	
Net OPEB Liability	292,977	(64,710)	(10,719)	217,548	
Total OPEB Liability	9,381	45,742	(43,064)	12,059	
Total pension & OPEBs	<u>\$ 582,183</u>	<u>\$ (18,968)</u>	<u>\$ (141,396)</u>	<u>\$ 421,819</u>	

I. Restricted Assets

The restricted assets of the Business-type Activities as of September 30, 2018 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	\$4,530,208	\$8,444,706	\$ -	\$12,974,914
Law Enforcement Complex	23,060	10,482	86,129	119,671
Drainage Utility	87,962	-	-	87,962
TOTAL	\$4,641,230	\$8,455,188	\$86,129	\$13,182,547

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, 2018, 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.

J. Retirement Plan

Plan Description:

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided:

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

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

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

	Plan Year 2016	Plan Year 2017
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

Employees covered by benefit terms:

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	175
Inactive employees entitled to but not yet receiving benefits	162
Active employees	<u>490</u>
Total	827

Contributions:

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the city matching percentage is 14.94%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their gross earnings during the fiscal year. The contribution rates for the City were 14.62% and 14.94% in calendar years 2017 and

2018 respectively. The City's contributions to TMRS as of September 30, 2018 were \$5,648,240 and were equal to the required contributions.

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of

real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 148,113,374	\$ 123,985,367	\$ 24,128,007
Changes for the year:			
Service Cost	6,423,859	-	6,423,859
Interest	10,061,815	-	10,061,815
Change in benefit terms	-	-	-
Difference between expected and actual experience	863,204	-	863,204
Changes of assumptions	-	-	-
Contributions - employer	-	5,249,682	(5,249,682)
Contributions - employee	-	2,513,528	(2,513,528)
Net investment income	-	17,197,200	(17,197,200)
Benefit payments, including refunds of employee contributions	(4,522,769)	(4,522,769)	-
Administrative expense	-	(89,055)	89,055
Other changes	-	(4,513)	4,513
Net changes	\$ 12,826,109	\$ 20,344,073	\$ (7,517,964)
Balance at 12/31/2017	\$ 160,939,483	\$ 144,329,440	\$ 16,610,043

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in		1% Increase in	
	Discount Rate (5.75%)		Discount Rate (7.75%)	
City's net pension liability (asset)	\$	42,335,445	\$	16,610,043
			\$	(4,291,733)

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2018, the City recognized expense of \$6,007,730.

At September 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Schedule of Outflows and Inflows - Current and Future Expense

<u>Due to Liabilities:</u>	<u>Recognition Period (or Amortization yrs)</u>	<u>Total (Inflow) or Outflow of Resources</u>	<u>2017 Recognized in current pension expense</u>	<u>Deferred (Inflow)/Outflow in future expense</u>
2014 Difference in expected and actual experience actuarial (gains) or losses	3.9001	\$ 41,007	\$ 10,516	\$ 30,491
2015 Difference in expected and actual experience actuarial (gains) or losses	4.7300	\$ 113,951	\$ 24,092	89,859
2016 Difference in expected and actual experience actuarial (gains) or losses	5.7900	\$ 1,677,421	\$ 289,710	1,387,711
2017 Difference in expected and actual experience actuarial (gains) or losses	6.7300	\$ 863,204	\$ 128,262	734,942
			<u>\$ 452,580</u>	<u>\$ 2,243,003</u>
2015 Difference in assumption changes	4.7300	(470,904)	(99,558)	(371,346)
			<u>\$ (99,558)</u>	<u>\$ (371,346)</u>
<u>Due to Assets:</u>				
2014 Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	2.000	500,912	250,455	250,457
2015 Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	3.000	4,428,187	1,476,062	2,952,125
2016 Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	4.000	(11,486)	(2,872)	(8,614)
2017 Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	5.000	(8,828,188)	(1,765,638)	(7,062,550)
			<u>\$ (41,993)</u>	<u>\$ (3,868,582)</u>
Total				<u>\$ (1,996,925)</u>

\$4,249,242 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2019	\$ 311,030
2020	60,574
2021	(1,416,540)
2022	(1,402,753)
2023	357,133
Thereafter	93,631
Total	<u>\$ (1,996,925)</u>

K. Supplemental Death Benefits

The City also participates in the single-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. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust meeting the criteria in paragraph 4 of GASB Statement No. 75). TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	137
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>490</u>
Total	660

Contributions:

The contribution rates for employees in SDBF is .02% of employee gross earnings, and the city matching percentages is .15%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the

actuary, using the EAN actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance 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.

Employees for the City were required to contribute .02% of their gross earnings during the fiscal year. The contribution rates for the City were .16% and .15% in calendar years 2017 and 2018 respectively. The City’s contributions to SDBF as of September 30, 2018 were \$57,222 and were equal to the required contributions.

Total OPEB Liability:

The City’s Total OPEB Liability related to SDBF was measured and determined by an actuarial valuation as of December 31, 2017.

Actuarial Assumptions:

The Total OPEB Liability related to SDBF in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% per year, including inflation
Discount rate	3.31%, based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2017
Retirees’ share of benefit-related costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates- disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability related to SDBF:

	Total OPEB Liability (SDBF)
Balance at 12/31/2016	\$ 868,565
Changes for the year:	
Service Cost	46,680
Interest	33,578
Changes in assumptions or other inputs	89,076
Benefit payments*	(7,182)
Net changes	162,152
Balance at 12/31/2017	\$ 1,030,717

*Due to the SDBF being considered an unfunded SDBF plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the total OPEB liability related to SDBF to changes in the discount rate:

The following presents the total OPEB liability related to SDBF of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability related to SDBF would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB Liability	\$ 1,262,138	\$ 1,030,717	\$ 853,094

OPEB Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (SDBF):

For the year ended September 30, 2018, the City recognized expense of \$91,337.

At September 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Schedule of Outflows and Inflows - Current and Future Expense

<u>Due to Liabilities:</u>	<u>Recognition Period (or Amortization yrs)</u>	<u>Total Remaining (Inflow) or Outflow of Resources</u>	<u>2018 Recognized in current OPEB expense</u>	<u>Deferred (Inflow)/Outflow in future expense</u>
2018 Change in assumptions	8.0400	\$ 89,076	\$ 11,079	77,997
			<u>\$ 11,079</u>	<u>\$ 77,997</u>

\$42,663 was reported as deferred outflows of resources related to OPEB (SDBF) resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability related to SDBF for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB (SDBF) will be recognized in pension expense as follows:

	<u>Net deferred outflows (inflows) of resources</u>
2019	\$ 11,079
2020	11,079
2021	11,079
2022	11,079
2023	11,079
Thereafter	<u>22,602</u>
Total	<u>\$ 77,997</u>

L. 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 health care plan. The City established by ordinance a single-employer defined benefit postemployment healthcare plan that covers retired employees of the City. The City established an irrevocable trust and contracted with an administrator as well as a custodial bank to manage the plan's assets or the retiree's medical benefits.

The plan does 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. Employees and their dependents who retire before the age of 65 with ten years of service and less than 20 years of service are eligible to receive full health insurance coverage as a life time benefit at the same cost of an active employee. Employees and their dependents who retire with 20 years of service are eligible to receive full health insurance coverage as a life time benefit; while their dependents are eligible for full health insurance coverage they must pay the same cost as an active employee for full insurance coverage of their dependents.

Employees

At the time of the actuarial valuation, the City had 483 active plan members and 79 retired plan members receiving benefits. Of the retired members, 31 had less than 20 years of service and 48 had more than 20 years of service.

Contributions

Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the Plan upon retirement. Eligible retired employees participating in the City's Retiree Health Insurance Plan pay their premiums directly to the City. Expenditures for post-retirement healthcare and other benefits are recognized monthly and funded into the irrevocable trust. The City funds 100% of the actuarially determined contribution (ADC), which approximates the annual OPEB cost, and totaled \$2,410,000 for the fiscal year ended September 30, 2018.

Net OPEB Liability

The City's net OPEB liability (NOL) was measured as of June 30, 2018 and the total OPEB liability (TOL) used to calculate the NOL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The NOL in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Actuarial method	Entry Age Normal
Discount rate	7.0% per annum. The plan is funded in an irrevocable trust maintained by the plan sponsor. The City has, on average, made contributions the last five years that, if continued in this fashion, the plan will always be sufficiently funded to pay benefits due.
Inflation	2.5% per annum
Mortality	RP-2014 Mortality Table with Improvement Scale MP-2017
Marriage Assumptions	3-year spouse age difference with females assumed 3 years younger than males. 25% of participants eligible for future post-employment benefits are assumed to have an eligible spouse electing to receive plan benefits. For retired members, we have used actual marital status, as provided, and assumed all such spouses are receiving plan benefits.
Health-care cost trend rates	7% in year 1 graded downward ½% per year to 4.5% in year 6 & later
Post-65 premium reductions	It is assumed that employer-subsidized premiums will be reduced by two-thirds after age 65 due to Medicare eligibility.

Assumed utilization 75% of eligible future retirees are assumed to elect plan benefits
Changes in assumptions We have changed the mortality table improvement scale from MP-2016 to MP-2017. Also, we have incorporated estimated initial year claims costs into our valuation rather than valuing the plan using premiums paid with a 5% implied subsidy load.
Salary rate 3% per annum

Retirement Rate

Attained Age	Rates per 100 Participants
50	3.00
51-54	1.50
55-57	7.50
58-59	10.00
60	25.00
61-64	10.00
65	100.00

Withdrawal Rate

Attained Age	Rates per 100 Participants
25	19.50
30	18.80
35	17.68
40	15.90
45	13.42
50	9.74
55	5.18

The plan's policy in regard to the allocation of invested assets is established by the City Council. The target asset allocation policy is 50% equity investments, 45% fixed income investments, and 5% cash. The long-term expected rate of return on plan investments used in the valuation was determined using a building-block method in which the City's best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighing the City's expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The City's best estimates of geometric real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	50%	3.6%
Fixed Income	45%	0.9%
Cash	5%	0.0%
Inflation	N/A	2.5%
Total	100%	7.0%

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 6/30/2017	\$46,815,334	\$ 9,254,229	\$37,561,105
Changes for the year:			
Service Cost	532,526	-	532,526
Interest	3,214,381	-	3,214,381
Difference between expected and actual experience	(1,436,903)	-	(1,436,903)
Contributions - employer	-	1,848,035	(1,848,035)
Benefit payments	(353,235)	(353,235)	-
Net investment income	-	571,467	(571,467)
Administrative expense	-	(56,673)	56,673
Net changes	1,956,769	2,009,594	(52,825)
Balance at 6/30/2018	\$48,772,103	\$ 11,263,823	\$37,508,280

Sensitivity of the Total Pension Liability to Changes in the Discount and Trend Rates

The following presents the net OPEB liability of the City, calculated using the discount rate of 7%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Net OPEB Liability	\$ 45,549,109	\$ 37,508,280	\$ 31,136,317

The following presents the net OPEB liability of the City, calculated using the trend rates of 7%, as well as what the City's net OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rates:

	1% Decrease in Trend Rates (6.00%)	Trend Rates (7.00%)	1% Increase in Trend Rates (8.00%)
Net OPEB Liability	\$ 31,049,127	\$ 37,508,280	\$ 45,574,037

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2018, the City recognized expense of \$2,785,770.

At September 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Schedule of Outflows and Inflows - Current and Future Expense

Due to Liabilities:	Recognition Period (or Amortization yrs)	Total Remaining (Inflow) or Outflow of	2018 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
2018 Change in assumptions	4.6200	\$ (1,436,903)	\$ (311,018)	(1,125,885)
			<u>\$ (311,018)</u>	<u>\$ (1,125,885)</u>
Due to Assets:				
2018 Difference in projected and actual earnings on OPEB plan investments	5.0000	\$ 148,787	\$ 29,757	\$ 119,030
actuarial (gains) or losses			<u>\$ 29,757</u>	<u>\$ 119,030</u>
Total				<u>\$ (1,006,855)</u>

\$2,410,000 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the year ended September 30,	Net deferred outflows (inflows) of resources
2019	\$ (281,261)
2020	(281,261)
2021	(281,261)
2022	(163,072)
2023	-
Thereafter	-
Total	<u>\$ (1,006,855)</u>

Deferred Outflows and Inflows of Resources Related to Pensions and OPEBs

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit	Total Deferred Outflows and Inflows
<u>Deferred Outflows:</u>					
Deferred pension contributions	\$ 3,089,869	\$ 1,109,854	\$ 4,199,723	\$ 49,519	\$ 4,249,242
Deferred OPEB contributions	1,765,257	672,929	2,438,186	14,477	2,452,663
Deferred assumption changes	56,711	20,373	77,084	913	77,997
Deferred actuarial experience	1,633,349	584,821	2,218,170	24,833	2,243,003
	<u>\$ 6,545,186</u>	<u>\$ 2,387,977</u>	<u>\$ 8,933,163</u>	<u>\$ 89,742</u>	<u>\$ 9,022,905</u>
<u>Deferred Inflows:</u>					
Deferred assumption changes	\$ 1,078,995	\$ 407,347	\$ 1,486,342	\$ 10,889	\$ 1,497,231
Deferred investment gains	2,735,887	970,899	3,706,786	42,766	3,749,552
	<u>\$ 3,814,882</u>	<u>\$ 1,378,246</u>	<u>\$ 5,193,128</u>	<u>\$ 53,655</u>	<u>\$ 5,246,783</u>

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.

M. 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.

General Equipment Commitments as of September 30, 2018 are as follows:

The City has entered into a general equipment commitment for Public Safety equipment. This lease agreement was entered into June 27, 2012. The amount of the equipment purchased was \$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 five years as follows:

Fiscal Year	Annual Payment	Interest	Principal	Remaining Principal
2019	241,153	38,403	202,750	885,144
2020	241,153	31,246	209,907	675,237
2021	241,153	23,836	217,317	457,920
2022	241,153	16,165	224,988	232,932
2023	241,153	8,221	232,932	-
TOTAL	<u>\$1,205,765</u>	<u>\$117,871</u>	<u>\$1,087,894</u>	

N. 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 \$1.25905 per 1,000 gallons, with a total cost of \$5,287,257 during fiscal year 2018. 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 2018, the City's cost for sewer treatment under the contract was \$6,862,364.

Law Enforcement Complex Housing Commitment

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 January 1, 2017, the City entered into an IGA with the 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 January 1, 2017, the City and the USMS agreed for the City to house federal prisoners and other related governmental agencies' prisoners at a cost of \$66.30 per day, effective January 1, 2017.

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.

In September 2016, the parties agreed to extend the term of the contract for one year until September 30, 2017 and agreed to various provisions regarding prisoner administration.

In September 2017, the parties agreed to extend the term of the contract for one year until September 30, 2018 and agreed to various provisions regarding prisoner administration. The time requirement for notification of non-renewal by the City of Fort Worth has been changed from 90 days to 180 days.

On October 1, 2018, the contract with the City of Fort Worth and the City for the purpose of housing City of Fort Worth's prisoners expired.

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. The contract provides termination rights by either party with certain legal remedies.

Evergreen Alliance Golf Limited, L.P. (Alliance), assigned 100% of the interest in the operations and maintenance lease to CF Mansfield National Arcis, LLC.

Sports Park – Big League Dreams

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

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

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

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

Water Park – Hawaiian Falls

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

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

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

The parent company of Mansfield Family Entertainment, LLC (MFE), Horizon Family Holdings, LLC sold 100% of the interest of Horizon Family Holdings to Source Horizon, LLC. This transaction allows for the ground lease with MFE to continue without disruption.

Source Horizon, LLC replaced MFE with STORE Master Funding VIII, LLC as the leaseholder with a sublease to ProParks Management dba PPW Mansfield, LLC.

Fieldhouse

In fiscal year 2017, the City completed construction of an indoor basketball and volleyball facility. The facility will have at least 90,000 square feet and will have space for 8 basketball courts or 12 volleyball courts. The cost of the sports facility capitalized was \$12.6 million.

To operate and maintain the basketball and volleyball facility, the City contracted with Mansfield Fieldhouse, LLC, commonly referred to as Fieldhouse. The term of the lease and operating agreement is for a period of 25 years with a first extension period of 10 years and a second extension period of 5 years. Per the lease, Fieldhouse may charge fees in order to maintain and operate the sports facility. Base rent in years 1-5 will be \$300,000 per year. Base rent in years 6-25 will be equal to \$500,000 per year. Beginning in year 3 of the lease, Fieldhouse will pay 10% of the Gross Revenues in addition to the base rent up to a maximum total payment of \$600,000 annually. In years 4-25, Fieldhouse will pay 15% of Gross Revenues in addition to the base rent up to a maximum total rent payment of \$600,000 annually. Percentage rents are waived for years 1 & 2 for ramp up of operations.

In the year of the commencement date, the City will annually accrue a lease receivable of \$460,000 to recognize future rental income over the term of the lease on a straight-line basis. The contract provides termination rights by either party with certain legal remedies.

Stars Center

In September 2016, the City entered into a lease and operating agreement with DSE Hockey Centers LP to construct, develop, complete and own for public purposes an indoor recreational ice skating rink and sports center. The facility will be approximately 80,000 gross square feet with two ice surfaces.

The lease and operating agreement between the City and DSE Hockey Centers LP is for a 30 year period. DSE Hockey Center, LP prepaid rent and deposits of \$1,500,000 and \$600,000 respectively as of

September 30, 2016 and will pay an additional deposit of \$400,000 upon the occupancy of the facility. This amount will be repaid over the next 20 years. The security deposit is recognized as a liability and the prepaid rent is recognized as a deferred inflow of resources to be repaid over the period of 20 years.

The term of the lease is for 30 years and the following summarizes the base rent:

Lease years 01 through and including 05:	\$440,000 per lease year;
Lease years 06 through and including 07:	\$500,000 per lease year;
Lease years 08 through and including 13:	\$600,000 per lease year;
Lease years 14:	\$640,000 per lease year;
Lease years 15 through and including 30:	\$660,000 per lease year.

Beginning in the fiscal year of lease commencement, the City will accrue \$600,000 per year to recognize future rental income over the term of the lease on a straight-line basis. The contract provides termination rights by either party with certain legal remedies.

Mansfield Economic Development Corporation Commitments

The Mansfield Economic Development Corporation was established to promote, encourage and incentivize economic development within the City. Since its inception, the Corporation has promoted industrial and commercial development through incentive agreements that are designed to encourage existing business expansion and new business growth within the City. Since inception, the Corporation has assisted companies in making the City their home by providing economic assistance. In return, those companies have made cumulative capital investments and created jobs within the City.

In continuance of the City's economic development program, the Corporation has made additional commitments to incentivize industry over the next several years. These commitments are generally contingent upon the industry's capital investments and creation of new jobs or other criteria determined by the Corporation. The arrangements vary in amounts and allow for reimbursements for capital costs or expansion costs incurred by the industries. These commitments require stringent performance commitments by the respective industries to qualify for the incentives. To date, the Corporation had made commitments to be administered over the next several years in the amounts of \$10.5 million in year 2019, \$1.9 million in year 2020, \$1.6 million in year 2021, \$1.4 million in year 2022, \$0.3 million in year 2023 and \$0.1 million in year 2024. These commitments and amounts may change from year to year depending upon the performance of the industries, and their ability to meet the performance standards as established by the Corporation. In the event, the Corporation deems the industries performance insufficient, the Corporation can restructure, extend, void or recover the commitments.

Mansfield Tax Increment Financing Reinvestment Zone Number Two Commitments

The Mansfield Tax Increment Financing Reinvestment Zone Number Two's board of directors has committed the TIRZ to reimburse the City for the following expenditures. The expenditures are land acquisition - \$962,133, downtown lofts - \$1,264,991, parking lot construction - \$283,736 and business incentives - \$356,855. These funds are anticipated to be paid to the City with future revenue of the TIRZ.

O. Tax Abatements

The City of Mansfield entered into 380 agreements with local businesses under the State of Texas Local Government Code 380. Under the Local Government Code, municipalities may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and stimulate business and commercial activity in the municipality. The abatements may be granted to any business located within or promising to relocate to the City of Mansfield, Texas.

For the fiscal year ended September 30, 2018, the City of Mansfield, Texas abated property and sales taxes totaling \$538,513 under this program, including the following tax abatement agreements:

A 100% property tax abatement to a tool manufacturer for building a manufacturing center in the industrial district. The abatement amounted to \$463,595.

An 80% sales tax abatement to a home builder for materials purchased within the City of Mansfield, Texas. The abatement amounted to \$61,676.

An 80% sales tax abatement to a home builder for materials purchased within the City of Mansfield, Texas. The abatement amounted to \$13,242.

P. 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.

Q. 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.

R. Subsequent Events

Bond Issuances

On December 10, 2018, the City issued \$13,750,000 in Combination Tax and Revenue Certificates of Obligation, Series 2019. The purpose of the Combination Tax and Revenue Certificates of Obligations, Series 2019 are for the design, development, and construction of public infrastructure and land acquisition.

S. New Accounting Pronouncements to be implemented after fiscal year 2018

For fiscal year 2018, the City has implemented Statement No. 75 of the financial accounting standards issued by the GASB.

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. The primary objective of this Statement is to address accounting and financial reporting for certain asset

retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for fiscal years beginning after June 15, 2018. The City is in the process of evaluating the impact of this statement on its financial statements.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for fiscal years beginning after December 15, 2018. The City is in the process of evaluating the impact of this statement on its financial statements.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. The primary objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits.) This Statement is effective for fiscal years beginning after June 15, 2017. The City is in the process of evaluating the impact of this statement on its financial statements.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2017. The City is in the process of evaluating the impact of this statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, Leases. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for fiscal years beginning after December 15, 2019. The City is in the process of evaluating the impact of this statement on its financial statements.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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February __, 2020

\$ _____
CITY OF MANSFIELD, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2020

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

CITY OF MANSFIELD, TEXAS, GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020,
dated January 1, 2020, in the principal amount of \$ _____.

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

WE HAVE represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability 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; a certain escrow deposit agreement (the "Deposit Agreement") between the City and BOKD, N.A., as paying agent/registrar for the Refunded Obligations (the "Refunded Obligations Paying Agent"); the certification (the "Sufficiency Certificate") of _____ verifying the sufficiency of the deposits made in the Deposit Agreement for defeasance of the obligations being refunded (the "Refunded Obligations"); customary certificates of officers, agents and representatives of the Issuer and other

public officials; and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have also examined executed Bond No. T-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

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) A continuing ad valorem tax upon all taxable property within the City of Mansfield, Texas, necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations;
- (C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to the Deposit Agreement and, therefore, the Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Deposit Agreement; and
- (D) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax.

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.

Except as stated above, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. Further, in the event that the representations of the Issuer and other parties are determined to be inaccurate or incomplete or the Issuer fails to comply with

the covenants of the Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

February __, 2020

\$ _____
CITY OF MANSFIELD, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2020

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

CITY OF MANSFIELD, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020, dated January 1, 2020, in the principal amount of \$ _____.

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

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed

necessary to render the opinions herein. Moreover, we have also examined executed Certificate No. T-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Certificates.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding special obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the City of Mansfield, Texas, necessary to pay the principal of and interest on the Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law; in addition, the payment of the principal of and interest on the Certificates is further secured by a pledge of the Surplus Revenues of the Issuer's Waterworks and Sewer System (as defined in the Ordinance), such pledge being limited to an amount not in excess of \$1,000; and the total indebtedness of the Issuer, including the Certificates, does not exceed any constitutional, statutory or other limitations; and
- (C) Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not a specific preference item for purposes of the alternative minimum tax.

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

Except as stated above, we express no opinion as to the amount of interest on the Certificates or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Certificates. Further, in the event that the representations of the Issuer and other parties are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

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