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(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: September 26, 2016

Ratings:
Moody's: "Aa3"
S&P: "A+"
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 and the Bonds are not "private activity bonds." See "Tax Matters" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

MANSFIELD
TEXAS

$14,815,000*
MANSFIELD ECONOMIC DEVELOPMENT CORPORATION
(Tarrant, Johnson and Ellis Counties, Texas)
SALES TAX REVENUE BONDS, NEW SERIES 2016

Dated Date: October 1, 2016
Interest Accrues: Date of Delivery

Due: August 1, as shown on page 2

PAYMENT TERMS. . . Interest on the $14,815,000* Mansfield Economic Development Corporation Sales Tax Revenue Bonds, Series 2016 (the "Bonds") will accrue from the date of their delivery to the Underwriter (the "Date of Delivery"), and will be payable February 1 and August 1 of each year commencing August 1, 2017, 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 beneficial 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 Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "The Bonds - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued by Mansfield Economic Development Corporation (the "Corporation") pursuant to Chapters 501, 502 and 504, Texas Local Government Code, as amended (the "Act"). The Bonds and their terms are governed by the provisions of a bond resolution (the "Bond Resolution") adopted by the Board of Directors of the Corporation on September 12, 2016. In the Bond Resolution, the Corporation delegated to certain Corporation officials the authority to complete the sale of the Bonds through the execution of a Pricing Certificate (the "Pricing Certificate"). The Pricing Certificate and the Bond Resolution are referred to herein together as the "New Series 2016 Resolution" (see "The Bonds - Authority for Issuance").

The Bonds are special obligations of the Corporation, payable from, and together with any Parity New Series Revenue Obligations, secured by a lien on and pledge of certain Pledged Revenues which include the proceeds of a 1/2 of 1% sales and use tax levied within the City of Mansfield, Texas (the "City") for the benefit of the Corporation (see "Selected Provisions of the New Series 2016 Resolution"); provided, however, such lien on and pledge of the Pledged Revenues is junior and subordinate to the lien on and pledge of the Pledged Revenues made for the security and payment of the Previously Issued Senior Lien Bonds (as defined herein). The Corporation has covenanted in the New Series 2016 Resolution not to issue any additional obligations that are on a parity with the Previously Issued Senior Lien Bonds. At such time as there are no Previously Issued Senior Lien Bonds outstanding, the Parity New Series Revenue Obligations Bonds shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues.

The Bonds are payable solely by a pledge of and lien on the moneys described in the New Series 2016 Resolution and not from any other revenues, properties or income of the Corporation. Neither the State, Tarrant, Johnson or Ellis Counties, the City nor any political corporation, subdivision, or agency of the State shall be obligated to pay the Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State, Tarrant, Johnson or Ellis Counties, the City, or any political corporation, subdivision, or agency thereof, except as authorized by the Act, is pledged to the payment of the principal of or interest on the Bonds (see "The Bonds - Security and Source of Payment").

PURPOSE. . . Proceeds from the sale of the Bonds will be used for the purpose of (i) designing, developing and constructing public infrastructure, including streets and roads, water and sewer utilities, drainage improvements, public parking and related improvements (collectively, the "Project") in connection with a retail and commercial development to be located generally at the northeast corner of the intersection of Broad Street and U.S. Highway 287 within the City, (ii) acquiring a Reserve Fund Surety Bond for deposit in the New Series 2016 Bonds Reserve Fund, and (iii) paying the costs of issuing the Bonds.

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

CUSIP PREFIX: 564381
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Counsel to the Underwriter.

DELIVERY. . . It is expected that the Bonds will be available for delivery through The DTC on November 8, 2016.

RBC CAPITAL MARKETS

* Preliminary, subject to change.

CUSIP Prefix: 564381[1]

MATURITY SCHEDULE*

1-Aug Year	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix
2017	$ 685,000			
2018	595,000			
2019	610,000			
2020	620,000			
2021	635,000			
2022	645,000			
2023	660,000			
2024	670,000			
2025	685,000			
2026	700,000			
2027	715,000			
2028	735,000			
2029	755,000			
2030	785,000			
2031	810,000			
2032	840,000			
2033	870,000			
2034	900,000			
2035	930,000			
2036	970,000			

(Interest accrues from Date of Delivery)

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

OPTIONAL REDEMPTION . . . The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Bonds - Optional Redemption").

* Preliminary, subject to change.

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

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

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

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE CORPORATION .... The Corporation is a non-profit industrial development corporation of the City of Mansfield, Texas which is located in the City of Mansfield in Tarrant, Johnson and Ellis Counties, Texas (see "Introduction - Description of the Corporation").

THE BONDS .... The Bonds are issued as $14,815,000* Sales Tax Revenue Bonds, New Series 2016. The Bonds are issued as serial bonds maturing August 1 in the years 2017 through 2036 (see "The Bonds – Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Date of Delivery, and is payable August 1, 2017, and each February 1 and August 1 thereafter until maturity or prior redemption (see "The Bonds - Description of the Bonds" and "The Bonds - Optional Redemption").

AUTHORITY FOR ISSUANCE.......... The Bonds are being issued by the Corporation pursuant to Chapters 501, 502 and 504, Texas Local Government Code, as amended. The Bonds and their terms are governed by the provisions of a bond resolution (the "Bond Resolution") adopted by the Board of Directors of the Corporation on September 12, 2016. In the Bond Resolution, the Corporation delegated to certain Corporation officials the authority to complete the sale of the Bonds through the execution of a Pricing Certificate (the "Pricing Certificate"). The Pricing Certificate and the Bond Resolution are referred to herein together as the "New Series 2016 Resolution" (see "The Bonds - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds are special obligations of the Corporation, payable from, and together with any Parity New Series Revenue Obligations, secured by a lien on and pledge of certain Pledged Revenues which include the gross proceeds of a 1/2 of 1% sales and use tax levied within the City of Mansfield, Texas for the benefit of the Corporation (see "The Bonds - Security and Source of Payment"); provided, however, such lien on and pledge of the Pledged Revenues is junior and subordinate to the lien on and pledge of the Pledged Revenues made for the security and payment of the Previously Issued Senior Lien Bonds (as defined herein). The Corporation has covenanted in the New Series 2016 Resolution not to issue any additional obligations that are on a parity with the Previously Issued Senior Lien Bonds. At such time as there are no Previously Issued Senior Lien Bonds outstanding, the Parity New Series Revenue Obligations shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues.

REDEMPTION .... The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2027 in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption").

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

USE OF PROCEEDS......................... Proceeds from the sale of the Bonds will be used for the purpose of (i) designing, developing and constructing public infrastructure, including streets and roads, water and sewer utilities, drainage improvements, public parking and related improvements (collectively, the "Project") in connection with a retail and commercial development to be located generally at the northeast corner of the intersection of Broad Street and U.S. Highway 287 within the City, (ii) acquiring a Reserve Fund Surety Bond for in the New Series 2016 Bonds Reserve Fund, and (iii) paying the costs of issuing the Bonds.

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* Preliminary, subject to change.

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

INSURANCE .... The Corporation has made an application for a municipal bond insurance policy in conjunction with the issuance of the Bonds.

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity of a series. No physical delivery of the Bonds will be made to the beneficial 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 Bonds - Book-Entry-Only System") .

PAYMENT RECORD .... The Corporation has never defaulted in payment of its bonds (see "Bond Insurance Risk Factors").

CORPORATION ADMINISTRATION

THE CORPORATION'S OFFICERS AND BOARD OF DIRECTORS

Member Name	Member Since	Term Expires
Larry Klos President	October, 2010	September, 2017
Brian Fuller Vice President	October, 2010	September, 2017
Robert Putman Secretary	October, 2011	September, 2017
Randy Hamilton	October, 2011	September, 2017
Selim Fiagome	October, 2014	September, 2018
John Phillips	October, 2012	September, 2018
David Godin	October, 2016	September, 2018

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Elected	Term Expires	Occupation
David L. Cook Mayor, Place 1	Re-elected May, 2016	May 2019	Attorney
Brent Newsom Councilmember Place 2	Re-elected May, 2016	May 2019	Bank Manager
Stephen Lindsey Councilmember Place 3	Re-elected May, 2015	May 2018	Gas Industry Executive
Darryl Haynes Councilmember Place 4	Re-elected May, 2015	May 2018	Corporate Risk Manager
Cory Hoffman Councilmember Place 5	Re-elected May, 2015	May 2018	CPA, CFO
Wendy Burgess Councilmember Place 6	Re-elected May, 2014	May 2017	Business Owner
Larry Broseh Councilmember Place 7	Re-elected May, 2014	May 2017	President, Drill King

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	32 Years	42 Years
Peter K. Phillis, CPA	Deputy City Manager	18 Years	24 Years
Shelly Lanners	Deputy City Manager	16 Years	16 Years
Joe Smolinski	Deputy City Manager	15 Year	15 Years
Jeanne Heard	City Secretary	1 Year	23 Years
E. Allen Taylor, Jr.	City Attorney	19 Years	28 Years

CONSULTANTS AND ADVISORS

Auditors .... KPMG LLP
Dallas, Texas

Bond Counsel .... Bracewell LLP
Dallas, Texas

Financial Advisor.. FirstSouthwest, a Division of Hilltop Securities Inc.
Dallas, Texas

For additional information regarding the Corporation, please contact:

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

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$14,815,000*
MANSFIELD ECONOMIC DEVELOPMENT CORPORATION
SALES TAX REVENUE BONDS, NEW SERIES 2016

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $14,815,000* Mansfield Economic Development Corporation Sales Tax Revenue Bonds, New Series 2016 (the “Bonds”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the bond resolution (the “Bond Resolution”) adopted by the Board of Directors of the Corporation (the “Board”) on September 12, 2016 in which the Board delegated pricing of the Bonds and certain other matters to a “Pricing Officer” who will approve a pricing certificate (the “Pricing Certificate” and together with the Bond Resolution, the “New Series 2016 Resolution”) which will contain the final terms of sale and complete the sale of the Bonds (see “Selected Provisions of the New Series 2016 Resolution”).

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

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

DESCRIPTION OF THE CORPORATION . . . The Corporation is a non-profit corporation duly organized and operating under the laws of the State of Texas, particularly Chapters 501, 502 and 504, Texas Local Government Code, as amended (the “Act”). The Corporation was created following an election held by the City of Mansfield (the “City”) on January 18, 1997, on the question of the levy of a 1/2 of 1% local sales and use tax in the City for the benefit of the Corporation (the “Election”). The Corporation as currently organized is to promote and provide for the economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing, and financing projects under the Act. The City Council of the City of Mansfield appoints the members of the Board of Directors of the Corporation and under the provisions of the Act and the Corporation’s by-laws is required to approve certain actions of the Corporation, including the issuance of the Bonds by the Corporation.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1890, and first adopted its Home Rule Charter in 1975 and amended its Home Rule Charter on May 7, 1988. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. The term of office is a staggered three-year term. The City Manager is the chief executive officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 56,368, while the estimated 2016 population is 67,628. The City covers approximately 36.69 square miles.

* Preliminary, subject to change.

THE BONDS

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) designing, developing and constructing public infrastructure, including streets and roads, water and sewer utilities, drainage improvements, public parking and related improvements (collectively, the “Project”) in connection with a retail and commercial development to be located generally at the northeast corner of the intersection of Broad Street and U.S. Highway 287 within the City, (ii) acquiring a Reserve Fund Surety Bond for deposit in the New Series 2016 Bonds Reserve Fund, and (iii) paying the costs of issuing the Bonds.

DESCRIPTION OF THE BONDS . . . The Bonds are dated October 1, 2016, and mature on August 1 in each of the years and in the amounts shown on the page 2 hereof. Interest will accrue from the Date of Delivery, and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1, commencing August 1, 2017, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial 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 "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE. . . The Bonds are being issued by the Corporation pursuant to the Act. The Bonds and their terms are governed by the provisions of the New Series 2016 Resolution.

SECURITY AND SOURCE OF PAYMENT. . . The Bonds are special obligations of the Corporation payable solely from, and together with any Parity New Series Revenue Obligations, secured by a lien on and pledge of the Pledged Revenues, as defined below; provided, however, such lien on and pledge of the Pledged Revenues is junior and subordinate to the lien on and pledge of the Pledged Revenues made for the security and payment of the Previously Issued Senior Lien Bonds (as set out in the table below). The Corporation has covenanted in the New Series 2016 Resolution not to issue any additional bonds that are on a parity with the Previously Issued Senior Lien Bonds. At such time as there are no Previously Issued Senior Lien Bonds outstanding, the Bonds, together with any Parity New Series Revenue Obligations, shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues. (See “Selected Provisions of the New Series 2016 Resolution”).

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

Dated Date	Outstanding Debt[1]	Issue Description
12/1/2011	$ 2,590,000	Sales Tax Revenue Bonds, Series 2012

(1) As of September 1, 2016.

The Corporation currently has outstanding Previously Issued Parity New Series Bonds secured by and payable from a junior and subordinate lien on and pledge of the Pledged Revenues, as follows:

Dated Date	Outstanding Debt[1]	Issue Description
12/1/2014	$ 2,335,000	Sales Tax Revenue Refunding Bonds, New Series 2015
12/1/2014	4,535,000	Sales Tax Revenue Refunding Bonds, Taxable New Series 2015
	$ 6,870,000	

(1) As of September 1, 2016.

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

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

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

PLEDGE UNDER THE NEW SERIES 2016 RESOLUTION. . . In the New Series 2016 Resolution, the Corporation covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of the Previously Issued Senior Lien Bonds and Parity New Series Revenue Obligations (collectively the Bonds, the Previously Issued New Series Obligations and any Additional Parity New Series Revenue Obligations), are irrevocably pledged to the payment and security of the Parity New Series Revenue Obligations, including the establishment and maintenance of the special funds created and established in the resolutions authorizing Parity New Series Revenue Obligations. Under the New Series 2016 Resolution, the Pledged Revenues consist of (i) Gross Sales Tax Revenues from time to time deposited or owing to the Gross Sales Tax Revenue Fund, and (ii) such other money, income, revenues or other property which the Corporation may expressly and specifically pledge to the payment of the Parity New Series Revenue Obligations. The New Series 2016 Resolution defines "Gross Sales Tax Revenue" as all of the revenues due or owing to, or collected or received by or on behalf of the Corporation, whether by the City or otherwise, pursuant to the Sales Tax Collection Resolution or the New Series Resolution, or the resolutions authorizing the Previously Issued Senior Len Bonds or any Additional Parity New Series Revenue Obligations from the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law.

ADDITIONAL PARITY NEW SERIES REVENUE OBLIGATIONS . . . In the New Series 2016 Resolution, the Corporation reserves the right to issue Additional Parity New Series Revenue Obligations payable from and equally and ratably secured by a parity lien on and pledge of the Pledged Revenues subject to satisfying certain terms and conditions including obtaining a certificate or opinion from a certified public accountant to the effect that the Gross Sales Tax Revenues received by the Corporation for the last completed Fiscal Year or for any twelve consecutive months out of the fifteen months next preceding the adoption of the resolution authorizing the issuance of the Additional Parity New Series Revenue Obligations were equal to at least (i) 1.35 times the combined maximum annual principal and interest requirements on all Previously Issued Senior Lien Bonds and Parity New Series Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity New Series Revenue Obligations and (ii) 1.50 times the combined average annual principal and interest requirements on all Previously Issued Senior Lien Bonds and Parity New Series Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity New Series Revenue Obligations; provided, that in the event of an increase in the rate of the Sales Tax that becomes effective prior to the date of the resolution authorizing the issuance of the Additional Parity New Series Revenue Obligations, such calculation shall be made if such increase were in effect during such period. The Corporation has covenanted in the New Series 2016 Resolution not to issue any additional obligations that are on a parity with the Previously Issued Senior Lien Bonds.

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

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

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

In the New Series 2016 Resolution, the Corporation covenants, agrees and warrants that, while any Parity New Series Revenue Obligations are outstanding, it will take and pursue all action permissible under applicable law to cause the Sales Tax, at its current rate (1/2 of 1%) or at a higher rate if legally permitted, to be levied and collected continuously in the manner and to the maximum extent permitted by applicable law; and to cause no reduction, abatement or exemption in the Sales Tax until all the Parity New Series Revenue Obligations have been paid in full or until they are lawfully defeased in accordance with the Resolution. The Corporation also covenants and agrees that, if, subsequent to the issuance of the Bonds, the City is authorized by applicable law to impose and levy the Sales Tax on any items or transactions that are not subject to the Sales Tax on the date the New Series 2016 Resolution was adopted, then the Corporation will use its best efforts to cause the City to take such action as may be required by applicable law to subject such items or transactions to the Sales Tax.

OPTIONAL REDEMPTION. . . The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Corporation may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION. . . Not less than 30 days prior to a redemption date for the Bonds, the Corporation shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. In the New Series 2016 Resolution, the Corporation reserves the right in the case of a redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) the Corporation retains the right to rescind such notice at any time prior to the scheduled redemption date if the Corporation delivers a certificate of the Corporation to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the Corporation to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

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

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

DEFEASANCE . . . The New Series 2016 Resolution provides that the Corporation may discharge its obligations to the registered owners of any or all of the Bonds 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 Bonds 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 Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, 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 Corporation 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 Bonds, as the case may be.

After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the Corporation to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the Corporation: (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.

FLOW OF FUNDS. . . The New Series 2016 Resolution provides for the establishment and maintenance of the following funds and accounts for the application of the proceeds of the Bonds and for the Pledged Revenues with all revenues flowing first to the Gross Sales Tax Revenue Fund.

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

PLEDGED REVENUE FUND	
PRIORITY	FUND [(1)]
First Priority	Previously Issued Senior Lien Bonds Debt Service Fund for the payment of the Previously Issued Senior Lien Bonds,
Second Priority	Previously Issued Senior Lien Bonds Reserve Fund to establish and maintain a Required Reserve for the Previously Issued Senior Lien Bonds,
Third Priority	To pay any amounts due to any bond insurer of Previously Issued Senior Lien Bonds for the Previously Issued Senior Lien Bonds not paid pursuant to the sections above,
Fourth Priority	To pay any amounts due to any issuer of a Previously Issued Senior Lien Bonds Reserve Fund Surety Bond not paid pursuant to the sections above,
Fifth Priority	Any other fund required by any resolution authorizing issuance of Previously Issued Senior Lien Bonds,
Sixth Priority	New Series Debt Service Fund for the payment of the Parity New Series Revenue Obligations,
Seventh Priority	On a pro rata basis, to each debt service reserve fund created by any resolution authorizing the issuance of Parity New Series Revenue Obligations, which contains less than the amount to be accumulated and/or maintained therein, as provided in such resolutions;
Eighth Priority	To pay any amounts due to any bond insurer of Parity New Series Revenue Obligations for the Parity New Series Revenue Obligations not paid pursuant to the sections above,
Nineth Priority	To pay any amounts due to any issuer of a New Series Reserve Fund Surety Bond not paid pursuant to the sections above,
Tenth Priority	Any other fund required by any resolution authorizing issuance of Parity New Series Revenue Obligations,
Eleventh Priority	Any other fund or account held at any place or places, or to any payee, required by any other resolution of the Board which authorized the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien created for of the Parity New Series Revenue Obligations, and
Twelfth Priority	To the New Series Capital Improvement Fund to be used for paying costs of authorized projects the payment of which are not otherwise provided from the proceeds of Parity New Series Revenue Obligations, and for any other lawful purposes permitted under applicable law. The New Series Capital Improvement Fund at all times shall be free of any lien or pledge created by the New Series 2016 Resolution and the resolution or resolutions authorizing the issuance Additional Parity Revenue Obligations.

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

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

PRIORITY	PLEDGED REVENUE FUND FUND [1]
First Priority	Debt Service Fund for the payment of the Parity New Series Revenue Obligations,
Second Priority	On a pro rata basis, to each debt service reserve fund created by any resolution authorizing the issuance of Parity New Series Revenue Obligations, which contains less than the amount to be accumulated and/or maintained therein, as provided in such resolutions;
Third Priority	To pay any amounts due to any bond insurer of Parity New Series Revenue Obligations for the Parity New Series Revenue Obligations not paid pursuant to the sections above,
Fourth Priority	To pay any amounts due to any issuer of a New Series Reserve Fund Surety Bond not paid pursuant to the sections above,
Fifth Priority	Any other fund required by any resolution authorizing issuance of Parity New Series Revenue Obligations,
Sixth Priority	Any other fund or account held at any place or places, or to any payee, required by any other resolution of the Board which authorized the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien created herein on behalf of the Parity New Series Revenue Obligations, and
Seventh Priority	To the New Series Capital Improvement Fund to be used for paying costs of authorized projects the payment of which are not otherwise provided from the proceeds of Parity New Series Revenue Obligations, and for any other lawful purposes permitted under applicable law. The New Series Capital Improvement Fund at all times shall be free of any lien or pledge created by the New Series 2016 Resolution and the resolution or resolutions authorizing the issuance of Parity New Series Revenue Obligations.

See "Selected Provisions of the New Series 2016 Resolution" herein for additional information relating to the flow of funds.

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

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

If the New Series 2016 Bonds Reserve Fund at any time contains less than the Required Reserve, the Corporation has agreed to cure the deficiency in the New Series 2016 Bonds Reserve Fund by making monthly deposits and credits to the New Series 2016 Bonds Reserve Fund in amounts equal to not less than 1/60th of the Required Reserve; provided, however, that no such deposits shall be made into the New Series 2016 Bonds Reserve Fund during any six month period beginning on February 1 and August 1 until there has been deposited into the Debt Service Fund the full amount required to be deposited therein by the next following February 1 and August 1, as the case may be. The New Series 2016 Resolution further provides that, subject only to the prior deposits and credits to be made for the Previously Issued Senior Lien Bonds and to the New Series Debt Service Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve, including by paying payments under a New Series Reserve Fund Surety Bond when due, and any reserve established for the benefit of any issue or series of Parity New Series Revenue Obligations and to cure any deficiency in such amounts as required by the terms of the New Series 2016 Resolution and any other resolution pertaining to the issuance of Parity New Series Revenue Obligations.

Reimbursements to the provider, if any, of a New Series Reserve Fund Surety Bond shall constitute the making up of a deficiency in the New Series Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the New Series Reserve Fund Surety Bond.

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

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

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

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

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds within 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 and series to be redeemed.

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

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

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

The Corporation may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Bonds 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 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the New Series 2016 Resolution will be given only to DTC.

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

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

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. In the New Series 2016 Resolution, the Corporation retains the right to replace the Paying Agent/Registrar. The Corporation covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Corporation agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

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

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

BONDHOLDERS' REMEDIES . . . The New Series 2016 Resolution establishes the following as Events of Default with respect to the Bonds: (i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the Corporation, the failure to perform which materially, adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with the New Series 2016 Resolution, and the continuation thereof for a period of 30 days after notice of such default is given by any Owner to the Corporation; or (iii) an order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the Corporation 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 Corporation as applicable, 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. Upon any happening of any Event of Default and except as otherwise provided in the New Series 2016 Resolution, any Owner or an authorized representative, thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the Corporation for the purpose of protecting and enforcing the rights of the Owners under the New Series 2016 Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained in the New Series 2016 Resolution, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners under the New Series 2016 Resolution or any combination of such remedies. It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all owners of the Bonds then outstanding. The New Series 2016 Resolution allows, but does not provide for a trustee to enforce the covenants and obligations of the Corporation. In no event will registered owners have the right to have the maturity of the Bonds accelerated as a remedy. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. No assurance can be given that a mandamus or other legal action to enforce a default under the New Series 2016 Resolution would be successful.

Furthermore, the Corporation is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Corporation avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the New Series 2016 Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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

Sources:	
Par Amount	$ -
Reoffering Premium	
TOTAL SOURCES	$ -
Uses:	
Deposit to Project Construction Fund	
Costs of Issuance	
Surety Fee for New Series Reserve Fund Surety Bond	
Total Underwriter's Discount	
TOTAL USES	$ -

BOND INSURANCE RISK FACTORS

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

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

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

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

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

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

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

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers . . . Moody's Investor Services, Inc., Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and Fitch Ratings (the "Rating Agencies") have downgraded the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds.

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DEBT INFORMATION

TABLE 1 – PRO-FORMA ECONOMIC DEVELOPMENT CORPORATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Previously Issued Senior Lien Bonds Debt Service			Previously Issued Subordinate Lien New Series Bonds Debt Service			The Bonds[1]			Total Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
2017	$ 130,000	$ 84,850	$ 214,850	$ 790,000	$ 197,934	$ 987,934	$ 685,000	$ 323,220	$ 1,008,220	$ 2,211,004	
2018	135,000	82,250	217,250	805,000	182,634	987,634	595,000	409,425	1,004,425	2,209,309	
2019	135,000	79,550	214,550	820,000	164,102	984,102	610,000	397,525	1,007,525	2,206,177	
2020	140,000	76,513	216,513	835,000	143,498	978,498	620,000	385,325	1,005,325	2,200,335	
2021	145,000	73,188	218,188	865,000	120,813	985,813	635,000	372,925	1,007,925	2,211,925	22.01%
2022	145,000	69,381	214,381	890,000	95,433	985,433	645,000	360,225	1,005,225	2,205,039	
2023	150,000	65,213	215,213	915,000	67,855	982,855	660,000	347,325	1,007,325	2,205,393	
2024	155,000	60,525	215,525	950,000	35,188	985,188	670,000	334,125	1,004,125	2,204,838	
2025	160,000	55,488	215,488	-	-	-	685,000	320,725	1,005,725	1,221,213	
2026	165,000	49,888	214,888	-	-	-	700,000	307,025	1,007,025	1,221,913	45.76%
2027	170,000	44,113	214,113	-	-	-	715,000	289,525	1,004,525	1,218,638	
2028	180,000	37,950	217,950	-	-	-	735,000	271,650	1,006,650	1,224,600	
2029	185,000	31,200	216,200	-	-	-	755,000	249,600	1,004,600	1,220,800	
2030	190,000	23,800	213,800	-	-	-	785,000	223,175	1,008,175	1,221,975	
2031	200,000	16,200	216,200	-	-	-	810,000	195,700	1,005,700	1,221,900	72.91%
2032	205,000	8,200	213,200	-	-	-	840,000	167,350	1,007,350	1,220,550	
2033	-	-	-	-	-	-	870,000	137,950	1,007,950	1,007,950	
2034	-	-	-	-	-	-	900,000	107,500	1,007,500	1,007,500	
2035	-	-	-	-	-	-	930,000	76,000	1,006,000	1,006,000	
2036	-	-	-	-	-	-	970,000	38,800	1,008,800	1,008,800	100.00%
	$ 2,590,000	$ 858,306	$ 3,448,306	$ 6,870,000	$ 1,007,455	$ 7,877,455	$ 14,815,000	$ 5,315,095	$ 20,130,095	$ 31,455,856	

(1) Average life of Bonds is 11.069 years. Interest calculated at an average rate of 3.239% for purposes of illustration. Preliminary, subject to change.

THE SALES TAX

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

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

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

In addition to the local sales and use taxes levied, as described above, the State levies and collects a 6 ¼% sales and use tax against essentially the same taxable items and transactions as the Sales Tax is levied. Under current State law, the maximum aggregate sales and use tax which may be levied within a given area by an authorized political subdivision within such area, including the State, is 8 ¼%. The current aggregate sales and use tax levied in the City is 8 ¼% of which 6 ¼% is levied by the State, 1% is levied by the City, ½ of 1% is levied for the benefit of the Corporation and ½ of 1% is levied as the Sales Tax for the benefit of the Mansfield Park Facilities Development Corporation.

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

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

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

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

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

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

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

Increases in Internet sales may result in a decrease in Sales Tax revenue to the Corporation. The emergence of Internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the state and national level. In October, 1998, the United States Congress enacted the Internet Tax Freedom Act which provided a three year moratorium on certain aspects of taxation of the Internet (existing taxes imposed by Texas were exempted from the moratorium), and, in late 2001, the moratorium was extended by Congress through November 1, 2003. In 2004, Congress extended the moratorium again until November 1, 2007. On November 1, 2007 the President signed into law a continuation of the moratorium passed by Congress that extends the moratorium until November 1, 2014. On June 9, 2015, the United States House of Representatives approved H.R. 235, the Permanent Internet Tax Freedom Act (PITFA), which would make the moratorium permanent, the bill was sent to the United States Senate, where it was referred to the Committee on Finance. Legislative changes relating to the taxation of Internet sales and services, and any effect of such changes on the Sales Tax received by the Corporation, cannot be predicted at this time.

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

In recent years the State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8 1/4%, which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax), and the current total sales and use tax rate within the City's boundaries is 8 ¼ % (including State, City and Mansfield Economic Development Corporation taxes as well as the Sales Tax). The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature and the Corporation has no way of predicting any such increase or the effect that would have on the Sales Tax which secures the Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Sales Tax is levied; and the City (and hence the Corporation as the beneficiary of the City's action), except in certain limited instances described below, has no control over the components of the tax base. Neither the City nor the Corporation currently has statutory authority to increase or decrease the maximum authorized rate of the Sales Tax.

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

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

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

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

Month of Receipt	1/2% Sales Tax Collections Fiscal 2015/16	1/2% Sales Tax Collections Fiscal 2014/15	1/2% Sales Tax Collections Fiscal 2013/14	1/2% Sales Tax Collections Fiscal 2012/13	1/2% Sales Tax Collections Fiscal 2011/12
October	$ 476,768	$ 447,096	$ 399,991	$ 381,405	$ 364,912
November	381,567	365,646	317,936	319,784	266,154
December	376,756	368,101	339,868	285,916	286,562
January	575,958	540,885	504,331	429,982	430,183
February	401,827	339,095	303,903	283,179	264,791
March	343,561	311,562	306,823	290,366	281,572
April	501,919	469,795	445,468	393,611	392,620
May	376,065	374,554	378,424	292,236	293,241
June	395,811	356,382	354,488	317,045	304,162
July	515,846	491,837	445,819	409,142	383,707
August	393,176	390,176	363,033	331,310	316,417
September		387,670	359,488	320,183	305,538
Totals	$ 4,739,254	$ 4,842,799	$ 4,519,573	$ 4,054,158	$ 3,889,860

TABLE 3 - CALCULATION OF COVERAGE FOR THE ISSUANCE OF ADDITIONAL BONDS(1)

Sales Tax Collection for Fiscal Year Ended 9/30/15	$ 4,842,799	
Maximum Annual Debt Service Fiscal Year 2021	$ 2,211,925	
Coverage of Maximum Requirements	2.19x	
Average Annual Debt Service 2017-2036	$ 1,572,793	
Coverage of Average Requirements	3.08x	
New Series 2016 Bonds Reserve Fund	$ -	(2)
Previously Issued Senior Lien Bond Reserve Fund for outstanding Previously Issued Senior Lien Bonds	$ 218,188	(3)

____

(1) Includes the Previously Issued Senior Lien Bonds, the Parity New Series Revenue Obligations and the Bonds. Preliminary, subject to change.

(2) Upon issuance of the Bonds, the New Series 2016 Bonds Reserve Fund will be funded with separate New Series Reserve Fund Surety Bonds issued by ________________.

(3) Amounts on deposit in the Previously Issued Senior lien Bonds Reserve Funds **ARE NOT** available to pay debt service on the Bonds.

TABLE 4 - HISTORICAL CORPORATION REVENUES AND EXPENDITURES

	Fiscal Years Ended September 30,				
	2015	2014	2013	2012	2011
Revenues:					
Taxes, Penalties, and Interest	$ 4,854,487	$ 4,530,982	$ 4,065,299	$ 3,899,868	$ 3,631,255
Gas Royalty Income	1,571	2,793	3,010	37,566	158,711
Interest Income	3,344	4,051	9,214	3,255	435
Contributions	1,408,863	1,408,862	-	-	-
Miscellaneous	1,900	6,074	175	64,887	1,164
Total Revenues	$ 6,270,165	$ 5,952,762	$ 4,077,698	$ 4,005,576	$ 3,791,565
Expenditures:					
Administration	$ 800,278	$ 766,063	$ 819,779	$ 735,628	$ 830,051
Projects	3,467,286	8,973,840	3,396,140	1,774,257	1,513,631
Debt Service, and Related Costs	1,655,408	1,322,059	1,320,775	1,268,443	1,102,169
Capital Outlay	-	-	-	-	-
Total Expenditures	$ 5,922,972	$ 11,061,962	$ 5,536,694	$ 3,778,328	$ 3,445,851
Excess (Deficiency) of Revenue Over Expenditures	347,193	(5,109,200)	(1,458,996)	227,248	345,714
Other Financing Sources (Uses)	$ 446,328	$ -	$ -	$ 3,057,677	$ 62,958
Gain on Sale of Capital Assets	-	-	433,000	-	-
Total Other Financing Sources (Uses)	$ 446,328	$ -	$ 433,000	$ 3,057,677	$ 62,958
Beginning Fund Balance[1]	6,762,106	11,871,306	12,897,302	9,612,377	9,203,705
Ending Fund Balance[1]	$ 7,555,627	$ 6,762,106	$ 11,871,306	$ 12,897,302	$ 9,612,377

(1) These amounts do not constitute Pledged Funds and are not pledged to the payment of the Bonds.

OTHER ACTIVITY OF THE CORPORATION

The 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 over 135 companies in making the City their home by providing over $20.2 million in economic assistance. In return, these companies have made cumulative capital investments of over $530 million and created over 3,500 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 these industries. These commitments require stringent performance commitments by the respective industries to qualify for the incentives. To date the Corporation has made commitments to be administered over the next several years in the amounts of $4.6 million in year 2017, $3.3 million in year 2018, $1.5 million in year 2019, $1.5 million in year 2020, $0.8 million in year 2021 and $0.7 million in 2022. 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.

The commitments of the Corporation described in the two preceding paragraphs are not secured by a pledge of or lien on Pledged Revenues securing the New Lien Bonds, or any security.

SELECTED PROVISIONS OF THE NEW SERIES 2016 RESOLUTION

The following are certain provisions of the New Series 2016 Resolution. These provisions are not to be considered a full statement of the terms of the New Series 2016 Resolution. Accordingly, these selected provisions are qualified in their entirety by reference to the New Series 2016 Resolution and are subject to the full text thereof.

Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Resolution the following terms shall have the meanings specified below:

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

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

"Board" means the Board of Directors of the Corporation.

"Bond" means any of the Bonds.

"Bonds" means the Corporation's bonds entitled "Mansfield Economic Development Corporation Sales Tax Revenue Bonds, New Series 2016."

"Closing Date" means the date of the initial delivery of and payment for the Bonds.

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

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

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

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

"Costs of the Project" means all items of costs of or attributable to the Project and defined as "Costs" in the Act.

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

"Event of Default" means any Event of Default as defined in the New Series 2016 Resolution.

"Fiscal Year" means October 1 through September 30.

"Gross Sales Tax Revenue Fund" means the special fund so designated in the New Series 2016 Resolution.

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

"Interest Payment Date" means the date or dates upon which interest on the Bonds is scheduled to be paid until the maturity of the Bonds, such dates being February 1 and August 1 of each year commencing on August 1, 2017.

"New Series Bonds" means collectively, the Bonds and the Previously Issued New Series Bonds.

"New Series Debt Service Fund" means the debt service fund established by the New Series Resolution.

"New Series Reserve Fund" means the reserve fund established by the New Series Resolution.

"New Series Reserve Fund Obligations" means cash or investments securities of any of the type or types permitted under the New Series 2016 Resolution.

"New Series Reserve Fund Surety Bond" means any surety bond or insurance policy having a rating in the two highest generic rating categories by Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a Standard & Poor's Financial

Services LLC business, or Fitch Ratings, Inc., issued to the Corporation for the benefit of the Owners of the Bonds to satisfy any part of the Required Reserve as provided in the New Series 2016 Resolution.

"New Series Resolution" means, collectively, the New Series 2016 Resolution, the resolutions authorizing the Previously Issued New Series Bonds and any resolutions authorizing Additional New Series Parity Revenue Obligations.

"New Series 2016 Resolution" means the resolution of the Corporation approving the issuance of the Bonds.

"Owner" means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

"Parity New Series Revenue Obligations" means the Bonds, the Previously Issued New Series Bonds and any Additional Parity New Series Revenue Obligations.

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

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

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

"Previously Issued New Series Bonds" means the outstanding and unpaid revenue bonds of the Corporation designated as follows: (1) Sales Tax Revenue Refunding and Improvement Bonds, Taxable New Series 2015, dated as of December 1, 2014; and (2) Sales Tax Revenue Refunding and Improvement Bonds, New Series 2015, dated as of December 1, 2014.

"Previously Issued Senior Lien Bonds" means the outstanding and unpaid revenue bonds of the Corporation designated as following: (1) Sales Tax Revenue Bonds, Series 2012, dated December 1, 2012.

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

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

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

"Project" means public infrastructure, including streets and roads, water and sewer utilities, drainage improvements, public parking and related improvements in connection with a retail and commercial development to be located generally at the northeast corner of the intersection of Broad Street and U.S. Highway 287 within the City.

"Record Date" means the 15th of the month next preceding an Interest Payment Date.

"Register" means the Register specified in Section 3.06(a) of this Resolution.

"Resolution" means this Resolution.

"Sales Tax" means the one-half of one percent local sales and use tax authorized under the Act approved by the voters of the City on January 18, 1997, and heretofore authorized and levied by the City within its existing boundaries, and hereafter required to be levied and collected within any expanded areas included within the City pursuant to the Act, together with any increases in the rate thereof if provided and authorized by applicable law.

"Sales Tax Collection Resolution" means that certain resolution adopted concurrently by the Board and the governing body of the City on May 24, 2004 entitled "Providing for the Collection, Handling and Transfer of Sales Tax Revenues Due and Owing to Mansfield Economic Development Corporation."

"Taxable New Series 2015 Bonds" means the Mansfield Economic Development Corporation Sales Tax Revenue Refunding Bonds, Taxable New Series 2015, dated December 1, 2014.

"Taxable New Series 2015 Resolution" means the resolution of the Corporation approving the issuance of the Taxable New Series 2015 Bonds.

"Tax-Exempt New Series 2015 Bonds" means the Mansfield Economic Development Corporation Sales Tax Revenue Refunding Bonds, New Series 2015, dated December 1, 2014.

"Tax-exempt New Series 2015 Resolution" means the resolution of the Corporation approving the issuance of the Tax-Exempt New Series 2015 Bonds.

Confirmation and Levy of Sales Tax.

(a) In the New Series 2016 Resolution, the Corporation confirms the earlier levy by the City of the Sales Tax at the rate voted at the election held by and within the City on January 18, 1997, and the Corporation hereby warrants and represents that the City has duly and lawfully ordered the imposition and collection of the Sales Tax upon all sales, uses and transactions as are permitted by and described in the Act throughout the boundaries of the City as such boundaries existed on the date of said election and as they may be expanded from time to time.

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

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

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

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

Pledge.

(a) In the New Series 2016 Resolution, the Corporation irrevocably pledges (i) the Pledged Revenues, and (ii) the Pledged Funds (A) to the payment of the principal of, and the interest and any premiums on, (B) all Parity New Series Revenue Obligations which are or may be outstanding from time to time, and (C) to the establishment and maintenance of the New Series Reserve Fund.

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

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

Resolution as Security Agreement.

(a) An executed copy of the New Series 2016 Resolution shall constitute a security agreement pursuant to applicable law, with the Owners as the secured parties. The lien, pledge, and security interest of the Owners created in this Resolution shall become effective immediately upon the Closing Date of the Bonds, and the same shall be continuously effective for so long as any Bonds are outstanding.

(b) A fully executed copy of the New Series 2016 Resolution and the proceedings authorizing it shall be filed as a security agreement among the permanent records of the Corporation. Such records shall be open for inspection to any member of the general public and to any person proposing to do or doing business with, or asserting claims against, the Corporation, at all times during regular business hours.

Application of Chapter 1208, Government Code.

Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the revenues granted by the Corporation under the New Series 2016 Resolution, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the revenues granted by the Corporation under the New Series 2016 Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Corporation agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Creation and Confirmation of Funds.

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

(i) "Mansfield Economic Development Corporation Previously Issued Senior Lien Bonds Debt Service Fund" created pursuant to the Previously Issued Senior Lien Bond Resolution, herein called the "Previously Issued Senior Lien Bonds Debt Service Fund";

(ii) "Mansfield Economic Development Corporation Previously Issued Senior Lien Bonds Reserve Fund" created pursuant to the Previously Issued Senior Lien Bond Resolution, herein called the "Previously Issued Senior Lien Bonds Reserve Fund";

(iii) "Mansfield Economic Development Corporation Gross Sales Tax Revenue Fund" created pursuant to the Previously Issued Senior Lien Bond Resolution, herein called the "Gross Sales Tax Revenue Fund";

(iv) "Mansfield Economic Development Corporation New Series Debt Service Fund" created pursuant to the New Series Resolution, herein called the "New Series Debt Service Fund";

(v) "Mansfield Economic Development Corporation New Series 2015 Taxable Bonds Reserve Fund" created pursuant to the Taxable New Series 2015 Resolution, herein called the "New Series 2015 Taxable Bonds Reserve Fund";

(vi) "Mansfield Economic Development Corporation New Series 2015 Tax-Exempt Bonds Reserve Fund" created pursuant to the Tax-Exempt New Series 2015 Resolution, herein called the "New Series 2015 Tax-Exempt Bonds Reserve Fund";

(vii) "Mansfield Economic Development Corporation New Series 2016 Bonds Reserve Fund" created pursuant to this Resolution and the Pricing Certificate, herein called the "New Series 2016A Bonds Reserve Fund";

(viii) "Mansfield Economic Development Corporation Previously Issued Senior Lien Bonds Project Development Fund" created pursuant to the Previously Issued Senior Lien Bond Resolution, herein called the "Previously Issued Senior Lien Bonds Project Development Fund";

(ix) "Mansfield Economic Development Corporation New Series Bonds Project Development Fund" created pursuant to the New Series Resolution, herein called the New Series Project Development Fund"; and

(x) "Mansfield Economic Development Corporation New Series Capital Improvement Fund."

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

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

Money on deposit in the Previously Issued Senior Lien Bonds Reserve Fund may be applied to the acquisition of a Surety Bond as authorized pursuant to the Previously Issued Senior Lien Bond Resolution.

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

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

(f) The Gross Sales Tax Revenue Fund, which may also be designated as the "Mansfield Economic Development Corporation Fund," is hereby established as a special fund comprised of the Gross Sales Tax Revenues, together with all other revenues as from time to time may be determined for deposit therein by the Corporation, and shall be maintained at the Corporation's depository bank for the benefit of the Owners of the Previously Issued Senior Lien Bonds and the Parity New Series Revenue Obligations, subject to the further provisions of the New Series 2016 Resolution.

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

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

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

<u>Gross Sales Tax Revenue Fund.</u>

(a) All Pledged Revenues shall be deposited and transferred as received to the Gross Sales Tax Revenue Fund.

(b) Until such time as the Previously Issued Senior Lien Bonds are no longer outstanding, moneys deposited in the Gross Sales Tax Revenue Fund shall be pledged and appropriated to the following uses, in the order of priority shown:

(i) <u>First</u>, to the payment, without priority, of all amounts required to be deposited in the Previously Issued Senior Lien Bonds Debt Service Fund established by the Previously Issued Senior Lien Bonds Resolution established for the payment of Previously Issued Senior Lien Bonds;

(ii) <u>Second</u>, to the payment of all amounts required to be deposited in the Previously Issued Senior Lien Bonds Reserve Fund pursuant to the Previously Issued Senior Lien Bonds Resolution;

(iii) <u>Third</u>, to pay any amounts due to any bond insurer of Previously Issued Senior Lien Bonds not paid pursuant to subsections (i) or (ii) above;

(iv) <u>Fourth</u>, to pay any amounts due to any issuer of a Previously Issued Senior Lien Bond Reserve Fund Surety Bond not paid pursuant to subsections (ii) or (iii) above;

(v) <u>Fifth</u>, to any other fund or account required by any Previously Issued Senior Lien Bond Resolution authorizing Previously Issued Senior Lien Bonds, the amounts required to be deposited therein;

(vi) <u>Sixth</u>, to the payment, without priority, of all amounts required to be deposited in the New Series Debt Service Fund herein established for the payment of Parity New Series Revenue Obligations;

(vii) <u>Seventh</u>, on a pro rata basis, to each debt service reserve fund created by any resolution authorizing the issuance of Parity New Series Revenue Obligations, which contains less than the amount to be accumulated and/or maintained therein, as provided in such resolutions;

(viii) Eighth, to pay any amounts due to any bond insurer of Parity New Series Revenue Obligations not paid pursuant to subsections (vi) or (vii) above;

(ix) Ninth, to pay any amounts due to any issuer of a New Series Reserve Fund Surety Bond not paid pursuant to subsections (vii) of (viii) above;

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

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

(xii) Twelfth, to the New Series Capital Improvement Fund.

(c) At such time as there are no Previously Issued Senior Lien Bonds outstanding, moneys deposited in the Gross Sales Tax Revenue Fund shall be pledged and appropriated to the following uses, in the order of priority shown:

(i) First, to the payment, without priority, of all amounts required to be deposited in the New Series Debt Service Fund herein established for the payment of Parity New Series Revenue Obligations;

(ii) Second, on a pro rata basis, to each debt service reserve fund created by any resolution authorizing the issuance of Parity New Series Revenue Obligations, which contains less than the amount to be accumulated and/or maintained therein, as provided in such resolutions;

(iii) Third, to pay any amounts due to any bond insurer of Parity New Series Revenue Obligations not paid pursuant to subsections (i) or (ii) above;

(iv) Fourth, to pay any amounts due to any issuer of a New Series Reserve Fund Surety Bond not paid pursuant to subsections (ii) or (iii) above;

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

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

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

New Series Debt Service Fund.

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

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

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

(b) The deposits to the New Series Debt Service Fund for the payment of principal of and interest on the Parity New Series Revenue Obligations shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the New Series Debt Service Fund and New Series Reserve Fund is equal to the amount required to pay all outstanding obligations (principal and/or interest) for which said Fund was created and established to pay or (ii) the Parity New Series

Revenue Obligations are no longer outstanding, i.e., fully paid as to principal and interest on all of the Parity New Series Revenue Obligations have been refunded.

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

New Series 2016 Bonds Reserve Fund.

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

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

(c) When and for so long as the cash, investments and New Series Reserve Fund Surety Bonds in the New Series 2016 Bonds Reserve Fund equal the Required Reserve, no deposits need be made to the credit of the New Series 2016 Bonds Reserve Fund. If the New Series 2016 Bonds Reserve Fund at any time contains less than the Required Reserve, the Corporation covenants and agrees that the Corporation shall cure the deficiency in the New Series 2016 Bonds Reserve Fund by making deposits to such Fund from the Pledged Revenues in accordance with Section 8.03 by monthly deposits and credits in amounts equal to not less than 1/60th of the Required Reserve with any such deficiency payments being made on or before the last day of each month until the Required Reserve has been fully restored; provided, however, that no such deposits shall be made into the New Series 2016 Bonds Reserve Fund during any six-month period beginning on February 1 and August 1 until there has been deposited into the New Series Debt Service Fund the full amount required to be deposited therein by the next following February 1 and August 1, as the case may be. In addition, in the event that a portion of the Required Reserve is represented by a New Series Reserve Fund Surety Bond, the Required Reserve and deposits to the New Series 2016 Bonds Reserve Fund shall take into account such value of the New Series Reserve Fund Surety Bond. The Corporation further covenants and agrees that, subject only to the prior deposits and credits for the Previously Issued Senior Lien Bonds and to be made to the New Series Debt Service Fund, the Pledged Revenues shall be applied, appropriated and used to establish and maintain the Required Reserve, including by paying payments under a New Series Reserve Fund Surety Bond when due, and any reserve established for the benefit of any issue or series of Additional Parity New Series Revenue Obligations and to cure any deficiency in such amounts as required by the terms of this Resolution and any other Resolution pertaining to the issuance of Additional Parity New Series Revenue Obligations. Reimbursements to any provider of a New Series Reserve Fund Surety Bond shall constitute the curing of a deficiency in the New Series 2016 Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the New Series Reserve Fund Surety Bond to the Required Reserve.

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

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

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

(g) In the event there is a draw upon the New Series Reserve Fund Surety Bond, the Corporation shall reimburse the provider of such New Series Reserve Fund Surety Bond for such draw, in accordance with the terms of any agreement pursuant to which the New Series Reserve Fund Surety Bond is used, from Pledged Revenues; however, such reimbursement from Pledged Revenues shall be in accordance with the provisions of Section 8.03 hereof and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the then Outstanding New Series Parity Revenue Obligations.

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

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

<u>Deficiencies in Funds.</u>

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

<u>Security of Funds.</u>

All moneys on deposit in the funds referred to in the New Series 2016 Resolution shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of funds of the City, and moneys on deposit in such funds shall be used only for the purposes permitted by the New Series 2016 Resolution.

<u>Investments.</u>

(a) Money in the funds established by the New Series 2016 Resolution, the resolutions authorizing the Previously Issued Senior Lien Bonds or any resolution authorizing Parity New Series Revenue Obligations, at the option of the Corporation, may be invested in such securities or obligations as permitted under the laws of the State of Texas applicable to the City.

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

<u>Investment Income.</u>

Interest and income derived from investment of any fund created by the New Series 2016 Resolution shall be credited to such fund.

<u>Issuance of Superior Lien Obligations Prohibited.</u>

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

<u>Issuance of Additional Parity New Series Revenue Obligations Authorized.</u>

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

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

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

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

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

(e) The resolution authorizing the Additional Parity New Series Revenue Obligations provides that: (i) the New Series Debt Service Fund be augmented by amounts adequate to accumulate the sum required to pay the principal and interest on such obligations as the same shall become due; and (ii) the amount to be maintained in the New Series Reserve Fund shall be increased to an amount not less than the New Series Reserve Fund Requirement calculated to include the debt service of the proposed additional obligations; and (iii) any additional amount required to be maintained in the New Series Reserve Fund shall be deposited therein upon delivery of such Additional Parity New Series Revenue Obligations or in not more than 60 months from such date.

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

No Further Issuance of Previously Issued Senior Lien Bonds.

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

Pledged Funds and Pledged Revenues.

(a) The Corporation represents and warrants that it is and will be authorized by applicable law and by its articles of incorporation and bylaws to authorize and issue the Bonds, to adopt the New Series 2016 Resolution and to pledge the Pledged Funds and Pledged Revenues in the manner and to the extent provided in the New Series 2016 Resolution and that the Pledged Funds and Pledged Revenues so pledged are and will be and remain free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by the New Series 2016 Resolution except as expressly provided herein for Parity New Series Revenue Obligations.

(b) The Bonds and the provisions of the New Series 2016 Resolution are and will be the valid and legally enforceable obligations of the Corporation in accordance with the terms of the New Series 2016 Resolution, subject only to any applicable bankruptcy or insolvency laws or to any applicable law affecting creditors’ rights generally.

(c) The Corporation shall at all times, to the extent permitted by applicable law, defend, preserve and protect the pledge of the Pledged Funds and Pledged Revenues and all the rights of the Owners under the New Series 2016 Resolution and the resolutions authorizing the issuance of the Bonds and any Parity New Series Revenue Obligations, against all claims and demands of all persons whomsoever.

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

Accounts, Periodical Reports and Certificates.

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

General.

The Directors and Officers of the Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of the New Series 2016 Resolution.

Repeal of Power to Collect Sales Tax.

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

Payment of the Bonds.

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

Events of Default.

Each of the following occurrences or events for the purpose of the New Series 2016 Resolution is hereby declared to be an "Event of Default," to-wit:

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

(ii) default in the performance or observance of any other covenant, agreement or obligation of the Corporation, the failure to perform which materially, adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and the continuation thereof for a period of 30 days after notice of such default is given by any Owner to the Corporation; or

(iii) An order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the Corporation 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 Corporation as applicable, 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.

Remedies for Default.

(a) Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the Corporation for the purpose of protecting and enforcing the rights of the Owners under the New Series 2016 Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

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

Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of the New Series 2016 Resolution, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under the New Series 2016 Resolution.

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

Discharge.

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

Amendments.

The New Series 2016 Resolution shall constitute a contract with the Owners, be binding on the Corporation, and shall not be amended or repealed by the Corporation so long as any Bond remains outstanding except as permitted in this Section. The Corporation may, without consent of or notice to any Owners, from time to time and at any time, amend the New Series 2016 Resolution in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the Corporation may, with the written consent of the Owners of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the New Series 2016 Resolution; provided that, without the consent of all Owners of outstanding Bonds, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by Owners for consent to any such amendment, addition, or rescission.

INVESTMENTS

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

LEGAL INVESTMENTS . . . . Under Texas law, the Corporation is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including 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) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by Bonds described in clauses (1) through (6) or in any other manner and amount provided by law for Corporation deposits, or (ii) where; (a) the funds are invested by the Corporation through (i) a broker that has its main office or branch office in this state and is selected from a list adopted by the Corporation; (ii) a depository institution that has a main office or branch office in this state and that is selected by the Corporation; (b) the depository institution selected by the Corporation arranges for the deposit of funds in one or more federally insured depository institutions, wherever located; (c) the certificates of deposit are insured by the United States or an instrumentality of the United States; and (d) the Corporation appoints the depository institution acts as a custodian for the Corporation with respect to the certificates of deposit an entity described by 2257.041(d) Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R., section 240.15c3-3); (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Corporation, held in the Corporation's name and deposited at the time the investment is made with the Corporation or a third party designated by the Corporation; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Corporation may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The Corporation is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the Corporation is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Corporation funds, maximum allowable stated maturity of any individual investment; the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All Corporation funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, Corporation investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Corporation shall submit an investment report detailing: (1) the investment position of the Corporation, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Corporation funds without express written authority from the Board of Directors.

ADDITIONAL PROVISIONS . . . Under State law, the Corporation is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Corporation's Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the Corporation to: (a) receive and review the Corporation's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Corporation and the business organization that are not authorized by the Corporation's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Corporation's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Corporation and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Corporation's investment policy; (6) provide specific investment training for the Corporation's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the Corporation's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Corporation.

TABLE 5- CURRENT INVESTMENTS

As of August 31, 2016, the Corporation's investable funds were invested in the following categories:

Description of Investment	Total Investment		Percent of Portfolio
TexSTAR	$	3,936,068	76.40%
Nations Money Market Fund		1,215,569	23.60%
	$	5,151,637	100.00%

TAX MATTERS

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

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the New Series 2016 Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Corporation, the Corporation's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the Corporation, the Corporation's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the Corporation fails to comply with the covenants in the New Series 2016 Resolution or if the foregoing representations are determined to be inaccurate or incomplete interest on the Bonds could become includable from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

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

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

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS . . . The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "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 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

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

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

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CONTINUING DISCLOSURE OF INFORMATION

In the New Series 2016 Resolution, the Corporation has made the following agreements for the benefit of the holders and beneficial owners of the Bonds. The Corporation is required to observe the agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the agreements, the Corporation will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org <http://www.emma.msrb.org/>.

ANNUAL REPORTS . . . The Corporation will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the Corporation of the general type included in this Official Statement under the Tables numbered 1 through 5 and in Appendix B. The Corporation will update and provide this information in the numbered Tables within six months after the end of each fiscal year ending in or after 2016 and, if then available, audited financial statements of the City. If audited financial statements are not available when the information is provided, the Corporation will provide audited financial statements when and if they become available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Corporation shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

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

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

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

LIMITATIONS AND AMENDMENTS . . . The Corporation has agreed to update information and to provide notices of certain events only as described above. The Corporation has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Corporation makes no representation or warranty concerning such information or

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[1] For the purposes of the event identified in (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Corporation in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation.

concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Corporation 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 Bonds may seek a writ of mandamus to compel the Corporation to comply with its agreement.

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

COMPLIANCE WITH PRIOR UNDERTAKINGS… During the last five years, the Corporation 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 Parity New Series Revenue Obligations of the Corporation are rated "Aa3" by Moody's, "A+" by S&P and "AA+" by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Corporation makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either of such rating companies, if in the judgment of either company, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds 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 Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds 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 Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Corporation has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The Corporation will furnish to the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding special obligations of the Corporation, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds, subject to the matters described under "TAX MATTERS" herein, including alternative minimum tax consequences for corporations. Bond Counsel represents the Corporation's Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, but Bond Counsel has been engaged by and only represents the Corporation in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part. in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds under the captions , “The Bonds” (except the second paragraph under “Security and Source of Payment” and the subcaptions “Book-Entry-Only System,” “Bondholders’ Remedies” and “Use of Bond Proceeds”), “Selected Provisions of the New Series 2016 Resolution,” ”Tax Matters,” “Continuing Disclosure of Information” (except the subcaption “Compliance with Prior Undertakings”) and the subcaptions “Legal Investments and Eligibility to Secure Public Funds in Texas,” “Registration and Qualification of Bonds for Sale” and “Legal Matters” (except the last two sentences of the first paragraph) under the caption “Other Information” and such firm is of the opinion that the information relating to the Bonds and legal issues contained under such captions and subcaptions is a fair and accurate description of the laws and legal issues addressed therein, and, with respect to the Bonds, such information conforms to the New Series 2016 Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion may accompany the Bonds deposited with DTC or may be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Counsel to the Underwriter. The fees of Underwriter’s Counsel are contingent upon the delivery of the Bonds.

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

FINANCIAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc. (“FirstSouthwest”) is employed as Financial Advisor to the Corporation in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. FirstSouthwest, 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 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the Corporation for the investment of bond proceeds or other funds of the Corporation upon the request of the Corporation.

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

UNDERWRITING

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

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

RBC Capital Markets, LLC ("RBCCM") has provided the following information for inclusion in this Official Statement. RBCCM and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the Corporation. RBCCM and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Corporation. RBCCM and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

In the Bond Resolution, the Board authorized the Pricing Officer to approve, for and on behalf of the Corporation, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriter's use of this Official Statement in connection with the public offering and the sale of the Bonds in accordance with the provisions of the Rule.

____
Pricing Officer
Mansfield Economic
Development Corporation

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF MANSFIELD, TEXAS

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THE CITY . . . The City of Mansfield encompasses 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 2016 population at 67,628 reflecting a 125.64% increase since 2000.

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

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

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

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

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PRINCIPAL EMPLOYERS

Company	Product Line	Number of Employees
Mouser Electronics	Distribution of Electronics Parts	1,300
Methodist Mansfield Medical Center	Full Service Hospital	1,207
SJ Louis Construction of TX.	Utility Contractor	450
Wal-Mart Super Center	Superstore	400
Klein Tools	Manufacturer of Hand Tool Products	395
Kroger	Grocery Stores(2)	320
Pier 1 Distibution Center	Home Goods	300
Hoffman Cabinets	Cabinet Manufacturer	260
Super Target	Super center	250
BCB Transport	Transportation Provider	214
Lifetime Fitness	Fitness Center	200
Walnut Creek Country Club	Country Club	190
Best Buy	Electronics Store	180
Intermedix	Medical Billing	180
Kindred Hospital	Treatment Center	155
Sam's Club	Warehouse Store	150
Ramtech Building Systems	Manufacturer of Modular Office Buildings	150
Lowe's	Home Improvement Store	146
Home Depot	Home Improvement Store	145
Conveyors, Inc.	Manufacturer Conveyor Equipment	130
On The Border	Mexican Restaurant	125
B-Way Packaging	Producer of Injection Molded Plastic Buckets	124
Gamma Engineering	CNC Machining	119
Southern Champion Tray	Manufacturer of Paperboard Folding Cartons	103
Skyline Industries	RV Manufacturer	100
Trinity Forge	Drop Forger	90
LyondellBasell/Equistar Chemicals	Manufacturer of Plastic Polymers used in Auto Indust	85
Oldcastle Precast	Manufacturer of Concrete Utility Products	80
Parker Hannifin	Manufacturer of Thermoplastic & Fluoropolymers	62
Chemguard/Tyco	Manufacturer of Fire Fighting Suppression Products	60

HISTORICAL EMPLOYMENT DATA (ANNUAL AVERAGE DATA) (1)

City of Mansfield	2016(1)	2015	2014	2013	2012
Labor Force	33,055	32,766	32,790	32,299	31,374
Employed	32,029	31,639	31,398	30,647	29,630
Unemployed	1,025	1,127	1,392	1,652	1,744
% Unemployment	3.1%	3.4%	4.2%	5.1%	5.6%

Tarrant County	2016(1)	2015	2014	2013	2012
Labor Force	1,000,926	992,766	998,520	985,073	966,855
Employed	963,270	951,515	948,786	926,106	903,988
Unemployed	37,656	41,251	49,734	58,967	62,867
% Unemployment	3.8%	4.2%	5.0%	6.0%	6.5%

(1) Source: Texas Employment Commission.
(2) Through May 2016.

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

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

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

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

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

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

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

BUILDING PERMITS BY CATEGORY

Fiscal Year Ended	Commercial and Industrial		Residential		
9/30	Number	Amount	Number	Amount	Grand Total
2012	45	$ 34,193,161	195	$ 44,263,442	$ 78,456,603
2013	46	96,289,168	205	59,260,578	155,549,746
2014	32	57,544,230	214	108,332,311	165,876,541
2015	63	102,367,778	314	147,302,936	249,670,714
2016 (1)	48	64,859,686	361	171,872,870	236,732,556

(1) As of August 2016.

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
Allen Estates	2	1.0	6
Bankston Meadows	2	1.0	6
Bower Ranch Ph 1	16	1.5	49
Cardinal Park Estates	10	1.5	31
Colby Crossing	1	0.5	3
Five Oaks Crossing Ph 1	9	2.0	28
Garden Heights Phs 2 & 3	46	1.0	142
King's Mill, Ph 1 - 3	3	1.0	9
Knightsbridge	6	1.5	18
Ladera Ph 1	58	2.0	179
Lakes of Creekwood, Sec 1 - 3	4	1.0	12
Manchester Heights Ph 1	36	1.5	111
Pemberley Estates, Ph 1	52	2.5	160
Remington Ranch, Ph 1 - 3	4	1.0	12
Southpointe, Phs 1A, Sec 1&2 and 1B	162	4.0	893
Spring Lake, Ph 2	17	1.5	52
Twin Creeks West	5	1.5	15
The Villages of Parkhill	23	3.5	71
Total	456		1,799

Estimate of Preliminary Platted Residential Lots for Future

Development	Number of Lots to be Developed	Total Projected Population
Bower Ranch, Ph 2-4	174	536
Dove Chase	143	440
Five Oaks Creek	10	31
Five Oaks Crossing - Phase 2	77	176
Ladera (condominiums) Ph 2 & 3	117	374
Lone Star Heights	50	154
Lone Star Ranch, Ph 3	70	216
M3 Ranch Ph 1 Sec 1 & 2	387	1192
Manchester Heights, Phs 2	7	139
Pemberely Estates	84	259
Seeton Estates	66	203
Somerset Addition, Phs 1 - 3	1106	3,403
Southpointe, Ph 2	148	456
The Oak Reserve	154	474
The View at the Reserve	346	1,066
	2,939	9,119

Estimate of Platted Commercial and Industrial Acreage Available for Development

Development	Number of Acres	Uses
Cannon Professional Plaza	4.860	Office
Creekside Plaza	2.260	Office
Enclave, The	3.350	Office
Heritage Industrial Park	71.250	Commercial/Industrial
Heritage Estates	15.250	Retail/Commercial
Hillcrest Addition	2.500	Commercial/Industrial
Hillcrest Business Park	9.000	Commercial/Industrial
Jacob Back Addition	1.810	Retail/Commercial
J.M. Thomas	1.360	Retail/Commercial
Knapp Sisters Business Park	3.290	Retail/Commercial
Lowe's Farm Market	1.050	Retail/Commercial
Mansfield 287 Addition	3.050	Retail/Commercial
Mansfield Debbie Lane Addition	1.270	Retail/Commercial
Mansfield Industrial Park East	2.860	Commercial/Industrial
Mansfield Marketplace	10.030	Retail/Commercial
Mansfield Town Center East	5.330	Retail/Commercial
Mansfield Town Center West	8.070	Retail/Commercial
McCaslin Business Park	3.660	Commercial/Industrial
R.T. Ray	5.550	Light Industrial
Sar Medical Plaza	4.430	Office
Sentry Industrial Park	13.220	Heavy Industrial
Tuscany at Walnut Creek	1.730	Office/Commercial
Village Off Broadway	10.870	Retail/Commercial
Walnut Creek Corner	4.460	Retail/Commercial
Walnut Creek Village	1.630	Retail/Commercial
Worldaire Addition	2.180	Light Industrial
Total	194.32	

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APPENDIX B

EXCERPTS FROM THE

CITY OF MANSFIELD, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2015

The information contained in this Appendix consists of excerpts from the City of Mansfield, Texas Annual Financial Report for the Year Ended September 30, 2015, 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 75201-2709

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2015, 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 Matters

As discussed in note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules 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 *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

KPMG LLP

Dallas, Texas
February 17, 2016

Management's Discussion and Analysis

As management of the City of Mansfield (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. 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 at the close of the City's fiscal year is approximately $416 million. Of this amount, approximately $15 million may be used to meet the government's ongoing obligations to its citizens and creditors.

- The City recognized approximately $126 million in revenue from various sources of taxes, services, and capital contributions and recognized approximately $102 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 $48 million. Approximately 25% of this $48 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 $12 million or 27% of total general fund expenditures.

- The City's total debt obligations increased by $.4 million (.22%) during the current fiscal year. This is from approximately $45.6 million in new and refunding bond proceeds offset by $45.2 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:

  General Obligation Refunding Bonds of $11.7 million for annual savings on principal and interest payments of refunded bonds and the issuance of Certificates of Obligation of $15.9 million for the purpose of street improvements and other public purposes.

  Water and Sewer Revenue Refunding Bonds of $9.5 million for annual savings on principal and interest payments of the refunded bonds.

  Sales Tax Revenue Refunding Bonds of $8.5 million for annual savings on principal and interest payments of refunded bonds.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes).

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the street construction fund, the building construction fund, and the TIRZ Fund #1, all of which are considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

Proprietary Funds

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

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

Fiduciary Funds

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

Notes to Financial Statements

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

Other Information

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by $415,796,974 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (85.20%) 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 2015	Governmental Activities 2014	Business-Type Activities 2015	Business-Type Activities 2014	Total 2015	Total 2014
Assets:						
Current and other	$ 59,797,022	$ 51,889,936	$ 34,815,904	$ 40,014,764	$ 94,612,926	$ 91,904,700
Capital	343,187,423	321,912,487	181,766,243	173,177,023	524,953,666	495,089,510
Total assets	402,984,445	373,802,423	216,582,147	213,191,787	619,566,592	586,994,210
Deferred outflows:	4,781,231	1,147,989	1,940,893	543,902	6,722,124	1,691,891
Liabilities:						
Long-Term	140,369,662	119,471,866	55,559,635	56,096,077	195,929,297	175,567,943
Other	10,063,848	7,465,487	4,498,597	4,068,144	14,562,445	11,533,631
Total liabilities	150,433,510	126,937,353	60,058,232	60,164,221	210,491,742	187,101,574
Net investment in capital assets	221,995,373	210,129,999	132,272,649	119,190,128	354,268,022	329,320,127
Restricted	33,782,085	29,294,497	12,817,081	12,548,222	46,599,166	41,842,719
Unrestricted	1,554,708	8,588,563	13,375,078	21,833,118	14,929,786	30,421,681
Total net position	$257,332,166	$248,013,059	$158,464,808	$153,571,468	$415,796,974	$401,584,527

As of September 30, 2015, a portion of the City's net position, $46,599,166 or 11.21% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $14,929,786, may be used to meet the government's ongoing obligations to citizens and creditors.

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

City's Changes in Net Position

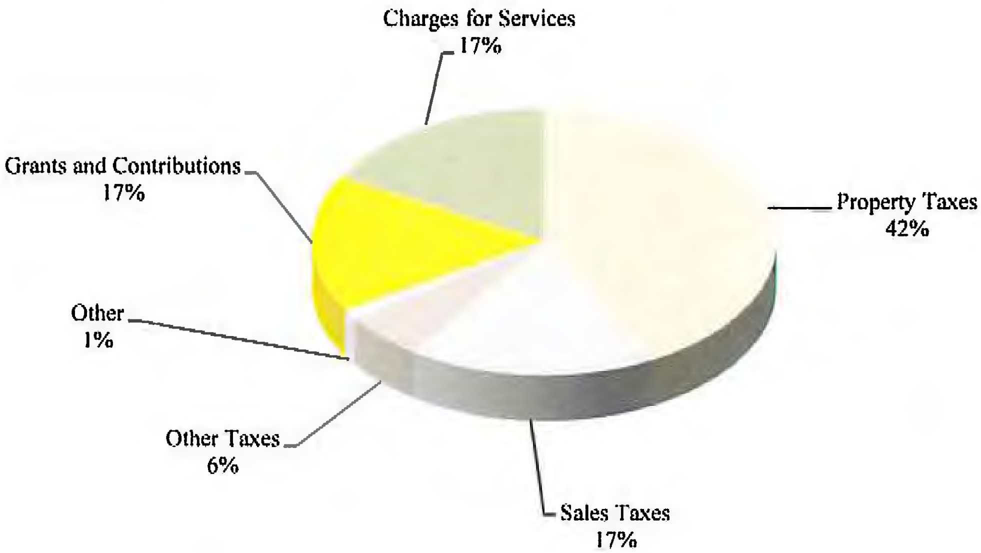
	Governmental Activities 2015	Governmental Activities 2014	Business Activities 2015	Business Activities 2014	Total 2015	Total 2014
Beg - Net Position	$240,188,088	$232,461,533	$150,788,166	$147,808,243	$390,976,254	$380,269,776
Revenues	$82,807,443	$78,674,294	$43,653,775	$41,053,261	$126,461,218	$119,727,555
Expenses	66,582,536	63,933,300	35,057,962	34,479,504	101,640,498	98,412,784
Transfers, net	919,171	810,532	(919,171)	(810,532)	-	-
Net Change in Position	17,144,078	15,551,526	7,676,642	5,763,225	24,820,720	21,314,771
End - Net Position	$257,332,166	$248,013,059	$158,464,808	$153,571,468	$415,796,974	$401,584,527

Beginning fiscal year 2015, net position was restated as required by Governmental Accounting Standards Board, Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The Standard states that the City is required to restate its beginning net positions as it reports the City's net pension obligation 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 68 and declared it effective for all governmental reporting bodies. The required effective date for implementing this new reporting standard for the City is fiscal year 2015. The total impact to net position for the City from the implementation of the new reporting standard is $10,608,273.

Governmental Activities

City governmental activity revenue for fiscal year 2015 increased $4.1 million from fiscal 2014. Revenues in fiscal year 2014 were $78.7 million compared to this fiscal year revenue of $82.8 million. The increases were from the City's reaction to the overall economy. The economy delivered better results for the City during fiscal year 2015. The increases came from new property taxes from new development, sales taxes and better than expected collections from improved franchise fees. Most of these increases were modest increases over prior year and primarily related to the improvements in the overall economy and the growth in the City's property improvements from the fiscal year ended 2014.

Governmental Activities - Revenues by Source for fiscal year ending 2015



Expenses in fiscal year 2015 compared to expenses in fiscal year 2014 increased by 4.14% or $2.7 million. The demand for services increased funding in fiscal 2015 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 because the department added new personnel and it has 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 2015, the City recognized $10.05 million in depreciation expense for street-related assets. Street improvements are expected to last twenty-five years with the appropriate level of maintenance and repair. This year, the City spent over $2.5 million in maintenance and repairs on its 245 plus miles of linear streets.

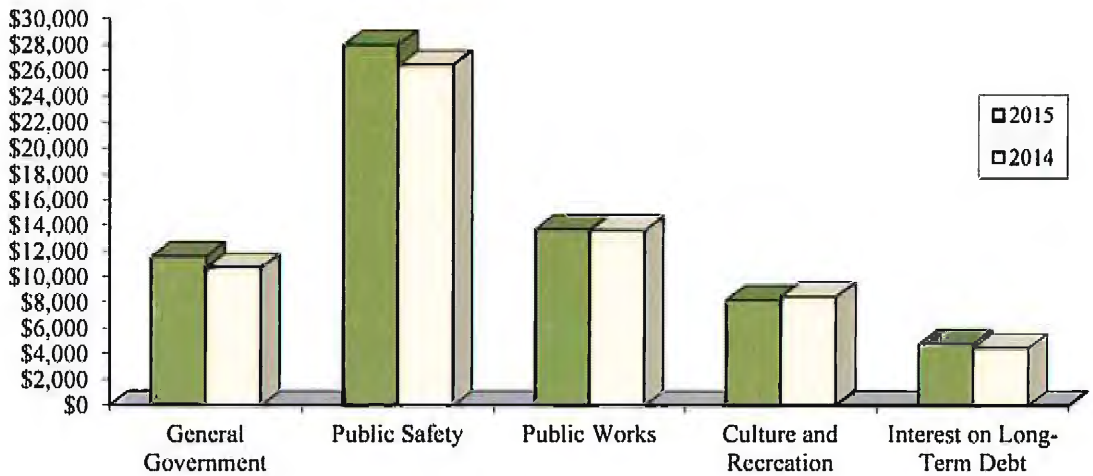
This year the City recognized $4.8 million in interest expense. Interest expense is the cost the City incurs for borrowing money to make long-term improvements that are generally regarded as long-term assets of the City.

This fiscal year, the Governmental activities increased the City's net position by $17.1 million. The increase in the City net position primarily occurred because of capital contributions received by the City in the amount of $13.4 million. The City's change in net position increased $16.3 million before transfers in fiscal year 2015.

City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES -						
Program Revenues:						
Charges for Services	$14,243,888	$14,294,018	$40,963,638	$39,056,610	$55,207,526	$53,350,628
Operating grants and Contributions	556,952	347,709	451,799	273,119	1,008,751	620,828
Capital Grants and Contributions	13,380,396	11,962,132	2,221,176	1,701,114	15,601,572	13,663,246
General Revenues:						
Property taxes	35,306,939	33,243,790	-	-	35,306,939	33,243,790
Sales taxes	14,563,461	13,592,946	-	-	14,563,461	13,592,946
Other taxes	4,712,119	4,470,549	-	-	4,712,119	4,470,549
Other	43,688	763,150	17,162	22,418	60,850	785,568
Total Revenues	82,807,443	78,674,294	43,653,775	41,053,261	126,461,218	119,727,555
EXPENSES -						
General government	11,647,954	10,759,471	-	-	11,647,954	10,759,471
Public safety	28,057,591	26,457,942	-	-	28,057,591	26,457,942
Public works	13,765,132	13,681,970	-	-	13,765,132	13,681,970
Culture and recreation	8,268,412	8,529,149	-	-	8,268,412	8,529,149
Interest on debt	4,843,447	4,504,768	-	-	4,843,447	4,504,768
Water and Sewer	-	-	23,550,961	23,037,636	23,550,961	23,037,636
Law Enforcement	-	-	10,357,169	10,070,406	10,357,169	10,070,406
Drainage	-	-	1,149,832	1,371,462	1,149,832	1,371,462
Total Expenses	66,582,536	63,933,300	35,057,962	34,479,504	101,640,498	98,412,804
Subtotal	16,224,907	14,740,994	8,595,813	6,573,757	24,820,720	21,314,751
TRANSFERS, net	919,171	810,532	(919,171)	(810,532)	-	-
Subtotal	17,144,078	15,551,526	7,676,642	5,763,225	24,820,720	21,314,751
NET POSITION, Beginning	240,188,088	232,461,533	150,788,166	147,808,243	390,976,254	380,269,776
Ending	$257,332,166	$248,013,059	$158,464,808	$153,571,468	$415,796,974	$401,584,527

Governmental Activities – Expenses (in thousands)



Business-Type Activities

Revenues exceeded expenses for the City's business-type activities in fiscal year 2015. Total revenues including capital contributions were approximately $43.7 million and total expenses including interest expense were approximately $35.1 million while equity transfers were approximately $.9 million which added approximately $7.7 million to the Business-Type's net financial position. This increased the net position of the business-type activities from approximately $150.8 million to approximately $158.5 million by the end of fiscal year 2015.

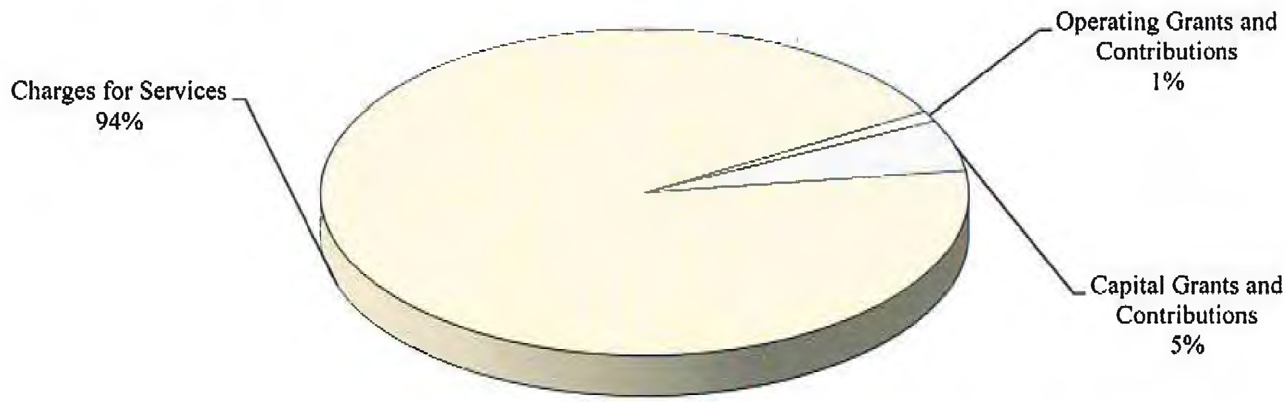
Comparatively, Business-Type Revenues exceeded prior year Business-Type Revenues by 6.34% or $2.6 million. Revenues including capital contributions for fiscal year 2015 were approximately $43.7 million and revenues including capital contributions for fiscal year 2014 were approximately $41.1 million. Expenses including interest for fiscal year 2015 were approximately $35.1 million before equity transfers of approximately $.9 million and expenses including interest expense for fiscal year 2014 were approximately $34.5 million before equity transfers of approximately $.8 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 2015 were less than one percent of the change in the net position of the City's Business-Type Activities.

Capital contributions have been a revenue source for the Business-Type Activities. These capital contributions are from the public improvements donated by developers. The City requires developers to pay for the cost of public improvements or infrastructure needed to support their developments, and in fiscal year 2015, developers contributed public improvements or assets of $2,221,176. 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.

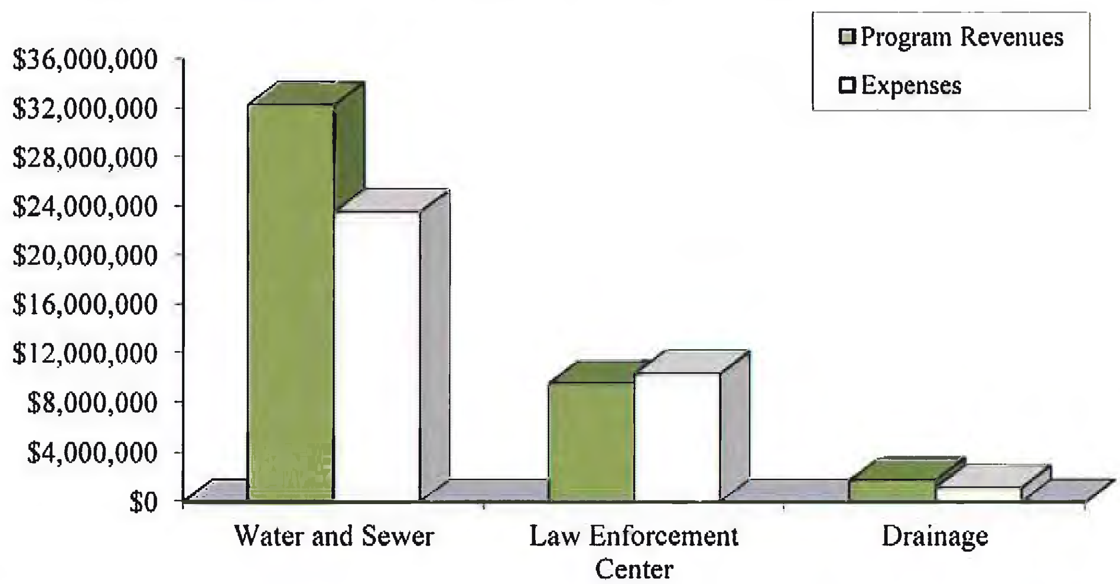
The City's Law Enforcement Center charges a fee for the Services rendered to support the contracts that the City has with other governmental agencies for the housing of inmates. These fees are recognized as Charges for Services in the Business-Type Activities and are used to pay for the cost of housing 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 – Revenues by Source for fiscal year ending 2015



Business-Type Activities - Program Revenues and Expenses for fiscal year ending 2015



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 $48,428,389, an increase of $5,262,525 in comparison with the prior year. The increase is from bond proceeds that will be used to construct infrastructure and purchase equipment. Approximately 24.82% or $12,020,382 of the ending fund balance of $48,428,389 constitutes unassigned fund balance and is available for spending at the government's discretion. The remainder of fund balance is dedicated for legally specific or defined purposes. To indicate that it is not available for new spending because it has already been committed, defined or legally restricted for specific purposes, the City has labeled the remaining fund balances as follows: 1) prepaid expenses and inventory items, $61,228; 2) debt service or for future construction contracts, $32,472,522; 3) for committed purposes, $3,708,875, such as park improvements; and 4) for assigned purposes, $165,382, 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 $12,020,382. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 26.63% of total general fund expenditures.

The City's unassigned fund balance and fund balance increased $363,364 in fiscal year 2015. The key reasons for the increases are as follows:

- Actual revenues exceeded actual expenditures by $510,182 in the general fund.
- The City transferred $1,023,718 to the Equipment Replacement Fund in fiscal year 2015. These costs are recognized as an expense and included as Other Uses for fiscal year 2015. The City transferred these funds with the intent of purchasing equipment.

- Other Sources of revenue included the Water and Sewer Utility Fund's payment in-lieu of taxes to the City's General Fund for the use of the City's right of way. This amount was $810,532 in fiscal year 2015.

- 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 2015 and personnel costs were managed and funded based on demand for services.

The debt service fund has a fund balance of $726,099, which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was $129,669. 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 $6,684,210 during fiscal year 2015. This fund's fund balance increased as a result of bonds issued and contributions received offset by construction payments of $7,536,882 for the improvement of major streets and neighborhood streets in and throughout the City. Other activity within the street construction fund included additional revenues from development fees charged by the City for the impact or costs that new development has on primary streets within the City. This fee generated $1,587,896 in fiscal year 2015.

The building construction fund expended $2,708,623 for the construction of the tactical training center and expansion of the emergency dispatch center.

TIRZ #1 spent $6,053,404 for significant infrastructure improvements in the tax increment reinvestment zone. The improvements were primarily street improvements to open up the area for residential development. The development is expected to add over 300 residential properties to the city over the next two years.

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 $14,479,710, for the Law Enforcement Center amounted to $(3,049,199), and for the Drainage Utility Fund amounted to $1,944,567. 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 2015, Water and Sewer revenue increased $1,966,432 or 7.89%. The increase is attributable to new connects to the system in fiscal year 2015, and a water and sewer fee increase in fiscal year 2015. Weather influences the system's revenue. Fiscal year 2015 was a fairly normal year in the North Texas area as the temperatures were considered to be average. The result was a fairly consistent year in Water and Sewer revenue for the City. Weather extremes can test the City's ability to produce water for consumption and it can test the system's ability to finance the infrastructure to supply the water to meet the demand of the consumer. A wet year creates less demand for water, which creates less revenue to support the cost of financing the infrastructure, which is built to supply the demand for water in a dry year.

- During fiscal year 2015, the City distributed 3.9 billion gallons of water while billing customers for 3.5 billion gallons of water usage or 89% of the actual plant's production. In fiscal year 2014, the City billed for 3.3 billion gallons of water usage compared to actual plant production of 3.9 billion. Actual water and sewer revenue in fiscal year 2015 increased compared to fiscal year 2014. Actual water and sewer revenue in 2015 was $26.9 million compared to $24.9 million in fiscal 2014. Demand for water in fiscal year 2015 was consistent with demand for water in fiscal year 2014 even though the total number of customers increased year over year by 372 new accounts. The water and sewer activity of the business-type activities produced operating income of $9.1 million for fiscal year 2015 as compared to $7.2 million in fiscal year 2014.

- Unrestricted net position decreased in the Water and Sewer Fund by $6,525,044. Operating expenses increased $497,388 over last year, excluding depreciation. Operating expenses are controlled through the direct administration of personnel costs and variable costs, which are directly caused by consumer's demand for the water. The City spent $4,111,709 for raw water in fiscal year 2015 compared to $4,360,425 in fiscal year 2014, and the City spent $5,336,715 to treat the City wastewater in fiscal 2015 compared to $4,939,762 in fiscal year 2014. The cost for raw water decreased year over year by $248,716 while the cost to treat used water increased year over year by $396,953.

- The Law Enforcement Center Fund had operating loss of ($739,796) this fiscal year. The operating loss is attributable to the decrease in the inmate population during the first half of the fiscal year in 2015. These costs are offset by transfers from the General Fund, which pay for the City's portion of jail services. No transfers from the General Fund were made in fiscal year 2015 or in fiscal year 2014.

- The Drainage Utility Fund revenue had operating income of $781,421 this fiscal year. Drainage Fees exceeded $1.3 million and operating expenses excluding depreciation were $863,088.

Budgetary Highlights

General Fund

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

Revenue results exceeded budgeted estimates by $2,289,709 for fiscal year ended 2015:

- Property Taxes fell below budgeted estimates by $331,737 because original assessed valuation estimates were higher than final valuations as the ad valorem roll was finalized by the appraisal district after the adoption of the City's budget.

- Sales Taxes exceeded budgeted projections by $707,870 as the effects of the national economy loosened its hold on consumer spending in Mansfield, Texas, during fiscal 2015. New development occurred in 2015 that created new sales tax collections as well.

- Licenses and permits were above budgeted estimates by $352,568. The City's building permit revenue exceeded expectations of the original estimates 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 2015. The grant revenue was received by the City in fiscal year 2015 and used for purpose of public safety.

- Charges for services exceeded budgeted estimates by $353,909 as the majority of the better than expected revenue was derived from the collections of fees for trash services within the City. Fees did increase for this service in fiscal year 2015 as the fees were raised to keep pace with the cost of inflation.

- Expenditures were 103.18% of budgeted estimates for fiscal year ended 2015. The additional expenditures were from the increased cost in public safety, the addition of in house attorney and repairs to existing streets. The cost of hiring new police officers coupled with more compensation increased the cost of labor in the public safety program of the City in fiscal year 2015. Management has been very effective in maintaining morale and improving services within the City while keeping the City within its overall budget.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015 amounts to $524,953,666 (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 2015	Governmental Activities 2014	Business-Type Activities 2015	Business-Type Activities 2014	Total 2015	Total 2014
Land	$99,040,436	$98,635,855	$2,076,738	$2,066,738	$101,117,174	$100,702,593
Buildings and system	52,859,617	53,034,799	126,505,427	120,767,762	179,365,044	173,802,561
Improvements	6,772,665	7,779,287	2,439,046	2,483,842	9,211,711	10,263,129
Machinery and equipment	7,607,999	5,933,477	1,821,639	910,411	9,429,638	6,843,888
Infrastructure	157,362,995	139,573,629	36,498,743	35,257,940	193,861,738	174,831,569
Construction in progress	19,543,711	16,955,440	12,424,650	11,690,330	31,968,361	28,645,770
Total	$343,187,423	$321,912,487	$181,766,243	$173,177,023	$524,953,666	$495,089,510

Governmental Capital Assets

Roadway expansion and improvements remain a primary element of the City's public works program. In 2015, 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 $97 million in new street improvements over the next 10 years.

Street projects in fiscal year 2015:

- The City widened Debbie Lane to two lanes in each direction east of Matlock Road. Other road improvements include the completion of Grand Meadow Boulevard.
- Several small arterial streets are under construction and design throughout neighborhoods.
- In total, the City spent $7,536,882 in street improvements and related work during fiscal year 2015.

Most of the capital assets that were added to construction in progress or the asset base of the City during fiscal year 2015 were planned or budgeted expenditures during fiscal year 2015. The City plans its asset expansion with deliberate budgetary control and oversight as these costs are substantial and have a significant effect on the operational cost and ultimately performance of the City.

Business-Type Assets

The City's municipally owned and operated water and sewer system has maintained its superior rating by the Texas Commission on Environmental Quality. Approximately 16% of the City's more than $71.4 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, 2015.

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

Long-Term Debt

At the end of the current fiscal year, the City had total principal outstanding of $177,850,000. Of this amount, $108,830,000 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 $10,365,000 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 2015
Security Instrument:				
Tax obligation bonds	$108,210,000	$620,000	$ -	$ 108,830,000
Sales tax revenue bonds	9,840,000	-	10,365,000	20,205,000
Revenue bonds	-	48,815,000	-	48,815,000
Total	$ 118,050,000	$ 49,435,000	$10,365,000	$177,850,000

The City's total debt increased $390,000 or 0.22% during the current fiscal year. Key factors for the increase are from the issuance of additional bonds and refunding bonds, which were offset by principal payments on existing outstanding debt. The City issued $15,870,000 in new bonds proceeds and issued $29,750,000 in refunding bonds. 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	"AA+"	"AA+"	"A+"	"AA-"
Fitch	"AA+"	"AA"	"AA-"	"AA"

For additional information on the City's debt obligations, see note III. F, 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 2014/2015 Property Tax Rate was $0.71000 per $100 valuation with a tax margin of $1.79000 per $100 valuation based upon the maximum ad valorem tax rate noted above. Additional revenues up to $80,364,115 per year could be raised before reaching the maximum allowable tax base on the current year's appraised net taxable value of $4,957,521,003.

Economic Factors: Next Year's Budgets and Rates

The City Economy

- New residential construction is expected to add 797 units with approximately 400 single-family units in 2016. The City has seen a decline in building activity over the past several years; however, development is still occurring within the City. During the budget process for the 2016 fiscal year, the City increased the building services-related revenue with expectations greater than that of 2015. The City's tax year is one year in arrear; the housing starts in calendar year 2016 are for budget year or fiscal year 2017.

- The City's annual growth in property valuation has increased 10% annually on average for the past ten years. For fiscal years 2016 and 2017, the City's valuations are expected to increase 6.3% and 6.8%, respectively. Generally, the City has weathered the great recession and property valuations are expected to improve in fiscal 2016 and into 2017. 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.

- In past years, sales tax revenue grew in excess of 10% annually; like property valuations, the City has adjusted its projections of anticipated sales tax receipts in 2016 and 2017. The expected budgeted sales tax receipts in 2016 are anticipated to closely reflect actual collections of 2015. The City is expecting fiscal year 2016 to be above budgeted estimates for 2016. Management is monitoring the collections of sales tax revenue and may modify projections into 2016 depending upon the overall economy.

- Retail developments and improvements continue into 2016 and 2017. 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 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 code standards that require sustainable developments to assist in extending the asset life of the tax base into the future.

These variables were considered in preparing the City's budget for the 2016 fiscal year.

The City's 2016 General Fund Operating Revenue Budget increased approximately 8% or $3.7 million over the fiscal year 2015 budget. Most of this revenue growth was from new development in the City that generated additional property tax and sales tax revenue of almost $1.9 million. The tax rate was held constant in 2016 at $0.71 per $100 in assessed valuation of property within the City limits. Unassigned fund balance is expected to grow over fiscal year 2015. Any additional appropriations made during fiscal year 2016 will be offset through the management of the operating expenditures of the General Fund during the course of fiscal year 2016.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Business Services, City of Mansfield, 1200 E. Broad Street, Mansfield, Texas 76063. Questions may also be directed to 817-276-4257.

City of Mansfield
Statement of Net Position
As of September 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	MEDC
ASSETS				
Cash and cash equivalents	$ 54,837,305	$ 16,566,899	$ 71,404,204	$ 6,572,830
Receivables (net of allowance for uncollectibles)	3,499,758	5,201,946	8,701,704	857,265
Lease receivable	1,101,944	-	1,101,944	-
Due from other funds	296,787		296,787	
Inventories	61,228	246,673	307,901	-
Restricted assets:				
Cash and cash equivalents	-	12,800,386	12,800,386	687,157
Capital assets (net of accumulated depreciation):				
Land	99,040,436	2,076,738	101,117,174	6,897,477
Buildings and systems	52,859,617	126,505,427	179,365,044	-
Improvements other than buildings	6,772,665	2,439,046	9,211,711	103,192
Machinery and equipment	7,607,999	1,821,639	9,429,638	-
Infrastructure	157,362,995	36,498,743	193,861,738	-
Construction in progress	19,543,711	12,424,650	31,968,361	456,112
Total assets	402,984,445	216,582,147	619,566,592	15,574,033
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension contributions	2,391,807	836,164	3,227,971	40,397
Deferred investment losses	733,138	256,301	989,439	12,383
Deferred pension expense	45,399	15,871	61,270	767
Deferred loss on refunding	1,610,887	832,557	2,443,444	231,505
	4,781,231	1,940,893	6,722,124	285,052
LIABILITIES				
Accounts payable and other current liabilities	10,063,848	1,930,528	11,994,376	561,625
Liabilities payable from restricted assets	-	2,568,069	2,568,069	-
Noncurrent liabilities:				
Due within one year	11,496,501	4,631,041	16,127,542	938,670
Due in more than one year	118,061,451	47,086,977	165,148,428	9,555,198
Net pension liability	10,811,710	3,841,617	14,653,327	174,078
Total liabilities	150,433,510	60,058,232	210,491,742	11,229,571
NET POSITION				
Net investment in capital assets	221,995,373	132,272,649	354,268,022	(2,926,113)
Restricted for:				
Debt Service	214,602	3,728,467	3,943,069	218,587
Capital Projects	33,567,483	9,088,614	42,656,097	468,570
Unrestricted	1,554,708	13,375,078	14,929,786	6,868,470
Total net position	$ 257,332,166	$ 158,464,808	$ 415,796,974	$ 4,629,514

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

City of Mansfield
Statement of Activities
For the Year Ended September 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
			Operating	Capital	Primary Government			Component Unit
		Charges for	Grants and	Grants and	Governmental	Business-type		
Functions/Programs	Expenses	Services	Contributions	Contributions	Activities	Activities	Total	MEDC
Primary government:								
Governmental activities:								
General government	$ 11,647,954	$ 5,103,757	$ 187,000	$ -	$ (6,357,197)	$ -	$ (6,357,197)	$ -
Public safety	28,057,591	3,606,043	348,172	-	(24,103,376)	-	(24,103,376)	-
Public Works	13,765,132	3,216,378	-	13,380,396	2,831,642	-	2,831,642	-
Culture and recreation	8,268,412	2,317,710	21,780	-	(5,928,922)	-	(5,928,922)	-
Interest on long-term debt	4,843,447	-	-	-	(4,843,447)	-	(4,843,447)	-
Total governmental activities	66,582,536	14,243,888	556,952	13,380,396	(38,401,300)	-	(38,401,300)	-
Business-type activities:								
Water	17,430,960	20,286,905	-	2,221,176	-	5,077,121	5,077,121	-
Sewer	6,119,999	9,790,377	-	-	-	3,670,378	3,670,378	-
Law enforcement center	10,357,169	9,576,769	-	-	-	(780,400)	(780,400)	-
Drainage	1,149,832	1,309,585	451,799	-	-	611,552	611,552	-
Total business-type activities	35,057,960	40,963,636	451,799	2,221,176	-	8,578,651	8,578,651	-
Total primary government	$ 101,640,496	$ 55,207,524	$ 1,008,751	$ 15,601,572	$ (38,401,300)	$ 8,578,651	$ (29,822,649)	$ -
Component units:								
MEDC	13,301,916	1,900	-	1,408,863	-	-	-	(11,891,153)
Total component units	$ 13,301,916	$ 1,900	$ -	$ 1,408,863	$ -	$ -	$ -	$ (11,891,153)
General revenues:								
Property taxes					35,306,939	-	35,306,939	-
Sales taxes					14,563,461	-	14,563,461	4,854,487
Franchise taxes					3,821,074	-	3,821,074	-
Mixed drink taxes					173,761	-	173,761	-
Hotel/Motel taxes					717,284	-	717,284	-
Unrestricted investment earnings					27,075	17,162	44,237	3,344
Gas royalty income					24,542	-	24,542	1,571
Gain on sale of capital assets					(7,929)	-	(7,929)	-
Transfers					919,171	(919,171)	-	-
Total general revenues					55,545,378	(902,009)	54,643,369	4,859,402
Change in net position					17,144,078	7,676,642	24,820,720	(7,031,751)
Net position beginning as adjusted (Note 12)					240,188,088	150,788,166	390,976,254	11,661,265
Net position ending					$ 257,332,166	$ 158,464,808	$ 415,796,974	$ 4,629,514

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

City of Mansfield
Balance Sheet
Governmental Funds
As of September 30, 2015

	General	Debt Service	Street Construction	Building Construction	TIRZ #1	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash, cash equivalents, and investments	$ 12,926,938	$ 726,754	$ 17,003,861	$ 828,504	$ 9,100,564	$ 14,250,684	$ 54,837,305
Receivables (net of allowance for uncollectibles)	2,194,035	31,264	187,000	-	8,627	1,078,832	3,499,758
Due from other funds	296,787	-	-	-	-	-	296,787
Inventory	-	-	-	-	-	61,228	61,228
Total assets	$ 15,417,760	$ 758,018	$ 17,190,861	$ 828,504	$ 9,109,191	$ 15,390,744	$ 58,695,078
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 810,859	$ -	$ 1,114,324	$ 343,075	$ 1,431,311	1,419,024	5,118,593
Accrued liabilities	1,999,393	655	371,771	-	1,157,110	81,192	3,610,121
Retainage payable	-	-	139,316	158,039	287,209	-	584,564
Unearned revenue	587,126	31,264	-	-	-	335,021	953,411
Total liabilities	3,397,378	31,919	1,625,411	501,114	2,875,630	1,835,237	10,266,689
Fund balances:							
Nonspendable	-	-	-	-	-	61,228	61,228
Restricted	-	726,099	15,565,450	327,390	6,233,561	9,620,022	32,472,522
Commited	-	-	-	-	-	3,708,875	3,708,875
Assigned	-	-	-	-	-	165,382	165,382
Unassigned	12,020,382	-	-	-	-	-	12,020,382
Total fund balances	12,020,382	726,099	15,565,450	327,390	6,233,561	13,555,507	48,428,389
Total liabilities and fund balances	$ 15,417,760	$ 758,018	$ 17,190,861	$ 828,504	$ 9,109,191	$ 15,390,744	

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.	343,187,423
Lease receivables in the governmental activities are not financial resources and, therefore, are not reported in the funds.	1,101,944
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	953,411
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	(136,339,001)
Net position of governmental activities	$ 257,332,166

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, 2015

	General	Debt Service	Street Construction	Building Construction	TIRZ #1	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	$ 22,884,240	$ 11,830,867	$ -	$ -	$ 500,143	$ 3,780	$ 35,219,030
Sales	9,708,974	-	-	-	-	4,854,487	14,563,461
Franchise	3,821,074	-	-	-	-	-	3,821,074
Mixed drink	173,761	-	-	-	-	-	173,761
Hotel/motel	-	-	-	-	-	717,284	717,284
Licenses and permits	1,705,391	-	-	-	-	331,673	2,037,064
Intergovernmental	348,172	-	-	-	-	-	348,172
Charges for services	4,030,611	-	-	-	-	1,027,050	5,057,661
Fines	2,239,655	-	-	-	-	312,486	2,552,141
Interest earnings	7,696	432	9,449	841	3,873	4,784	27,075
Contributions and donations	-	-	187,000	-	-	21,780	208,780
Impact fees	-	-	1,587,896	-	-	703,250	2,291,146
Miscellaneous	731,483	-	1,342,224	-	-	220,875	2,294,582
Total revenues	45,651,057	11,831,299	3,126,569	841	504,016	8,197,449	69,311,231
EXPENDITURES							
Current:		-					
General government	10,845,388	-	476	-	1,750	779,406	11,627,020
Public safety	26,766,659	-	-	-	-	253,700	27,020,359
Public works	3,603,304	-	-	-	-	-	3,603,304
Culture and recreation	3,552,113	-	-	-	-	2,822,447	6,374,560
Debt service:							
Principal	-	7,450,000	-	-	-	805,000	8,255,000
Interest	-	4,112,371	-	-	-	440,374	4,552,745
Fiscal charges	-	708,384	-	-	-	-	708,384
Bond issuance cost	-	155,800	82,768	-	39,741	20,146	298,455
Capital outlay:							
Land	65,322	-	-	-	-	397,084	462,406
Highways and streets	-	-	7,536,882	-	6,011,913	-	13,548,795
Buildings	7,280	-	-	2,708,623	-	639,103	3,355,006
Improvements other than buildings	-	-	-	-	-	315,249	315,249
Equipment	300,809	-	-	-	-	2,380,648	2,681,457
Parks	-	-	-	-	-	712,039	712,039
Total expenditures	45,140,875	12,426,555	7,620,126	2,708,623	6,053,404	9,565,196	83,514,779
Excess (deficiency) of revenues over (under) expenditures	510,182	(595,256)	(4,493,557)	(2,707,782)	(5,549,388)	(1,367,747)	(14,203,548)
OTHER FINANCING SOURCES (USES)							
Transfers in	810,532	-	-	-	-	1,132,357	1,942,889
Transfers out	(1,023,718)	-	-	-	-	-	(1,023,718)
Sale of city property	66,368	-	-	-	-	22,293	88,661
Refunding bonds issued	-	11,700,000	-			-	11,700,000
Bonds issued	-	-	9,715,000	-	4,445,000	1,710,000	15,870,000
Premium on bonds issued	-	1,773,891	1,527,148	-	623,009	73,405	3,997,453
Discounts on bonds issued	-	(68,304)	(64,381)	-	(28,268)	(8,259)	(169,212)
Payment to refunded bond escrow agent	-	(12,940,000)	-	-	-	-	(12,940,000)
Total other financing sources and uses	(146,818)	465,587	11,177,767	-	5,039,741	2,929,796	19,466,073
Net change in fund balances	363,364	(129,669)	6,684,210	(2,707,782)	(509,647)	1,562,049	5,262,525
Fund balances - beginning	11,657,018	855,768	8,881,240	3,035,172	6,743,208	11,993,458	43,165,864
Fund balances - ending	$ 12,020,382	$ 726,099	$ 15,565,450	$ 327,390	$ 6,233,561	$ 13,555,507	$ 48,428,389

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, 2015

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

Net change in fund balances total governmental funds	$	5,262,525
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.		7,991,128
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		13,283,807
Lease revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenue in the funds.		35,833
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		87,909
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.		3,878,728
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 Liabilty less the Plan Fiduciary Net Position.		(13,395,852)
Changes in net position of governmental activities	$	17,144,078

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, 2015

	Business-Type Activities Enterprise Funds			
	Water and Sewer	Law Enforcement Center	Drainage Utility	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 14,624,259	$ -	$ 1,942,640	$ 16,566,899
Accounts receivable (net of allowance for uncollectibles)	4,749,047	298,022	154,877	5,201,946
Inventories	224,208	22,465	-	246,673
Current assets	19,597,514	320,487	2,097,517	22,015,518
Current restricted assets:				
Cash and cash equivalents	12,429,342	158,712	212,332	12,800,386
Total current assets	32,026,856	479,199	2,309,849	34,815,904
Noncurrent assets:				
Capital assets:				
Land	138,191	234,528	1,704,019	2,076,738
Buildings and systems	200,337,060	7,363,784	5,856,937	213,557,781
Improvements other than buildings	62,818	2,651,815	-	2,714,633
Machinery and equipment	3,555,793	1,262,383	202,299	5,020,475
Construction in progress	12,424,650	-	-	12,424,650
Less accumulated depreciation	(48,250,001)	(4,893,235)	(884,798)	(54,028,034)
Total capital assets (net of accumulated depreciation)	168,268,511	6,619,275	6,878,457	181,766,243
Total noncurrent assets	168,268,511	6,619,275	6,878,457	181,766,243
Total assets	200,295,367	7,098,474	9,188,306	216,582,147
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension contributions	299,019	520,770	16,375	836,164
Deferred investment losses	91,655	159,627	5,019	256,301
Deferred pension expense	5,676	9,884	311	15,871
Deferred loss on refunding	618,117	-	214,440	832,557
	1,014,467	690,281	236,145	1,940,893
LIABILITIES				
Current liabilities:				
Accounts payable	910,839	118,071	92,425	1,121,335
Compensated absences	198,661	293,983	-	492,644
Accrued liabilities	168,064	323,372	21,260	512,696
Due to other funds	-	296,497	-	296,497
Current liabilities	1,277,564	1,031,923	113,685	2,423,172
Current liabilities payable from restricted assets:				
Customer deposits payable	1,379,401	3,362	-	1,382,763
Revenue bonds payable	3,630,000	-	390,000	4,020,000
Certificates of obligation payable	-	30,000	-	30,000
Accrued interest payable	553,360	6,514	24,045	583,919
Retainage payable	558,721	-	-	558,721
Accrued liabilities	20,215	22,451	-	42,666
Current liabilities payable from restricted assets	6,141,697	62,327	414,045	6,618,069
Total current liabilities	7,419,261	1,094,250	527,730	9,041,241
Noncurrent liabilities:				
Compensated absences	366,623	532,598	-	899,221
General obligation bonds payable (net of unamortized discounts)	-	610,272	-	610,272
Revenue bonds payable (net of deferred amount on refunding)	41,678,570	-	3,987,311	45,665,881
Net pension liability	1,358,270	2,422,376	60,971	3,841,617
Total noncurrent liabilities	43,403,463	3,565,246	4,048,282	51,016,991
Total liabilities	50,822,724	4,659,496	4,576,012	60,058,232
NET POSITION (DEFICIT)				
Net investment in capital assets	123,578,058	5,979,006	2,715,585	132,272,649
Restricted for debt service	3,646,348	17,113	65,006	3,728,467
Restricted for capital projects	8,782,994	182,339	123,281	9,088,614
Unrestricted	14,479,710	(3,049,199)	1,944,567	13,375,078
Total net position	$ 150,487,110	$ 3,129,259	$ 4,848,439	$ 158,464,808

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, 2015

	Business-type Activities Enterprise Funds			
	Water and Sewer	Law Enforcement Center	Drainage Utility	Total
Operating revenues:				
Charges for sales and services:				
Water sales	$ 17,105,911	$ -	$ -	$ 17,105,911
Sewer charges	9,790,377	-	-	9,790,377
Drainage fees	-	-	1,309,585	1,309,585
Housing services	-	9,247,216	-	9,247,216
Other services	3,180,994	329,553	451,799	3,962,346
Total operating revenues	30,077,282	9,576,769	1,761,384	41,415,435
Operating expenses:				
Costs of sales and services	14,609,919	9,775,153	534,279	24,919,351
Administration	2,486,140	277,040	328,809	3,091,989
Depreciation	3,858,313	264,372	116,875	4,239,560
Total operating expenses	20,954,372	10,316,565	979,963	32,250,900
Operating income (loss)	9,122,910	(739,796)	781,421	9,164,535
Nonoperating revenues (expenses):				
Interest earnings	16,645	-	517	17,162
Interest expense	(2,596,587)	(40,604)	(169,869)	(2,807,060)
Total nonoperating revenue (expenses)	(2,579,942)	(40,604)	(169,352)	(2,789,898)
Income before contributions and transfers	6,542,968	(780,400)	612,069	6,374,637
Capital contributions	2,221,176	-	-	2,221,176
Transfers in (out)	(810,532)	-	(108,639)	(919,171)
Change in net position	7,953,612	(780,400)	503,430	7,676,642
Total net position - beginning as adjusted (Note 12)	142,533,498	3,909,659	4,345,009	150,788,166
Total net position- ending	$ 150,487,110	$ 3,129,259	$ 4,848,439	$ 158,464,808

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, 2015

	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	$ 29,392,284	$ 9,565,092	$ 1,765,020	$ 40,722,396
Payments to suppliers	(12,529,357)	(1,100,725)	(509,949)	(14,140,031)
Payments to employees	(4,423,251)	(8,475,841)	(292,993)	(13,192,085)
Net cash provided by (used in) operating activities	12,439,676	(11,474)	962,078	13,390,280
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to/from other funds	(810,532)	-	(108,639)	(919,171)
Net cash provided by (used in) capital and related financing activities	(810,532)	-	(108,639)	(919,171)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(10,769,270)	(82,619)	(133,147)	(10,985,036)
Principal paid on capital debt	(4,095,000)	(515,000)	(375,000)	(4,985,000)
Interest paid on capital debt	(2,188,388)	(53,083)	(147,370)	(2,388,841)
Net cash used in capital and related financing activities	(17,052,658)	(650,702)	(655,517)	(18,358,877)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	16,645	-	517	17,162
Net cash provided by investing activities	16,645	-	517	17,162
Net (decrease) increase in cash and cash equivalents	(5,406,869)	(662,176)	198,439	(5,870,606)
Cash and cash equivalents, October 1	32,460,470	820,888	1,956,533	35,237,891
Cash and cash equivalents, September 30 (including $12,429,342; $158,712; and $212,332 for the Water and Sewer fund, Law Enforcement Center fund, and Drainage Utility fund, respectively, reported in restricted accounts)	$ 27,053,601	$ 158,712	$ 2,154,972	$ 29,367,285
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 9,122,910	$ (739,796)	$ 781,421	$ 9,164,535
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	3,858,313	264,372	116,875	4,239,560
(Increase) decrease in accounts receivable	(684,998)	(11,677)	3,636	(693,039)
(Increase) decrease in inventories	18,883	(2,409)	-	16,474
Increase (decrease) in accounts payable	124,568	478,036	60,146	662,750
Total adjustments	3,316,766	728,322	180,657	4,225,745
Net cash provided by (used in) operating activities	$ 12,439,676	$ (11,474)	$ 962,078	$ 13,390,280
Noncash capital activities:				
Contributions of capital assets from developers	$ 2,221,176	$ -	$ -	$ 2,221,176

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, 2015

	Agency
ASSET	
Cash and cash equivalent	$ 1,473,864
Total assets	$ 1,473,864
LIABILITIES	
Insurance payable	$ 1,473,864
Total liabilities	$ 1,473,864

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

I. Summary of Significant Accounting Policies

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

New Accounting Pronouncements Implemented in Fiscal Year 2015

For fiscal year 2015, the City implemented the following statements issued by GASB.

GASB issued Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. This Statement improves financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The implementation of this statement did not result in any changes to the financial statements.

GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The effect of the new pronouncement recognizes Deferred Outflows on the Statement of Net Position as a single item that is reclassified from the noncurrent liabilities to Deferred Outflow of Resources-Contributions; Deferred Outflow of Resources-Investment Experience and Deferred Inflows of Resources-Actual Experience versus Expectations. The other impact recognizes pension expense in the current fiscal year.

GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The provisions of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The implementation of this statement did not result in any changes to the financial statements.

GASB issued Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending non-exchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The provisions of Statement 70 are effective for financial statements for reporting beginning after June 15, 2013. The implementation of this statement did not result in any changes to the financial statements.

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

A. Reporting Entity

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

Blended Component Units

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

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

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

Discretely Presented Component Unit

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers ad valorem tax, sales tax, hotel/motel tax, mixed drink tax, and investment earnings to be available if they are collected within 60 days of the end of the current fiscal period. Franchise tax revenues are considered to be available if collected within 30 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and will be paid shortly after year-end (not to exceed one month).

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

A portion of the City's revenues are derived from developer contributions. The effect of these transactions, recorded as revenue, in the City's water and sewer funds was significant. Developer's contributions of $2,221,176 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 $13,380,396.

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 2015, the City invested in direct obligations of the U.S. government, or its agencies and mutual funds as authorized by the City's investment policy. The City records interest revenue earned from investment activities in each respective fund and recognizes its investments on a fair value basis, which is based on quoted market prices.

2. Inventory:

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

3. Prepaid Items:

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

4. Capital Assets:

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

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

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

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with the interest earned on invested proceeds over the same period. The City capitalized $0 of interest during fiscal year 2015.

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 four items that qualify for this category. Deferred pension 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 assets. This difference is deferred and amortized over a closed five year period. Deferred pension 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 charges 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.

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

6. Compensated Absences:

Vested or accumulated vacation leave is accrued in the government-wide and proprietary fund financial statements when incurred. No liability is recorded for non-vesting, accumulating rights to receive sick pay benefits. Vacation is earned in varying amounts up to a maximum of fifteen (15) days for employees with ten (10) or more years of service. Unused vacation leave is carried forward from one year to the next without limit with regards to years of service. As of September 30, 2015, the liability for accrued vacation was $8,189,669. The amount applicable to the Proprietary Funds $1,391,865 and the MEDC $42,789 have been recorded in these funds, and the amount applicable to other funds $6,755,015 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, 2015, the City allocated $147,980 to the Water and Sewer Fund for these services.

8. Property Tax:

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

9. Long-Term Obligations:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Net pension liability is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit plan.

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

10. Restricted Assets:

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

11. Use of Estimates:

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

12. Change in Accounting Principles:

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* This Statement established accounting and financial reporting standards that reclassify, as deferred outflows or resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflow of resources, certain items previously reported as assets and liabilities.

	Governmental Activities	Business-Type Activities	Component Unit
Net Position - beginning of period, as previously reported	$ 248,013,059	$ 153,571,468	$ 11,786,850
Changes in reporting for pensions	(7,824,971)	(2,783,302)	(125,585)
Net Position - beginning of period, as adjusted	$ 240,188,088	$ 150,788,166	$ 11,661,265

13. Fund Balance Classification:

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

Committed fund balances are amounts that can only be used for specific purposes with constraints imposed by formal action of the City Council and do not lapse at year-end. This formal action consists of a written ordinance voted and approved by a majority of the City Council. For assigned fund balance classification, the City Manager with concurrence of the Finance Director is authorized to assign amounts for a specific purpose as permitted by Section 9.12 of the City Charter. The restricted fund balance classification includes amounts that have constraints that are externally imposed (creditors, grantors, etc.) or imposed by enabling legislation. The 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 expenditure is incurred for purposes for which an amount in the committed, assigned, or unassigned amounts could be used. The City considers expenditure to be made from the most restrictive resources/funds when more than one classification is available.

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

	General	Debt Service	Street Construction	Building Construction	TIRZ	Other Governmental Funds	Total Governmental Funds
Fund balances:							
Nonspendable:							
Inventory	-	-	-	-	-	61,228	61,228
Restricted:							
Debt service reserve	-	726,099	-	-	-	502,269	1,228,368
Parks debt service reserve	-	-	-	-	-	207,809	207,809
Street construction/improvements	-	-	15,565,450	-	-	-	15,565,450
Municipal building improvements	-	-	-	327,390	-	-	327,390
Parks and recreation	-	-	-	-	-	7,708,685	7,708,685
Parks capital improvements	-	-	-	-	-	(384,225)	(384,225)
Other capital projects	-	-	-	-	6,233,561	7,318	6,240,879
Equipment /other purposes	-	-	-	-	-	1,512,402	1,512,402
Court seizure fund	-	-	-	-	-	65,764	65,764
Commited:							
Tree mitigation	-	-	-	-	-	136,434	136,434
Parks capital improvements	-	-	-	-	-	2,094,633	2,094,633
Tourism promotion	-	-	-	-	-	1,143,476	1,143,476
Court security and technology	-	-	-	-	-	313,637	313,637
Animal control	-	-	-	-	-	20,695	20,695
Assigned:							
COPS Grant	-	-	-	-	-	102,101	102,101
Library	-	-	-	-	-	63,281	63,281
Unassigned:	12,020,382	-	-	-	-	-	12,020,382
Total fund balances	12,020,382	726,099	15,565,450	327,390	6,233,561	13,555,507	48,428,389

The deficit fund balance in the Parks capital improvements is the result of accruing parks construction invoices as of September 30, 2015. The invoices will be paid in fiscal year 2016 with funds from the Mansfield Parks Development Facilities Corporation.

14. Net Position:

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

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

Restricted – Consists of assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which there are both restricted and unrestricted assets available, it is the City's policy to apply those expenses to restricted assets, to the extent such are available, and then to unrestricted assets.

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

II. Reconciliation of Government-Wide and Fund Financial Statements

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

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

The details of this $136,339,001 difference are as follows:

Bonds payable	$118,050,000
Premium on issuance of bonds	5,723,184
Discounts on issuance of bonds	(970,247)
Fiscal charges	(1,610,887)
Accrued interest payable	750,570
Compensated absences	6,755,015
Deferred pension contributions	(2,391,807)
Deferred investment losses	(733,138)
Net pension liability	10,811,710
Deferred pension expense	(45,399)
Net adjustment to reduce fund balance – total governmental funds to arrive at net position– governmental activities	$136,339,001

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 $7,991,128 difference are as follows:

Capital outlay	$21,074,952
Depreciation expense	(13,083,824)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 7,991,128

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 $13,283,807 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	$13,283,807

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 $35,833 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.	$35,833

Another element of that reconciliation states that "other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds". The $87,909 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.	$87,909

Another element of that reconciliation states that "deferred outflows of resources represent a consumption of net positon 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 $3,878,728 difference are as follows:

Deferred charges on refunding	708,384
Deferred pension contributions	2,391,807
Deferred investment losses	733,138
Deferred pension expense	45,399
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 3,878,728

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 $(13,395,852) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	$ (27,570,000)
Premium on issuance of bonds	(3,997,453)
Discounts on issuance of bonds	169,212
Accrued interest payable	(77,542)
Amortization of premiums/discounts	85,295
Compensated absences	(213,627)
Principal payments or payments to escrow agent	21,195,000
Change in net pension liability	(2,986,737)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ (13,395,852)

III. Detailed Notes on All Funds

A. Deposits and Investments

As of September 30, 2015, the primary government had cash and cash equivalents of $23,104,176 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	$61,100,414	0.13

As of September 30, 2015, the Mansfield Economic Development Corporation had cash and cash equivalents of $2,122,455 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	5,137,532	0.13

Interest Rate Risk –

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

Credit Risk –

The City is authorized to invest in U.S. government obligations and its agencies or instrumentalities, obligations of Texas and its agencies, fully insured or collateralized certificates of deposit, fully collateralized direct repurchase agreements, government pools and money market funds consisting of any of these securities listed, and obligations of states, cities, and other political subdivisions with a rating of "A" or its equivalent. As of September 30, 2015, 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, 2015, the City's investments are held in Bank of America Merrill Lynch Money Market Mutual Fund; and TexStar Participant Services. These investments are 36.02%; and 63.31% of the City's total investments. These money market mutual funds are invested in U.S. Treasury obligations, which are backed by the full faith and credit of the U.S. government.

B. Receivables

Receivables at September 30, 2015 consisted of the following:

	Governmental Funds					
	General	Debt Service	Streets	TIRZ #1	Non-major	Total
Receivables:						
Property Taxes	$ 661,858	$ 335,896	$ -	$ -	$ -	$ 997,754
Accounts	6,414,926	-	187,000	8,627	1,078,832	7,689,385
Gross Receivables	7,076,784	335,896	187,000	8,627	1,078,832	8,687,139
Less: Allowance for Uncollectible	4,882,749	304,632	-	-	-	5,187,381
Net Total Receivables	$ 2,194,035	$ 31,264	$ 187,000	$ 8,627	$ 1,078,832	$ 3,499,758

	Proprietary Funds			
	Water & Sewer	Law Enforement	Drainage Utility	Total
Receivables:				
Accounts	$ 5,618,146	$ 298,022	$ 206,361	$ 6,122,529
Other	50,146	-	-	50,146
Gross Receivables	5,668,292	298,022	206,361	6,172,675
Less: Allowance for Uncollectible	919,245	-	51,484	970,729
Net Total Receivables	$ 4,749,047	$ 298,022	$ 154,877	$ 5,201,946

The MEDC has a receivable in the amount of $857,265 as of September 30, 2015.

C. Capital Assets

Capital asset activity for the year ended September 30, 2015 is as follows:

Governmental activities:	Sept 30, 2014	Increases	Decreases	Sept 30, 2015
Capital assets, not being depreciated:				
Land	$ 98,635,855	$ 463,556	$ (58,975)	$ 99,040,436
Construction in progress	16,955,440	21,074,953	(18,486,682)	19,543,711
Total capital assets, not being depreciated	115,591,295	21,538,509	(18,545,657)	118,584,147
Buildings	62,065,246	1,000,254	-	63,065,500
Other improvements	18,647,868	-	-	18,647,868
Machinery and equipment	21,815,997	2,560,867	(216,439)	24,160,425
Infrastructure	289,660,958	27,842,402	-	317,503,360
Total capital assets being depreciated	392,190,069	31,403,523	(216,439)	423,377,153
Less accumulated depreciation for:				
Buildings	(9,030,447)	(1,175,436)	-	(10,205,883)
Other improvements	(10,868,581)	(1,006,622)	-	(11,875,203)
Machinery and equipment	(15,882,520)	(848,730)	178,824	(16,552,426)
Infrastructure	(150,087,329)	(10,053,036)	-	(160,140,365)
Total accumulated depreciation	(185,868,877)	(13,083,824)	178,824	(198,773,877)
Total capital assets being depreciated, net	206,321,192	18,319,699	(37,615)	224,603,276
Governmental activities capital assets, net	$321,912,487	$39,858,208	$(18,583,272)	$343,187,423

Business-type activities:	Sept 30, 2014	Increases	Decreases	Sept 30, 2015
Capital assets, not being depreciated:				
Land	$ 2,066,738	$ 10,000	$ -	$ 2,076,738
Construction in progress	11,690,330	10,564,312	(9,829,992)	12,424,650
Total capital assets, not being depreciated	13,757,069	10,574,312	(9,829,992)	14,501,388
Capital assets, being depreciated:				
Buildings and systems	153,313,376	8,733,323	-	162,046,699
Improvements other than buildings	2,714,633	-	-	2,714,633
Machinery and equipment	3,921,958	1,167,702	(69,185)	5,020,475
Infrastructure	49,289,906	2,221,176	-	51,511,082
Total capital assets, being depreciated	209,239,873	12,122,201	(69,185)	221,292,889
Less accumulated depreciation for:				
Buildings and systems	(32,547,896)	(2,993,376)	-	(35,541,272)
Improvements other than buildings	(230,790)	(44,797)	-	(275,587)
Machinery and equipment	(3,009,267)	(221,014)	31,445	(3,198,836)
Infrastructure	(14,031,966)	(980,374)	-	(15,012,339)
Total accumulated depreciation	(49,819,919)	(4,239,561)	31,445	(54,028,034)
Total capital assets being depreciated, net	159,419,954	7,882,640	(37,740)	167,264,855
Business-type activities capital assets, net	$173,177,023	$18,456,952	$(9,867,732)	$181,766,243

D. Capital assets continued

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

Governmental Activities:	
General Government	$ 294,112
Public Safety	813,636
Public Works	10,114,340
Culture and Recreation	1,861,736
Total Depreciation Expense – Governmental Activities	$13,083,824

Business-Type Activities:	
Water and Sewer	$ 3,858,314
Law Enforcement Center	264,372
Drainage Utility Fund	116,875
Total Depreciation Expense – Business-Type Activities	$ 4,239,561

Construction Commitments

The general government had outstanding commitments at September 30, 2015, under authorized construction contracts of approximately $12,450,000. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources. These outstanding commitments relate to the major funds.

The MPFDC had outstanding commitments at September 30, 2015, under authorized construction contracts of approximately $675,000. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources. These outstanding commitments relate to the non-major funds.

The Water and Sewer Fund had outstanding commitments at September 30, 2015, under authorized construction contracts of approximately $1,726,000. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources.

Discretely Presented Component Unit

Activity for the MEDC for the year ended September 30, 2015 was as follows:

Mansfield Economic Development Corporation:	Sept 30, 2014	Increases	Decreases	Sept 30, 2015
Capital assets, not being depreciated:				
Land	$6,897,477	$ -	$ -	$6,897,477
Construction in Progress	9,009,357	1,480,746	(10,033,991)	456,112
Total capital assets, not being depreciated	15,906,834	1,480,746	(10,033,991)	7,353,589
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	(61,004)	(3,052)	-	(64,056)
Machinery and equipment	(72,312)	-	-	(72,312)
Total accumulated depreciation	(133,316	(3,052)	-	(136,368)
Total capital assets being depreciated, net	106,244	(3,052)	-	103,192
MEDC capital assets, net	$ 16,013,078	$1,477,694	$(10,033,991)	$ 7,456,781

The MEDC had outstanding commitments at September 30, 2015 under authorized construction contracts of approximately $480,000.

E. Deferred Outflows and Inflows of Resources

The City has four types of deferred outflows of resources. Deferred pension 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 assets. This difference is deferred and amortized over a closed five year period. Deferred pension 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 charges 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.

Deferred Outflows of Resources

	Governmental Activities	Business-type Activities	Total	Component Unit	Total Deferred Outflows
Deferred pension contributions	$ 2,391,807	$ 836,164	$3,227,971	$ 40,397	$3,268,368
Deferred investment losses	733,138	256,301	989,439	12,383	1,001,822
Deferred pension expense	45,399	15,871	61,270	767	62,037
Deferred loss on refunding	1,610,887	832,557	2,443,444	231,505	2,674,949
	$ 4,781,231	$ 1,940,893	$6,722,124	$ 285,052	$7,007,176

F. Interfund Transfers

The composition of interfund balances as of September 30, 2015 is as follows:

Fund	Transfers In	Transfers Out
General Fund	$810,532	$ -
Mansfield Parks FDC	108,639	-
Equipment Replacement	1,023,718	
General Fund		1,023,718
Drainage Fund	-	108,639
Water and Sewer Fund	-	810,532
TOTAL	$1,942,889	$1,942,889

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

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

G. Long-Term Debt

Governmental Activities -

General Obligation Bonds, Loans, and Certificates of Obligation

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

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

The City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $99,624 and resulted in an economic gain of $712,222. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was $77,106 at September 30, 2015.

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 $56,147 at September 30, 2015.

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

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

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

The City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $153,534 and resulted in an economic gain of $450,680. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was $108,760 at September 30, 2015.

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 will be 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. There were defeased debt amounts of $4,235,000; $2,200,000; and $3,465,000 outstanding as of September 30, 2015.

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 $669,030 at September 30, 2015.

General obligation debt outstanding at September 30, 2015 comprises the following issues:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2006	4.00% to 4.35%	2016	$6,905,000	$335,000
2007 CO	4.00% to 5.00%	2016	3,320,000	155,000
2007	4.00% to 5.00%	2016	5,215,000	240,000
2007A CO	5.90% to 6.51%	2028	1,255,000	925,000
2007A GO	5.50% to 4.63%	2028	5,100,000	3,970,000
2007B GO	5.50% to 4.63%	2028	5,300,000	3,970,000
2008 CO	5.00% to 6.25%	2029	12,330,000	9,620,000
2008 GO	5.00% to 6.25%	2029	3,105,000	2,540,000
2009 GO Refunding	3.00% to 4.00%	2022	10,400,000	6,140,000
2011 GO Refunding	2.00% to 4.00%	2022	9,730,000	5,565,000
2011 CO	2.00% to 5.00%	2025	3,090,000	2,635,000
2012 GO Refunding	2.00% to 3.13%	2025	5,855,000	5,610,000
2012 CO	2.00% to 4.00%	2032	3,415,000	3,030,000
2012A CO	3.49% to 4.65%	2032	3,075,000	2,755,000
2013 CO	2.00% to 4.00%	2033	5,335,000	4,930,000
2013 GO Refunding	2.00% to 4.00%	2025	4,200,000	3,625,000
2013A GO Refunding	2.00% to 3.00%	2023	2,880,000	2,440,000
2014 GO Refunding	2.00% to 2.50%	2019	6,710,000	4,400,000
2014 CO	2.50% to 4.38%	2034	16,500,000	16,500,000
2014A CO	2.00% to 4.13%	2034	1,255,000	1,255,000
2015 CO	2.00% to 5.00%	2035	15,870,000	15,870,000
2015 GO Refunding	4.00% to 5.00%	2027	11,700,000	11,700,000
TOTAL				$108,210,000

Annual debt service requirements to maturity for general obligation debt, including interest of $36,890,142, are as follows:

Fiscal Year	Principal	Interest	Total
2016	$8,385,000	$4,372,049	$12,757,049
2017	8,240,000	4,101,321	12,341,321
2018	8,045,000	3,820,657	11,865,657
2019	7,680,000	3,532,562	11,212,562
2020	7,565,000	3,235,742	10,800,742
2021-2025	34,105,000	11,774,801	45,879,801
2026-2030	22,505,000	5,048,423	27,553,423
2031-2034	11,685,000	1,004,587	12,689,587
TOTAL	$108,210,000	$36,890,142	$145,100,142

Authorized but unissued general obligation bonds as of September 30, 2015 are as follows:

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

Special Sales Tax Revenue Bonds

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

Special Sales Tax Revenue and Revenue Refunding Bonds outstanding at September 30, 2015 are as follows:

Series	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2006	4.00% to 4.40%	2026	$3,940,000	$2,640,000
2007	4.00% to 4.30%	2027	2,200,000	1,525,000
2007A	5.90% to 6.51%	2028	2,990,000	2,320,000
2012	2.00% to 3.25%	2024	4,995,000	3,355,000
TOTAL				$9,840,000

Debt service requirements to maturity for Special Sales Tax Revenue Bonds, including interest of $2,791,598, are as follows:

Fiscal Year	Principal	Interest	Total
2016	$835,000	$407,104	$1,242,104
2017	860,000	379,830	1,239,830
2018	890,000	351,166	1,241,166
2019	925,000	321,393	1,246,393
2020	810,000	288,096	1,098,096
2021-2025	4,205,000	916,159	5,121,159
2026-2028	1,315,000	127,850	1,442,850
TOTAL	$9,840,000	$2,791,598	$12,631,598

Changes in long-term liabilities

Long-term debt activity for the year ended September 30, 2015 was as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
General Obligation Bonds	$ 101,030,000	$ 27,570,000	$ (20,390,000)	$ 108,210,000	$ 8,385,000
Sales Tax Revenue Bonds	10,645,000		(805,000)	9,840,000	835,000
Deferred Amounts:				-	
Premiums	2,162,749	3,997,453	(437,018)	5,723,184	465,990
Discounts	(907,273)	(169,212)	106,238	(970,247)	(85,221)
Total bonds & notes payable	112,930,476	31,398,241	(21,525,780)	122,802,937	9,600,769
Compensated absences	6,541,389	1,867,409	(1,653,783)	6,755,015	1,895,732
Total	$ 119,471,865	$ 33,265,650	$ (23,179,563)	$ 129,557,952	$ 11,496,501
Total Net Pension Liability	$ 10,147,234	9,545,968	(8,881,492)	$ 10,811,710	-

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

Business-Type Activities -

Water and Sewer Fund

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

Waterworks and Sewer System Refunding and Revenue Bonds

In 2004, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $462,612. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was $-0- at September 30, 2015.

In 2005, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $327,090. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was $-0- at September 30, 2015.

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 $79,760 at September 30, 2015.

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 $134,730 at September 30, 2015.

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. There was $3,875,000 of outstanding defeased debt as September 30, 2015.

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 $403,627 at September 30, 2015.

The total deferred amount on refunding for the water and sewer revenue bonds was $618,117 at September 30, 2015.

Water and sewer fund debt outstanding at September 30, 2015 comprises the following issues:

Date Issued	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2005Ref	3.60% to 4.10%	2019	$9,105,000	$1,030,000
2007	4.00% to 4.00%	2016	6,000,000	275,000
2008	4.38% to 6.75%	2029	26,185,000	20,565,000
2009	3.00% to 4.50%	2030	2,585,000	2,090,000
2011	2.00% to 5.00%	2030	13,995,000	10,475,000
2012	2.00% to 3.00%	2023	2,320,000	1,700,000
2015Ref	2.00% to 5.00%	2027	9,540,000	8,320,000
TOTAL				$44,455,000

Debt service requirements to maturity for water and sewer fund debt, including interest of $17,373,044, are as follows:

Fiscal Year	Principal	Interest	Total
2016	$3,630,000	$2,231,826	$5,861,826
2017	3,770,000	2,080,733	5,850,733
2018	3,750,000	1,916,508	5,666,508
2019	3,625,000	1,752,703	5,377,703
2020	2,940,000	1,589,714	4,529,714
2021-2025	14,485,000	5,856,029	20,341,029
2026-2030	12,255,000	1,945,531	14,200,531
TOTAL	$44,455,000	$17,373,044	$61,828,044

Law Enforcement Center

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

Refunding Bonds

In 2005, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $294,336. This deferred amount on refunding was being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. There were no deferred or defeased amounts as of September 30, 2015.

Law Enforcement Center Fund debt outstanding at September 30, 2015 comprises the following issues:

Date Issued	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2005 Refund	5.00%	2015	$2,355,000	$-0-
2007B CO	6.45% to 6.45%	2028	790,000	620,000
TOTAL				$620,000

Debt service requirements to maturity for Law Enforcement Center debt, including interest of $296,055, are as follows:

Fiscal Year	Principal	Interest	Total
2016	$30,000	$39,023	$69,023
2017	35,000	36,926	71,926
2018	35,000	34,669	69,669
2019	40,000	32,250	72,250
2020	40,000	29,670	69,670
2021-2025	245,000	104,006	349,006
2026-2027	195,000	19,511	214,511
TOTAL	$620,000	$296,055	$916,055

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 $214,440 at September 30, 2015.

Drainage Utility Fund debt outstanding at September 30, 2015 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	$1,525,000
2012	2.00% to 3.13%	2024	3,740,000	2,835,000
TOTAL				$4,360,000

Debt service requirements to maturity for Drainage Utility debt, including interest of $863,053, are as follows:

Fiscal Year	Principal	Interest	Total
2016	$390,000	$137,970	$527,970
2017	400,000	128,170	528,170
2018	405,000	118,070	523,070
2019	420,000	107,770	527,770
2020	430,000	97,070	527,070
2021-2025	2,010,000	254,223	2,264,223
2026-2027	305,000	19,780	324,780
TOTAL	$4,360,000	$863,053	$5,223,053

Changes in business-type activity debt

A summary of business-type activity debt transactions, including activity for the year ended September 30, 2015, is as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Water/Sewer Revenue Bonds	$ 48,885,000	$ 9,540,000	$ (13,970,000)	$ 44,455,000	$ 3,630,000
LEC Certificates of Obligation	1,135,000	-	(515,000)	620,000	30,000
Drainage Utility Revenue Bonds	4,735,000	-	(375,000)	4,360,000	390,000
Deferred Amounts:					
Premiums	384,961	953,667	(140,444)	1,198,184	114,466
Discounts	(370,479)	(49,493)	112,942	(307,030)	(26,069)
Total bonds & notes payable	54,769,482	10,444,174	(14,887,502)	50,326,154	4,138,397
Compensated absences	1,326,596	492,037	(426,768)	1,391,865	492,644
Total	$ 56,096,078	$ 10,936,211	$ (15,314,270)	$ 51,718,019	$ 4,631,041
Total Net Pension Liability	$ 3,609,319	3,391,874	(3,159,576)	$ 3,841,617	-

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

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

Discretely Presented Component Unit

Mansfield Economic Development Corporation

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

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 $69,518 at September 30, 2015.

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 $161,987 at September 30, 2015. There was $-0- of outstanding defeased debt as September 30, 2015.

The total deferred amount on refunding of the MEDC was $231,505 at September 30, 2015.

MEDC debt outstanding at September 30, 2015 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	$2,720,000
2015	0.50% to 3.55%	2024	5,630,000	5,055,000
2015	2.00% to 4.00%	2024	2,880,000	2,590,000
TOTAL				$10,365,000

Debt service requirements to maturity for MEDC debt, including interest of $2,163,217, are as follows:

Fiscal Year	Principal	Interest	Total
2016	$905,000	$297,454	$1,202,454
2017	920,000	282,784	1,202,784
2018	940,000	264,884	1,204,884
2019	955,000	243,652	1,198,652
2020	975,000	220,011	1,195,011
2021-2025	4,375,000	643,082	5,018,082
2026-2030	890,000	186,950	1,076,950
2031-2032	405,000	24,400	429,400
TOTAL	$10,365,000	$2,163,217	$12,528,217

Changes in MEDC Debt

A summary of MEDC debt transactions, including activity for the year ended September 30, 2015, is as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
MEDC Revenue Bonds	$ 11,030,000	$ 8,510,000	$ (9,175,000)	$ 10,365,000	$ 905,000
Deferred Amounts:					
Premiums	19,077	171,114	(22,411)	167,780	19,587
Discounts	(104,684)	(49,786)	72,769	(81,701)	(7,723)
Total bonds & notes payable	10,944,393	8,631,328	(9,124,642)	10,451,079	916,864
Compensated absences	43,941	17,871	(19,023)	42,789	21,806
Total Noncurrent Liabilties	$ 10,988,334	$ 8,649,199	$ (9,143,665)	$ 10,493,868	$ 938,670
Total Net Pension Liability	$ 162,855	153,698	(142,475)	$ 174,078	-

H. Restricted Assets

The restricted assets of the Business-type Activities as of September 30, 2015 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	$4,199,108	$8,230,234	$ -	$12,429,342
Law Enforcement Complex	23,627	10,482	124,603	158,712
Drainage Utility	89,051	123,281	-	212,332
TOTAL	$4,311,786	$8,363,997	$124,603	$12,800,386

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, 2015, 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.

I. Retirement Plan

Plan Description:

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

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

Benefits Provided:

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

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

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	7.0%	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, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

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

Contributions:

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

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

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

	Governmental Activities	Business-type Activities	Total	Component Unit	Total Net Pension Liability
Net pension liability	$ 10,811,710	$ 3,841,617	$ 14,653,327	$ 174,078	$ 14,827,405

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

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

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

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability:

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

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

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

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

Pension Plan Fiduciary Net Position:

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

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

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Employer contributions subsequent to the measurement date	3,268,368	-
Difference in projected and actual earnings on pension plan investments	1,001,822	-
Difference in expected and actual experience	62,037	-
	$ 4,332,227	$ -

$3,268,368 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 year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2015	$ 260,970
2016	260,970
2017	260,970
2018	260,972
2019	10,515
Thereafter	9,462
Total	$ 1,063,859

J. Supplemental Death Benefits

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

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

Contributions:

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

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

K. Other Post-Employment Benefits - OPEB

Plan Description

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

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

Measurement Focus and Basis of Accounting

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

Benefits

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

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

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

Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the plan upon retirement. Expenditures for postretirement healthcare and other benefits are recognized monthly and funded into the irrevocable trust. The City funds 100% of the ARC, which approximates the annual OPEB cost, and totaled $1,075,045 for the fiscal year ended September 30, 2015. The City also funded 100% of the ARC, which approximates the annual OPEB cost, and totaled $1,212,510 and $1,000,959 for each of the fiscal years ended September 30, 2014 and 2013 respectively. The retirees are responsible for funding approximately 2% of the healthcare and other benefit premiums.

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

Funding

The City makes an annual contribution to the plan approximately equal to the ARC. The City commissioned an updated actuarial valuation of the plan for October 1, 2014 for fiscal year 2015.
The funded status as of October 1, 2014 (unaudited), the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/2014	$5,566,589	$12,524,764	45%	$6,958,175	$30,976,471	22.47%
10/01/2013	4,025,043	13,155,090	31%	9,130,047	28,061,984	32.54%
10/01/2012	3,233,404	10,608,407	30%	7,375,003	27,925,254	26.41%

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

Actuarial Methods and Assumptions

Actuarial Cost Method - Projected Unit Credit
Actuarial Valuation Date - October 1, 2014
Discount Rate - 7%
Amortization method - 30 years, level dollar open amortization
Open amortization means a fresh start each year for the cumulative unrecognized amount.
Healthcare Cost Trends Rates – 8% initially graded downward 0.05% per year to 5.0% in year 7 and later.

Mortality - IRS 2014 Combined Static Mortality Table

Retirement Rate –

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

Withdrawal Rate –

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

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

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

L. 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, 2015 are as follows:

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

Fiscal Year	Annual Payment	Interest	Principal	Remaining Principal
2016	321,271	60,353	260,918	1,472,891
2017	241,153	51,993	189,160	1,283,731
2018	241,153	45,316	195,837	1,087,894
2019	241,153	35,180	205,973	881,921
2020	241,153	28,581	212,572	669,349
2021-2023	723,459	54,110	669,349	-
TOTAL	$2,009,342	$275,533	$1,733,809	

M. 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 $1.08883 per 1,000 gallons, with a total cost of $4,111,709 during fiscal year 2015. 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 2015, the City's cost for sewer treatment under the contract was $5,336,715.

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

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

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

Mansfield National Golf Club

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

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

The value of the improvements made to the property, subject to and reserving the leasehold rights of Alliance as defined by the agreement, became the vested rights of MPFDC and subsequently the vested rights of the City. The rights of the value of improvements have been used as collateral for financing the cost of constructing the improvements. The improvements or rights of the value of the improvement are not carried or recognized as an asset by the MPFDC. However, upon the dissolution of the lease agreement, the rights of the value of the improvements are to be recognized as an asset by the MPFDC. The MPFDC has the right of first refusal and the authority to approve or disapprove future assignments of the rights made by Alliance. In the event Alliance becomes insolvent, certain remedies are permitted by the agreement and in no circumstance is the MPFDC obligated to or committed to Alliance's creditors.

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

Sports Park – Big League Dreams

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

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

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

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

Water Park – Hawaiian Falls

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

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

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

N. 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.

O. 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.

P. Subsequent Events

Bond Issuances

On December 18, 2015, the City issued $14,885,000 in General Obligation Refunding and Improvement Bonds, Series 2016; $4,365,000 General Obligation Refunding, Taxable Series 2016 and $13,705,000 in Combination Tax and Revenue Certificates of Obligation, Series 2016. The purpose of the Combination Tax and Revenue Certificates of Obligations, Series 2016 are for the design, development, and construction of street improvements, public parking lot and improvements.

The City issued $24,510,000 in Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2016. The purpose of the Waterworks and Sewer Revenue Refunding and Improvement Bonds, Series 2016 are for the design, development, and construction of water system improvements, and lower debt service requirements.

Also, the City issued $6,775,000 in Sales Tax Revenue Refunding and Improvement Bonds, New Series 2016 and $14,930,000 in Sales Tax Revenue Refunding and Improvement Bonds, Taxable New Series 2016. The purpose of the Sales Tax Revenue Refunding and Improvement Bonds, Series 2016 are for the design, development, and construction of park improvements and lower debt service requirements.

Q. New Accounting Pronouncements to be implemented after fiscal year 2015

For fiscal year 2015, the City has implemented Statements No. 67, 68, 69, 70 and 71 of financial accounting standards issued by the GASB.

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Allocation. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The City is in the process of evaluating the impact of this statement on its financial statements.

In June 2015, the GASB issued Statement 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. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments 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 with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of the Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The City is in the process of evaluating the impact of this statement on its financial statements.

In June 2015, the 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. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City is in the process of evaluating the impact of this statement on its 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). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. 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 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 2015, the GASB issued Statement No.76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for financial statements for periods beginning June 15, 2015. The City is in the process of evaluating the impact of this statement on its financial statements.

In August 2015, the GASB issued Statement No.77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for financial statements for periods beginning December 15, 2015. The City is in the process of evaluating the impact of this statement on its financial statements.

In December 2015, the GASB issued Statement No.78, Pensions Provided through Certain Multiple-Employer Defined Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City is in the process of evaluating the impact of this statement on its financial statements.

In December 2015, the GASB issued Statement No.79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. 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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[CLOSING DATE]

$_______________
MANSFIELD ECONOMIC DEVELOPMENT CORPORATION
SALES TAX REVENUE BONDS
NEW SERIES 2016

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

> MANSFIELD ECONOMIC DEVELOPMENT CORPORATION SALES TAX REVENUE BONDS, NEW SERIES 2016, dated October 1, 2016, in the principal amount of $______________.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the Resolution adopted by the Board of Directors of the Issuer authorizing their issuance and the pricing certificate authorized therein (collectively, the "Bond Resolution")

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

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; and customary certificates of officers, agents and representatives of the Issuer, the City of Mansfield, Texas (the "City") and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless, otherwise defined, have the meaning set forth in the Resolution adopted by the Issuer with respect to 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; and

(B) The Bonds are payable from and secured by a lien on and pledge of the Pledged Revenues, which includes the proceeds of a ½ of 1% sales and use tax levied within the City for the benefit of the Issuer, as defined and described in the Resolution; provided, however, such lien on and pledge of the Pledged Revenues is junior and subordinate to the lien on and pledge of the Pledged Revenues made for the security and payment of the Previously Issued Senior Lien Bonds.

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

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

IT IS OUR FURTHER OPINION THAT:

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

(2) The Bonds are not "private activity bonds" within the meaning of the Code, and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

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

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

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

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Financial Advisory Services
Provided By

FirstSouthwest
A Division of Hilltop Securities