

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Dated July 2, 2026

Ratings:
Moody's: "Aa1"
Fitch: "AA+"
S&P: "AAA"
(See "Other Information - Ratings" herein)

NEW ISSUES - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See "Tax Matters" herein, including information regarding potential alternative minimum tax consequences for corporations.

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



\$12,000,000*
CITY OF MANSFIELD, TEXAS
(Tarrant, Johnson and Ellis Counties, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: July 1, 2026

Due: February 15, as shown on Page 2

Interest to accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . The City of Mansfield, Texas (the "City") is issuing its \$12,000,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates"). Interest on the Certificates will accrue from the Date of Delivery to the Underwriters of the Certificates and will be payable February 15 and August 15 of each year commencing February 15, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

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

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of (i) designing, developing, constructing, improving, repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor; (ii) professional services incurred in connection with item (i); and (iii) paying the costs incurred in connection with the issuance of the Certificates (see "Plan of Financing - Purpose").

CUSIP PREFIX: 564378
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the "City of Mansfield, Texas, General Obligation Bonds, Series 2026" (the "Bonds"), and such Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations". The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the underwriters listed below (the "Underwriters of the Certificates" and together with the Underwriters of the Bonds, the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters of the Certificates by West & Associates, L.L.P., Dallas, Texas.

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on August 11, 2026 (the "Date of Delivery").

FROST BANK

RAYMOND JAMES

* Preliminary, subject to change.

MATURITY SCHEDULE*

| 15-Feb Year | Principal Amount | Interest Rate | Initial Yield | CUSIP ⁽¹⁾ Suffix |
|----------------|---------------------|------------------|------------------|--------------------------------|
| 2027 | \$ 375,000 | | | |
| 2028 | 395,000 | | | |
| 2029 | 415,000 | | | |
| 2030 | 435,000 | | | |
| 2031 | 455,000 | | | |
| 2032 | 475,000 | | | |
| 2033 | 495,000 | | | |
| 2034 | 520,000 | | | |
| 2035 | 540,000 | | | |
| 2036 | 565,000 | | | |
| 2037 | 595,000 | | | |
| 2038 | 620,000 | | | |
| 2039 | 650,000 | | | |
| 2040 | 680,000 | | | |
| 2041 | 710,000 | | | |
| 2042 | 745,000 | | | |
| 2043 | 775,000 | | | |
| 2044 | 815,000 | | | |
| 2045 | 850,000 | | | |
| 2046 | 890,000 | | | |

(Interest to accrue from the Date of Delivery)

- (1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”) managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City, the Municipal Advisor, nor the Underwriters of the Certificates shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption"). In the event any of the Certificates are structured as “Term Certificates,” such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Certificate Ordinance, which provisions will be included in the final Official Statement (see “The Obligations – Mandatory Sinking Fund Redemption”).

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated July 2, 2026

Ratings:
Moody's: "Aa1"
Fitch: "AA+"
S&P: "AAA"
(See "Other Information - Ratings" herein)

NEW ISSUES - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See "Tax Matters" herein, including information regarding potential alternative minimum tax consequences for corporations.

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



\$2,625,000*
CITY OF MANSFIELD, TEXAS
(Tarrant, Johnson and Ellis Counties, Texas)
GENERAL OBLIGATION BONDS, SERIES 2026

Dated Date: July 1, 2026

Due: February 15 as shown on page 4

Interest Accrues from Date of Delivery (defined below)

PAYMENT TERMS . . . The City of Mansfield, Texas (the "City") is issuing its \$2,625,000* General Obligation Bonds, Series 2026 (the "Bonds"). Interest on the Bonds will accrue from the Date of Delivery to the Underwriters of the Bonds and will be payable February 15 and August 15 of each year commencing February 15, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State") including particularly, Texas Government Code, Chapter 1331, as amended, and Section 9.13 of the City's Home Rule Charter, an election held on May 7, 2022 and an ordinance (the "Bond Ordinance") to be adopted by the City Council of the City (the "City Council"). The Bonds are direct obligations of the City of Mansfield, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Bond Ordinance authorizing the Bonds (see "The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds of the Bonds are expected to be used for the purpose of (i) acquiring, designing, constructing, expanding, and equipping the Mansfield Linear Park Trail Network, including Walnut Creek Linear Park and Pond Branch Linear Park, and the acquisition of land therefor; and (ii) paying the costs incurred in connection with the issuance of the Bonds (see "Plan of Financing - Purpose").

CUSIP PREFIX: 564378
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 4

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Mansfield, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026" (the "Certificates"), and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters listed below (the "Underwriters of the Bonds" and together with the Underwriters of the Certificates, the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters of the Bonds by West & Associates, L.L.P., Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on August 11, 2026 (the "Date of Delivery").

FROST BANK

RAYMOND JAMES

* Preliminary, subject to change.

MATURITY SCHEDULE*

| 15-Feb Year | Principal Amount | Interest Rate | Initial Yield | CUSIP ⁽¹⁾ Suffix |
|----------------|---------------------|------------------|------------------|--------------------------------|
| 2027 | \$ 80,000 | | | |
| 2028 | 85,000 | | | |
| 2029 | 90,000 | | | |
| 2030 | 95,000 | | | |
| 2031 | 100,000 | | | |
| 2032 | 105,000 | | | |
| 2033 | 110,000 | | | |
| 2034 | 115,000 | | | |
| 2035 | 120,000 | | | |
| 2036 | 125,000 | | | |
| 2037 | 130,000 | | | |
| 2038 | 135,000 | | | |
| 2039 | 140,000 | | | |
| 2040 | 150,000 | | | |
| 2041 | 155,000 | | | |
| 2042 | 160,000 | | | |
| 2043 | 170,000 | | | |
| 2044 | 180,000 | | | |
| 2045 | 185,000 | | | |
| 2046 | 195,000 | | | |

(Interest to accrue from the Date of Delivery)

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”) managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City, the Municipal Advisor, nor the Underwriters of the Bonds shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption"). In the event any of the Bonds are structured as “Term Bonds,” such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Ordinance, which provisions will be included in the final Official Statement (see “The Obligations – Mandatory Sinking Fund Redemption”).

* Preliminary, subject to change.

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

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

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters (as defined on the cover pages) of the Obligations to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

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

None of the City, the Underwriters or the Municipal Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("DTC") or its book-entry-only system, as such information has been provided by DTC.

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

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

THE OBLIGATIONS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not a part of, this offering document for any purposes.

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

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

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

- THE CITY**..... The City of Mansfield, Texas (the "City") is a political subdivision and home rule municipal corporation of the State, located in Tarrant, Johnson and Ellis Counties, Texas. The City covers approximately 36.69 square miles (see "Introduction – Description of the City").
- THE CERTIFICATES** The Certificates will be issued as \$12,000,000* Combination Tax and Revenue Certificates of Obligation, Series 2026. The Certificates will be issued as serial certificates maturing on February 15 in the years 2027 through 2046 unless the Underwriters of the Certificates designate two or more maturities as Term Certificates (see "The Obligations – Description of the Obligations").
- THE BONDS** The Bonds will be issued as \$2,625,000* General Obligation Bonds, Series 2026. The Bonds will be issued as serial bonds maturing on February 15 in the years 2027 through 2046 unless the Underwriters of the Bonds designate two or more maturities as Term Bonds (see "The Obligations – Description of the Obligations").
- PAYMENT OF INTEREST** Interest on the Obligations accrues from the Date of Delivery, calculated on the basis of a 360-day year consisting of twelve 30-day months, and is payable February 15, 2027, and each February 15 and August 15 thereafter until maturity or prior redemption (see "The Obligations - Description of The Obligations" and "The Obligations – Optional Redemption").
- AUTHORITY FOR ISSUANCE** The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Section 9.13 of the City’s Home Rule Charter, and an ordinance to be adopted by the City Council of the City (the "Certificate Ordinance") (see "The Obligations – Authority for Issuance").

The Bonds are issued pursuant to the general laws of the State, including particularly Texas Government Code, Chapter 1331, as amended, Section 9.13 of the City’s Home Rule Charter, an election held on May 7, 2022 and an ordinance to be adopted by the City Council of the City (the "Bond Ordinance") (see "The Obligations - Authority for Issuance"). The Certificate Ordinance and the Bond Ordinance are sometimes collectively referred to as the "Ordinances."

SECURITY FOR THE

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

SECURITY FOR THE

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

- REDEMPTION** The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption"). If two or more consecutive serial maturities of the Certificates and/or the Bonds are grouped into a single maturity (the "Term Certificates" and/or the "Term Bonds") by the Underwriters, such Term Certificates and/or Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the respective Ordinances and will be described in the final Official Statement (see "The Obligations – Mandatory Sinking Fund Redemption").

* Preliminary, subject to change

- TAX MATTERS**..... In the opinion of Bond Counsel, under existing law, interest on the Obligations is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See "Tax Matters" herein, including information regarding potential alternative minimum tax consequences for corporations.
- USE OF PROCEEDS** Proceeds from the sale of the Certificates will be used for the purpose of (i) designing, developing, constructing, improving, repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor; (ii) professional services incurred in connection with item (i); and (iii) paying the costs incurred in connection with the issuance of the Certificates (see "Plan of Financing – Purpose").
- Proceeds of the Bonds are expected to be used for the purpose of (i) acquiring, designing, constructing, expanding, and equipping the Mansfield Linear Park Trail Network, including Walnut Creek Linear Park and Pond Branch Linear Park, and the acquisition of land therefor; and (ii) paying the costs incurred in connection with the issuance of the Bonds (see "Plan of Financing – Purpose").
- RATINGS** The Obligations and presently outstanding tax supported debt of the City are rated "Aa1" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"), "AAA" by S&P Global Ratings ("S&P") and "AA+" by Fitch Ratings, Inc. ("Fitch"), without regard to credit enhancement (see "Other Information - Ratings").
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "The Obligations - Book-Entry-Only System").
- PAYMENT RECORD** The City has never defaulted in payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

| Fiscal Year Ended 9/30 | Estimated City Population ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | Per Capita Taxable Assessed Valuation | Total Tax Supported Debt Outstanding at End of Year | Per Capita Tax Debt | Ratio: Tax Debt to Taxable Assessed Valuation | % of Total Tax Collections |
|------------------------|------------------------------------------|-------------------------------------------|---------------------------------------|-----------------------------------------------------|----------------------|-----------------------------------------------|----------------------------|
| 2022 | 77,040 | \$ 8,043,861,492 | \$ 104,411 | \$ 147,185,000 | \$ 1,911 | 1.83% | 99.90% |
| 2023 | 81,197 | 9,464,062,938 | 116,557 | 187,250,000 | 2,306 | 1.98% | 99.75% |
| 2024 | 84,043 | 10,911,463,616 | 129,832 | 234,190,000 | 2,787 | 2.15% | 99.52% |
| 2025 | 87,472 | 12,136,744,809 | 138,750 | 359,690,000 | 4,112 | 2.96% | 99.60% |
| 2026 | 91,336 | 12,993,857,995 | 142,264 | 362,100,000 ⁽³⁾ | 3,964 ⁽⁴⁾ | 2.79% ⁽⁴⁾ | 96.80% |

(1) Source: City Planning Department.

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

(3) Projected. Includes the Obligations. Preliminary, subject to change.

GENERAL FUND CONSOLIDATED REVENUES AND EXPENDITURES STATEMENT SUMMARY

| | Fiscal Year Ended September 30, | | | | |
|----------------------------|---------------------------------|---------------|---------------|---------------|---------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| Beginning Fund Balance | \$ 37,448,312 | \$ 32,601,574 | \$ 31,738,741 | \$ 27,393,905 | \$ 22,187,299 |
| Total Revenue | 97,731,583 | 90,345,457 | 82,991,896 | 77,792,004 | 73,618,412 |
| Total Expenditures | 100,322,172 | 92,301,112 | 82,875,211 | 74,641,795 | 71,410,668 |
| Total Other Sources (Uses) | 3,478,732 | 6,802,393 | 746,148 | 1,194,627 | 2,998,862 |
| Net Funds Available | 888,143 | 4,846,738 | 862,833 | 4,344,836 | 5,206,606 |
| Ending Fund Balance | \$ 38,336,455 | \$ 37,448,312 | \$ 32,601,574 | \$ 31,738,741 | \$ 27,393,905 |

For additional information regarding the City, please contact:

Troy Lestina
 City of Mansfield
 1200 E. Broad Street
 Mansfield, Texas 76063
 (817) 276-4200

or

Nick Bulaich
 Hilltop Securities Inc.
 777 Main Street
 Suite 1525
 Fort Worth, Texas 76102
 (817) 332-9710

CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

| <u>City Council</u> | <u>Elected</u> | <u>Term Expires</u> | <u>Occupation</u> |
|-----------------------------------------|----------------------|---------------------|--------------------------------------|
| Michael Evans Mayor, Place 1 | Re-elected May, 2025 | May 2028 | Pastor |
| Todd Tonore Mayor Pro Tem, Place 6 | Re-elected May, 2026 | May 2029 | CEO |
| Tamera Bounds Councilmember Place 2 | Re-elected May, 2025 | May 2028 | Director, Rehab Pro |
| Brent Newsom Councilmember Place 3 | Re-elected May, 2023 | May 2027 | Banking Industry |
| Juan Fresquez Councilmember Place 4 | Elected May, 2024 | May 2027 | Healthcare Leadership |
| Tod Simmons Councilmember Place 5 | Elected June, 2025 | May 2027 | President, Simmons Wealth Management |
| Jim Vaszauskas Councilmember Place 7 | Elected May, 2026 | May 2029 | Consultant and Adjunct Professor |

SELECTED ADMINISTRATIVE STAFF

| <u>Name</u> | <u>Position</u> | <u>Length of Service to City</u> | <u>Total Length of Governmental Service</u> |
|-----------------|---------------------------------------------|----------------------------------|---------------------------------------------|
| Joe Smolinski | City Manager | 23 Years | 23 Years |
| Troy Lestina | Deputy City Manager | 16 Years | 18 Years |
| Matt Jones | Assistant City Manager | 6 Years | 18 Years |
| Vanessa Marrero | Assistant City Manager/Deputy City Attorney | 3 Years | 10 Years |
| Susana Marin | City Secretary | 18 Years | 22 Years |

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

| | |
|-------------------------|----------------------------------------------|
| Auditors | Whitley Penn LLP Fort Worth, Texas |
| Bond Counsel | Bracewell LLP Dallas, Texas |
| Municipal Advisor | Hilltop Securities Inc. Fort Worth, Texas |

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$12,000,000*
CITY OF MANSFIELD, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

\$2,625,000*
CITY OF MANSFIELD, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2026

INTRODUCTION

This Preliminary Official Statement, which includes the maturity schedules and the Appendices hereto, provides certain information regarding the City of Mansfield, Texas (the "City") and its issuance of \$12,000,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") and the \$2,625,000* General Obligation Bonds, Series 2026 (the "Bonds"). The Bonds and Certificates (collectively, the "Obligations") are separate and distinct securities offerings being authorized for issuance under separate authorizations (the "Bond Ordinance" and the "Certificate Ordinance", respectively, and collectively the "Ordinances") to be adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement, and while the Bonds and Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payments, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and the covenants and agreements made with respect thereto. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in each respective Ordinance, except as otherwise indicated herein.

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

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

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 last amended its Home Rule Charter on November 3, 2020. 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 2022 U.S. Census population for the City was 76,724, while the estimated 2026 population is 91,336. The City covers approximately 36.69 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of (i) designing, developing, constructing, improving, repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor; (ii) professional services incurred in connection with item (i); and (iii) paying the costs incurred in connection with the issuance of the Certificates.

Proceeds of the Bonds are expected to be used for the purpose of (i) acquiring, designing, constructing, expanding, and equipping the Mansfield Linear Park Trail Network, including Walnut Creek Linear Park and Pond Branch Linear Park, and the acquisition of land therefor; and (iii) paying the costs incurred in connection with the issuance of the Bonds.

* Preliminary, subject to change.

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

| | <u>The Certificates</u> | <u>The Bonds</u> |
|----------------------------------|-------------------------|--------------------|
| <u>Sources:</u> | | |
| Par Amount | \$ - | \$ - |
| Reoffering Premium | - | - |
| TOTAL SOURCES | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| <u>Uses:</u> | | |
| Deposit to Project Fund | \$ - | \$ - |
| Costs of Issuance ⁽¹⁾ | - | - |
| TOTAL USES | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

(1) Includes Underwriters' Discount.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated July 1, 2026 and mature on February 15 in each of the years and in the amounts shown on page 2 (with respect to the Certificates) and page 4 (with respect to the Bonds) hereof. Interest on the Obligations accrues from the Date of Delivery, calculated on the basis of a 360-day year consisting of twelve 30-day months, and is payable February 15, 2027, and each February 15 and August 15 thereafter until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly, Texas Government Code, Chapter 1331, as amended, Section 9.13 of the City's Home Rule Charter, an election held on May 7, 2022 and the Bond Ordinance.

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

SECURITY AND SOURCE OF PAYMENT

The Bonds . . . The principal of and interest on the Bonds are payable from a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City.

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

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

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Obligations having stated maturities on and after February 15, 2037 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2036 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . If two or more consecutive serial maturities of the Certificates and/or the Bonds are grouped into a single maturity (the "Term Certificates" and/or the "Term Bonds") by the Underwriters, such Term Certificates and/or Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the respective Ordinances and will be described in the final Official Statement.

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

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

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

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

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

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

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

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

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

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

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

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

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

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

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

Principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar 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 City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or 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 securities depository with respect to the Obligations at any time by giving reasonable notice to the City or the respective Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligations are required to be printed and delivered.

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

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

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

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

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

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

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

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

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

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

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

OBLIGATIONHOLDERS' REMEDIES . . . The Ordinances authorizing the issuance of the Obligations established the following Events of Default with respect to the Obligations: (i) the failure to make payment of the principal of or interest on any of the Obligations when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the City, which default materially and adversely affects the rights of the Owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of 30 days after notice of such default is given by any Owner to the City; or (iii) an order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the City any relief under any Applicable Law, or any other court having valid jurisdiction shall issue an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the City of any substantial part of its property, affairs or assets, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days. Under State law, there is no right to the acceleration of maturity of the Obligations upon the failure of the City to observe any covenant under the Ordinances. If an Owner of an Obligation does not receive payment of principal of or interest on the Obligations when due, the Owner may seek a writ of mandamus from a court of competent jurisdiction. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance under the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

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

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

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 489 W.W.3d427 (Tex. 2016) ("*Wasson I*") that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*") and, together with *Wasson I*, "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code, as amended ("*Chapter 1371*"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Obligations, the City has not waived sovereign immunity in the proceedings authorizing the Obligations.

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

AD VALOREM PROPERTY TAXATION

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

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

State law requires the appraised value of an owner’s principal residence (“homestead” or “homesteads”) to be based solely on the property’s value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the “Homestead Cap”). The 10% is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5 million (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office; or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. For the 2026 tax year, the Maximum Property Value was increased to \$5,320,000.

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

The appraisal values set by each Appraisal District is subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see “Ad Valorem Property Taxation – City and Taxpayer Remedies”).

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

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

The governing body of a school district, municipality, or county that adopted an exemption described in (1), above, for the 2022 tax year may not reduce the amount of or repeal the exemption through December 31, 2027.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze

on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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

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

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

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from taxation.

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

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35 of the Property Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “Ad Valorem Property Taxation – Temporary Exemption for Qualified Property Damaged by a Disaster” for further information related to a discussion of the applicability of this section of the Property Tax Code.

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

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

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

“foregone revenue amount” means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit’s current total value in the applicable preceding tax year.

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

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

“unused increment rate” means the greater of (i) zero; and (ii) the rate expressed in dollars per \$100 of taxable value calculated by dividing (a) the cumulative difference of the foregone revenue amount, calculated using the difference between a city’s voter-approval tax rate and its actual tax rate for each of the preceding three tax years, by (b) the “current total value” as defined in Section 26.012 of the Property Tax Code, and which may be applied to a city’s tax rate when calculating the voter-approval tax rate.

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

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

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

Furthermore, during the 89th Regular Session, the Legislature adopted Senate Bill 1851 (“SB 1851”), which will become effective in connection with the adoption of an ad valorem tax rate for tax year 2026 and thereafter. Under SB 1851, if the Texas Attorney General determines that a city has (a) not had its records and accounts audited and an annual financial statement prepared based on the audit or (b) failed to file its financial statements and auditor’s opinion on such financial statements with the city secretary or city clerk before the 180th day after the city’s fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city’s no-new-revenue tax rate for (i) the tax year that begins on or after the date of the Attorney General’s determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor’s opinion on such financial statement with the city secretary, as applicable.

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district’s website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city’s website notice informing the property owner of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district’s office.

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

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

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

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

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

REGULAR AND SPECIAL LEGISLATIVE SESSION . . . The regular session of the 90th Texas Legislature is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The City cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

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

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

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

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

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

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

The City has granted an additional exemption of 20% of the market value of residence homesteads; with minimum exemption of \$5,000. The City approved a 4% increase in June of 2026 increasing the exemption from 16% to 20%.

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

The City does not tax nonbusiness personal property.

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

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

The City does not tax Freeport Property.

The City does tax Goods-in-Transit.

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

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

The City currently collects 1% sales tax for the general fund, and the Mansfield Park Facilities Development Corporation and the Mansfield Economic Development Corporation each collect ½ cent sales tax. See Table 14 - MUNICIPAL SALES TAX HISTORY.

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

TAX INCREMENT FINANCING ZONES . . . Reinvestment Zone Number One, City of Mansfield (the “Zone”) was created in January 2006, by the City with the consent of other taxing units overlapping the Zone. The 3,100-acre zone encompasses undeveloped agricultural and existing residential land. Ad valorem taxes on incremental growth in real property values (levied at the tax rates of each taxing unit assessing real property in the Zone) within the Zone from a base value established on January 1, 2006, are used to contribute to development of the Zone; these tax funds can be used only for public improvements in the Zone or for payment of debt service on bonds issued to provide funds for public improvements. The Zone terminates December 31, 2030, or at an earlier time designated by subsequent ordinance of the City Council, or at such time, subsequent to the issuance of any tax increment bonds, if any, that tax increment bonds, notes, or other obligations of the Zone, and the interest thereon, have been paid in full. The base taxable assessed value of real property within the Zone is \$78,067,516; the tax year 2025 assessed value is \$877,287,563, representing \$799,220,047 of taxable incremental value. The City participates at 65% of its tax rate.

Reinvestment Zone Number Two (“Zone Two”), was created in calendar 2012 by the City with the participation of another taxing authority overlapping Zone Two. Zone Two encompasses the City's downtown area and is 317 acres of land. This land is mostly developed but includes some undeveloped vacant land. The purpose of Zone Two is to revitalize the area by using the new funds or ad valorem taxes generated from the incremental property value growth within the Zone Two. The base year’s taxable assessed valuation of property within Zone Two is \$29,117,741; the tax year 2025 taxable assessed value of the property in Zone Two is \$208,269,549, representing \$179,151,805 in taxable incremental value. The City contributes 100% incremental taxable property value to Zone Two at 100% of its tax rate.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

| | | |
|------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------|
| 2025/26 Market Valuation Established by the Appraisal Districts | | \$ 18,800,407,029 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Over 65 Exemptions | \$ 231,345,555 | |
| Disability | 7,369,444 | |
| Veterans | 483,059,849 | |
| Homestead Cap | 1,215,822,279 | |
| Agricultural Use Reductions | 30,041,108 | |
| Cap Loss | 29,924,913 | |
| Solar | 2,091,087 | |
| Nominal Value | 163,308 | |
| Freeport Exemption | 143,098,471 | |
| Historic | 193,718 | |
| Pollution Control | 287,465 | |
| Tax Abatement Reductions | 13,205,397 | |
| Foreign Trade Zone | 1,758,489,416 | |
| Total Absolutes | 1,314,538,983 | |
| Totally Exempt | 207,260,112 | |
| Inventory | 125,090,888 | |
| Other Exemptions | <u>43,147,173</u> | (5,605,129,166) |
| Less: Property in Arbitration and Incomplete Accounts | | <u>(201,419,868)</u> |
| 2025/26 Taxable Assessed Valuation | | \$ 12,993,857,995 |
| Tax Supported Debt Payable from Ad Valorem Taxes | | |
| Tax Supported Debt (as of 4/30/26) | \$ 347,475,000 | |
| The Bonds | 2,625,000 ⁽¹⁾ | |
| The Certificates | <u>12,000,000 ⁽¹⁾</u> | |
| Tax-Supported Debt Payable from Ad Valorem Taxes | | \$ 362,100,000 |
| Interest and Sinking Fund (as of 4/30/26) | | \$ 14,294,091 |
| Ratio: General Obligation Tax Debt to Taxable Assessed Valuation | | 2.74% |
| | 2026 Estimated Population - 91,336 | |
| | Per Capita Taxable Assessed Valuation - \$144,470 | |
| | Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$3,964 | |

(1) Preliminary, subject to change.

TABLE 1(A) - ADDITIONAL DEBT LIABILITIES

Please refer to page 73, the “Pension Retirement Plan” section of the notes to the City’s fiscal year end 2025 Annual Comprehensive Financial Reports for a complete description of the City’s pension and other post employment benefit liabilities. Additional information with regard to the City’s liability is also available via the Texas Municipal Retirement System (“TMRS”) website at <https://www.tmr.com/>.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

| Category | Taxable Appraised Value for Fiscal Year September 30, | | | | | |
|---------------------------------------------------|-------------------------------------------------------|------------|--------------------------|------------|--------------------------|------------|
| | 2026 | | 2025 | | 2024 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 10,030,478,292 | 53.35% | \$ 9,658,952,919 | 60.04% | \$ 8,492,536,412 | 55.16% |
| Real, Residential, Multi-Family | 1,306,097,733 | 6.95% | 1,259,236,166 | 7.83% | 1,249,737,256 | 8.12% |
| Real, Vacant Lots/Tracts | 237,616,507 | 1.26% | 225,126,667 | 1.40% | 187,898,820 | 1.22% |
| Real, Acreage (Land Only) | 30,641,706 | 0.16% | 33,003,367 | 0.21% | 35,993,312 | 0.23% |
| Real, Farm and Ranch Improvements | 34,448,860 | 0.18% | 33,187,784 | 0.21% | 32,822,397 | 0.21% |
| Real, Commercial | 3,087,396,567 | 16.42% | 2,882,031,149 | 17.91% | 2,608,060,962 | 16.94% |
| Real, Industrial | 333,875,114 | 1.78% | 302,677,859 | 1.88% | 292,355,897 | 1.90% |
| Real and Tangible Personal, Utilities | 170,967,336 | 0.91% | 193,448,127 | 1.20% | 130,247,615 | 0.85% |
| Tangible Personal, Commercial | 2,644,627,111 | 14.07% | 812,572,294 | 5.05% | 1,622,634,016 | 10.54% |
| Tangible Personal, Industrial | 588,943,023 | 3.13% | 456,364,315 | 2.84% | 471,113,969 | 3.06% |
| Tangible Personal, Mobile Homes | 8,735,009 | 0.05% | 8,690,334 | 0.05% | 8,571,150 | 0.06% |
| Real Property, Inventory | 106,820,558 | 0.57% | 187,944,104 | 1.17% | 184,083,553 | 1.20% |
| Mineral Lease Properties | 12,587,556 | 0.07% | 15,286,823 | 0.10% | 79,890,916 | 0.52% |
| Totally Exempt Property | 207,171,657 | 1.10% | 19,303,945 | 0.12% | - | 0.00% |
| Total Appraised Value Before Exemptions | \$ 18,800,407,029 | 100.00% | \$ 16,087,825,853 | 100.00% | \$ 15,395,946,275 | 100.00% |
| Less: Property in Arbitration/Incomplete Accounts | (201,419,868) | | (444,559,143) | | (400,900,933) | |
| Less: Total Exemptions/Reductions | (5,605,129,166) | | (3,506,521,901) | | (4,083,581,726) | |
| Taxable Assessed Value | <u>\$ 12,993,857,995</u> | | <u>\$ 12,136,744,809</u> | | <u>\$ 10,911,463,616</u> | |

| Category | Taxable Appraised Value for Fiscal Year September 30, | | | |
|---------------------------------------------------|-------------------------------------------------------|------------|-------------------------|------------|
| | 2023 | | 2022 | |
| | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 7,042,314,671 | 55.85% | \$ 6,078,739,245 | 54.13% |
| Real, Residential, Multi-Family | 936,958,082 | 7.43% | 693,445,892 | 6.18% |
| Real, Vacant Lots/Tracts | 199,020,711 | 1.58% | 199,727,630 | 1.78% |
| Real, Acreage (Land Only) | 37,094,903 | 0.29% | 150,279,437 | 1.34% |
| Real, Farm and Ranch Improvements | 26,232,401 | 0.21% | 24,309,439 | 0.22% |
| Real, Commercial | 2,290,763,394 | 18.17% | 2,079,811,330 | 18.52% |
| Real, Industrial | 246,263,282 | 1.95% | 207,345,345 | 1.85% |
| Real and Tangible Personal, Utilities | 105,597,891 | 0.84% | 104,196,363 | 0.93% |
| Tangible Personal, Commercial | 1,230,988,847 | 9.76% | 1,297,114,786 | 11.55% |
| Tangible Personal, Industrial | 328,626,155 | 2.61% | 272,389,539 | 2.43% |
| Tangible Personal, Mobile Homes | 8,900,935 | 0.07% | 8,877,523 | 0.08% |
| Real Property, Inventory | 115,065,575 | 0.91% | 94,529,373 | 0.84% |
| Mineral Lease Properties | 41,734,871 | 0.33% | 18,188,001 | 0.16% |
| Totally Exempt Property | - | 0.00% | - | 0.00% |
| Total Appraised Value Before Exemptions | \$ 12,609,561,718 | 100.00% | \$ 11,228,953,903 | 100.00% |
| Less: Property in Arbitration/Incomplete Accounts | - | | (286,063,923) | |
| Less: Total Exemptions/Reductions | (3,145,498,780) | | (2,899,028,488) | |
| Taxable Assessed Value | <u>\$ 9,464,062,938</u> | | <u>\$ 8,043,861,492</u> | |

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

| Fiscal Year Ended 9/30 | Estimated Population ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | Taxable Assessed Valuation Per Capita | Total Debt Outstanding at End of Year | Ratio of Tax Debt to Taxable Assessed Valuation | Tax Debt Per Capita |
|------------------------|-------------------------------------|-------------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------------------|----------------------|
| 2022 | 77,040 | \$ 8,043,861,492 | \$ 104,411 | \$ 147,185,000 | 1.83% | \$ 1,911 |
| 2023 | 81,197 | 9,464,062,938 | 116,557 | 187,250,000 | 1.98% | 2,306 |
| 2024 | 84,043 | 10,911,463,616 | 129,832 | 234,190,000 | 2.15% | 2,787 |
| 2025 | 87,472 | 12,136,744,809 | 138,750 | 359,690,000 | 2.96% | 4,112 |
| 2026 | 91,336 | 12,993,857,995 | 142,264 | 362,100,000 ⁽³⁾ | 2.79% ⁽³⁾ | 3,964 ⁽³⁾ |

(1) Source: City Planning Department.

(2) As reported by the Appraisal Districts on City’s annual State Property Tax Board Reports; subject to change during ensuing year.

(3) Projected. Includes the Obligations. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

| Fiscal Year Ended 9/30 | Total Tax Rate | General Fund | Interest and Sinking Fund | Tax Levy | % Current Collections | % of Total Collections |
|------------------------|----------------|--------------|---------------------------|---------------|-----------------------|------------------------|
| 2022 | \$ 0.690000 | \$ 0.465001 | \$ 0.224999 | \$ 57,644,000 | 98.82% | 99.90% |
| 2023 | 0.680000 | 0.464434 | 0.215566 | 64,987,000 | 99.67% | 99.75% |
| 2024 | 0.659293 | 0.436164 | 0.223129 | 74,120,000 | 99.52% | 99.52% |
| 2025 | 0.645000 | 0.421871 | 0.223129 | 76,368,000 | 99.57% | 99.60% |
| 2026 | 0.639000 | 0.411420 | 0.227580 | 81,736,098 | 96.80% ⁽¹⁾ | 96.80% ⁽¹⁾ |

(1) Collections as of April 30, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

| Name of Taxpayer | Nature of Property | FYE 2026 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|-----------------------------------------------|----------------------------|-------------------------------------|---------------------------------------|
| Mouser Electronics | Manufacturing | \$ 332,364,665 | 2.56% |
| Amazon Logistics, Inc. | Courier and Transportation | 125,384,466 | 0.96% |
| Klein Tools Inc. | Manufacturing | 109,137,851 | 0.84% |
| Mid-America Apartments LP | Apartments/Multifamily | 94,200,000 | 0.72% |
| Aurora Watson Branch LLC | Apartments/Multifamily | 80,500,000 | 0.62% |
| CH Realty IX-JLB MF Dallas Mansfield Broad LP | Apartments/Multifamily | 68,700,000 | 0.53% |
| Mansfield KDC III LP/Mansfield KDC II LP ETAL | Real Estate Development | 65,461,420 | 0.50% |
| EVOLV AL LP | Apartments/Multifamily | 62,600,000 | 0.48% |
| KE Mansfield Owner TIC LLC | Apartments/Multifamily | 61,100,000 | 0.47% |
| Oncor Electric Delivery Co LLC | Utilities | 60,484,104 | 0.47% |
| | | <u>\$ 1,227,166,992</u> | <u>9.44%</u> |

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

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

TABLE 6 - TAX ADEQUACY⁽¹⁾

| | |
|-----------------------------------------------------------------|---------------|
| 2026 Principal and Interest Requirements | \$ 28,457,724 |
| \$0.2179 Tax Rate at 99% Collection Produces | \$ 28,464,985 |
| Average Annual Principal and Interest Requirements, 2026 - 2046 | \$ 26,131,866 |
| \$0.2001 Tax Rate at 99% Collection Produces | \$ 26,139,713 |
| Maximum Principal and Interest Requirements, 2029 | \$ 32,755,436 |
| \$0.2508 Tax Rate at 99% Collection Produces | \$ 32,762,819 |

(1) Includes the Obligations. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

| <u>Taxing Jurisdiction</u> | <u>2025/26 Taxable Assessed Value</u> | <u>2025/26 Tax Rate</u> | <u>Total G.O. Tax Debt (4/30/26)</u> | <u>Estimated % Applicable</u> | <u>City's Overlapping G.O. Tax Debt (4/30/26)</u> | <u>Authorized But Unissued Debt As Of (4/30/26)</u> |
|-------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------|----------------------------------------------|---------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|
| City of Mansfield | \$ 12,993,857,995 | \$ 0.64500 | \$ 362,100,000 ⁽¹⁾ | 100.00% | \$ 362,100,000 ⁽¹⁾ | \$ - |
| Ellis County | 39,198,444,896 | 0.27399 | 18,535,000 | 0.56% | 103,796 | - |
| Johnson County | 27,002,431,359 | 0.33900 | 43,030,000 | 9.20% | 3,958,760 | 28,246,700 |
| Mansfield Independent School District | 22,067,654,226 | 1.14700 | 1,222,175,000 | 50.39% | 615,853,983 | - |
| Midlothian Independent School District | 10,801,934,989 | 1.07100 | 299,765,000 | 1.57% | 4,706,311 | 389,220,000 |
| Tarrant County | 298,706,022,035 | 0.18600 | 314,050,000 | 3.46% | 10,866,130 | 205,600,000 |
| Tarrant County Hospital District | 298,547,261,465 | 0.16500 | 429,425,000 | 3.46% | 14,858,105 | 350,000,000 |
| Tarrant County College District | 326,653,911,760 | 0.11200 | 547,535,000 | 3.46% | 18,944,711 | 125,000,000 |
| Total Direct and Overlapping G.O. Tax Debt | | | | | \$ 1,031,391,795 | |
| Ratio of Direct and Overlapping G.O. Tax Debt to 2024/25 Taxable Assessed Valuation | | | | | 7.94% | |
| Per Capita Overlapping G.O. Tax Debt | | | | | \$ 11,292 | |

(1) Includes the Obligations. Preliminary, subject to change.

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TABLE 8 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Year Ended 30-Sep | Outstanding Debt | | | The Bonds ⁽¹⁾ | | | The Certificates ⁽²⁾ | | | Total Debt Service | % of Principal Retired |
|-------------------|-----------------------|-----------------------|-----------------------|--------------------------|---------------------|---------------------|---------------------------------|---------------------|----------------------|-----------------------|------------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | | |
| 2026 | \$ 12,215,000 | \$ 16,242,724 | \$ 28,457,724 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 28,457,724 | |
| 2027 | 15,920,000 | 15,590,634 | 31,510,634 | 80,000 | 116,981 | 196,981 | 375,000 | 534,563 | 909,563 | 32,617,178 | |
| 2028 | 16,740,000 | 14,835,770 | 31,575,770 | 85,000 | 112,613 | 197,613 | 395,000 | 514,238 | 909,238 | 32,682,620 | |
| 2029 | 17,605,000 | 14,040,748 | 31,645,748 | 90,000 | 108,675 | 198,675 | 415,000 | 496,013 | 911,013 | 32,755,436 | |
| 2030 | 17,465,000 | 13,223,134 | 30,688,134 | 95,000 | 104,513 | 199,513 | 435,000 | 476,888 | 911,888 | 31,799,534 | 21.94% |
| 2031 | 18,300,000 | 12,389,014 | 30,689,014 | 100,000 | 100,125 | 200,125 | 455,000 | 456,863 | 911,863 | 31,801,002 | |
| 2032 | 18,930,000 | 11,534,643 | 30,464,643 | 105,000 | 95,513 | 200,513 | 475,000 | 435,938 | 910,938 | 31,576,093 | |
| 2033 | 19,835,000 | 10,658,716 | 30,493,716 | 110,000 | 90,675 | 200,675 | 495,000 | 414,113 | 909,113 | 31,603,504 | |
| 2034 | 20,745,000 | 9,742,516 | 30,487,516 | 115,000 | 85,613 | 200,613 | 520,000 | 391,275 | 911,275 | 31,599,404 | |
| 2035 | 19,215,000 | 8,844,168 | 28,059,168 | 120,000 | 80,325 | 200,325 | 540,000 | 367,425 | 907,425 | 29,166,918 | 48.72% |
| 2036 | 20,090,000 | 7,963,006 | 28,053,006 | 125,000 | 74,813 | 199,813 | 565,000 | 342,563 | 907,563 | 29,160,381 | |
| 2037 | 20,320,000 | 7,058,801 | 27,378,801 | 130,000 | 69,075 | 199,075 | 595,000 | 316,463 | 911,463 | 28,489,339 | |
| 2038 | 19,875,000 | 6,153,644 | 26,028,644 | 135,000 | 63,113 | 198,113 | 620,000 | 289,125 | 909,125 | 27,135,882 | |
| 2039 | 19,640,000 | 5,251,281 | 24,891,281 | 140,000 | 56,925 | 196,925 | 650,000 | 260,550 | 910,550 | 25,998,756 | |
| 2040 | 19,555,000 | 4,345,058 | 23,900,058 | 150,000 | 50,400 | 200,400 | 680,000 | 230,625 | 910,625 | 25,011,083 | 76.32% |
| 2041 | 18,880,000 | 3,441,335 | 22,321,335 | 155,000 | 43,538 | 198,538 | 710,000 | 199,350 | 909,350 | 23,429,223 | |
| 2042 | 18,985,000 | 2,580,725 | 21,565,725 | 160,000 | 36,450 | 196,450 | 745,000 | 166,613 | 911,613 | 22,673,788 | |
| 2043 | 19,115,000 | 1,752,775 | 20,867,775 | 170,000 | 29,025 | 199,025 | 775,000 | 132,413 | 907,413 | 21,974,213 | |
| 2044 | 15,180,000 | 958,075 | 16,138,075 | 180,000 | 21,150 | 201,150 | 815,000 | 96,638 | 911,638 | 17,250,863 | |
| 2045 | 11,080,000 | 289,725 | 11,369,725 | 185,000 | 12,938 | 197,938 | 850,000 | 59,175 | 909,175 | 12,476,838 | 99.76% |
| 2046 | - | - | - | 195,000 | 4,388 | 199,388 | 890,000 | 20,025 | 910,025 | 1,109,413 | 100.00% |
| | <u>\$ 359,690,000</u> | <u>\$ 166,896,492</u> | <u>\$ 526,586,492</u> | <u>\$ 2,625,000</u> | <u>\$ 1,356,844</u> | <u>\$ 3,981,844</u> | <u>\$ 12,000,000</u> | <u>\$ 6,200,850</u> | <u>\$ 18,200,850</u> | <u>\$ 548,769,186</u> | |

(1) Average life of the issue – 11.487 years. Interest on the Bonds has been calculated at the average rate of 4.50% for purposes of illustration. Preliminary, subject to change.

(2) Average life of the issue – 11.483 years. Interest on the Certificates has been calculated at the average rate of 4.50% for purposes of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION ⁽¹⁾

| | | |
|---------------------------------------------------------------------|-------------------|-------------------|
| Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/26 | | \$ 28,457,724 |
| Interest and Sinking Fund, September 30, 2025 | \$ 6,669,740 | |
| Prior Year Delinquent Taxes | 1,257,952 | |
| Interest and Sinking Fund Tax Levy | <u>28,457,724</u> | <u>36,385,416</u> |
| Estimated Balance, 9/30/26 | | \$ 7,927,692 |

(1) Includes the Obligations. Preliminary, subject to change.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

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

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

| <u>Purpose</u> | <u>Date Authorized</u> | <u>Amount Authorized</u> | <u>Amount Previously Issued</u> | <u>Amount Being Issued ⁽¹⁾</u> | <u>Unissued Balance</u> |
|--------------------|------------------------|--------------------------|---------------------------------|-------------------------------------------|-------------------------|
| Parks & Recreation | 5/7/2022 | \$ 10,500,000 | \$ 7,875,000 | \$ 2,625,000 | \$ - |

(1) Includes premium allocated to the Bonds. Preliminary, subject to change.

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

TABLE 12 – OTHER OBLIGATIONS

As of September 30, 2025, the City has no other unfunded obligations.

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PENSION PLAN

Plan Description – The City, including the Mansfield Economic Development Corporation (MEDC), a discretely presented component unit, 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 sixmember Board of Trustees. Although the Governor, with the 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 annual comprehensive financial report 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. Benefit 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 actuarially equivalent 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. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions. A summary of plan provisions for the City are as follows:

| | <u>Plan Year</u> |
|-----------------------------------------------------------------------|------------------------------|
| Employee deposit rate | 7.0% |
| Matching ratio (City to employee) | 2 to 1 |
| Years require for vesting | 5 |
| Service retirement eligibility (expressed as age/years of service) | 60/5, 0/20 |
| Updated Service Credit | 100% Repeating, Transfers |
| Annuity Increase (to retirees) | 70% of CPI Repeating |

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|------------------------------------------------------------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 326 |
| Inactive employees entitled to but not yet receiving benefits | 256 |
| Active employees | <u>525</u> |
| Total | 1107 |

Contributions - The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, 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 consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.0% of their annual compensation during the fiscal year. The contribution rates for the City were 17.69% and 18.29% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended of September 30, 2025 were \$9,749,916 and were equal to the required contributions.

Net Pension Liability: The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period: | 21 years (longest amortization ladder) |
| Asset Valuation Method | 10 Year Smoothed Market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.60% to 11.85% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |
| Other Information: | Adopted 70% non-retroactive repeating COLA. |

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 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) |
|-----------------------|-------------------|--------------------------------------------------------|
| Global Private Equity | 35.0% | 7.10% |
| Core Fixed Income | 6.0% | 5.00% |
| Non-Core Fixed Income | 6.0% | 6.80% |
| Hedge Funds | 5.0% | 6.40% |
| Private Equity | 13.0% | 8.50% |
| Private Debt | 13.0% | 8.20% |
| Real Estate | 12.0% | 6.70% |
| Infrastructure | 6.0% | 6.00% |
| Other Private Markets | 4.0% | 7.30% |
| Total | 100.0% | |

Discount Rate: The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive members. 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.

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

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/ (Asset) (a) - (b) |
|---------------------------------------------------------------|-----------------------------------|---------------------------------------|------------------------------------------------|
| Balance at December 31, 2023 | \$ 257,028,621 | \$ 218,009,606 | \$ 39,019,015 |
| Changes for the year: | | | |
| Service Cost | 9,589,648 | - | 9,589,648 |
| Interest | 17,295,603 | - | 17,295,603 |
| Change in benefit terms | - | - | - |
| Difference between expected and actual experience | 2,581,811 | - | 2,581,811 |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 8,849,289 | (8,849,289) |
| Contributions - employee | - | 3,501,697 | (3,501,697) |
| Net investment income | - | 22,686,560 | (22,686,560) |
| Benefit payments, including refunds of employee contributions | (11,184,577) | (11,184,577) | - |
| Administrative expense | - | (145,277) | 145,277 |
| Other changes | - | (3,398) | 3,398 |
| Net changes | 18,282,485 | 23,704,294 | (5,421,809) |
| Balance at December 31, 2024 | <u>\$ 275,311,106</u> | <u>\$ 241,713,900</u> | <u>\$ 33,597,206</u> |

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

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

| | 1% Decrease in 5.75% | Current Single Discount Rate Assumption 6.75% | 1% Increase in 7.75% |
|------------------------------|-------------------------|-----------------------------------------------------|-------------------------|
| City's net pension liability | \$ 75,201,600 | \$ 33,597,206 | \$ (325,749) |

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tnrs.com.

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

For the year ended September 30, 2025, the City recognized expense of \$11,407,309.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Difference in expected and actual experience | \$ 8,029,131 | \$ (99,531) |
| Change in assumptions | 649 | (317,695) |
| Difference in projected and actual earnings on pension plan investments | - | (2,649,524) |
| Contributions subsequent to measurement date | 7,547,338 | - |
| | <u>\$ 15,577,118</u> | <u>\$ (3,066,750)</u> |

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 in the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year | Net Deferred Outflows/ (Inflows) of Resources |
|----------------|--------------------------------------------------|
| 2026 | \$ 2,679,380 |
| 2027 | 4,906,198 |
| 2028 | (1,858,070) |
| 2029 | (805,134) |
| 2030 | 40,656 |
| Total | <u>\$ 4,963,030</u> |

SUPPLEMENTAL DEATH BENEFITS

The City participates in the single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No 75.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (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 OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2024 was as follows:

| | |
|------------------------------------------------------------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 255 |
| Inactive employees entitled to but not yet receiving benefits | 65 |
| Active employees | 525 |
| Total | <u>845</u> |

Contributions - Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. For fiscal year 2025, the City's total contribution rate was 0.23% for the months in 2024 and 0.19% for the months in 2025. The City's retiree portion of the contribution rate was 0.07% for the months in 2024 and 0.07% for the months in 2025. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan 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. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate:

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.08% based on the Bond Buyer "20-Bond GO Index" rate is used as of the measurement date of December 31, 2024.

Actuarial Assumptions:

The City's total OPEB liability was measured at December 31, 2024, and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

| | |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.6% to 11.85% per year, including inflation |
| Discount Rate* | 4.08% |
| Retirees' share of benefit related costs | \$0 |
| Administrative Expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68 |
| Mortality rates - service retirees | 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) |
| Mortality rates - disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. |

* The discount rate was based on the Bond Buyer "20-Bond GO Index" rate as of December 31, 2024

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the Total OPEB Liability related to SDBF:

| | Total OPEB Liability |
|---------------------------------------------------------------|-------------------------|
| Balance at December 31, 2023 | <u>\$ 1,341,118</u> |
| Service Cost | 50,024 |
| Interest | 50,843 |
| Differences between expected and actual experience | (15,793) |
| Changes in assumptions or other inputs | (76,114) |
| Benefit payments, including refunds of employee contributions | <u>(35,017)</u> |
| Net Changes | <u>(26,057)</u> |
| Balance at December 31, 2024 | <u>\$ 1,315,061</u> |

Sensitivity Analysis:

The following presents the total OPEB liability of the employer, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

| | 1% Decrease (3.08%) | Current Discount Rate (4.08%) | 1% Increase (5.08%) |
|----------------------|------------------------|-------------------------------------|------------------------|
| Total OPEB Liability | <u>\$ 1,583,366</u> | <u>\$ 1,315,061</u> | <u>\$ 1,107,668</u> |

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$64,041. As of September 30, 2025, the City reported deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------|-----------------------------------|----------------------------------|
| Difference in expected and actual experience | \$ 31,894 | \$ (72,512) |
| Change in assumptions | 214,994 | (467,018) |
| Contributions subsequent to measurement date | 49,262 | - |
| | <u>\$ 296,150</u> | <u>\$ (539,530)</u> |

The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending September 30, 2026. Amounts currently reported as deferred outflows and deferred inflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows.

| Fiscal Year | Net Deferred Outflows/ (Inflows) of Resources |
|----------------|-----------------------------------------------------|
| 2026 | \$ (47,461) |
| 2027 | (55,914) |
| 2028 | (60,751) |
| 2029 | (92,565) |
| 2030 | (29,374) |
| Thereafter | (6,577) |
| Total | <u>\$ (292,642)</u> |

OTHER POST-EMPLOYMENT BENEFITS

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

The plan does not issue a stand-alone financial report. For inquiries relating to the plan, please contact: The City of Mansfield, Financial Services Department, 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.

Benefit Plan Description - City employees will be provided the opportunity to elect employer-subsidized health programs until the age of 65. Employees and their dependents who retire before the age of 65 with ten years of service and less than 20 years of service are eligible to receive full health insurance coverage until the employee turns 65 at the same cost of an active employee. Employees and their dependents who retire with 20 years of service are eligible to receive full health insurance coverage until they turn 65; while their dependents are eligible for full health insurance coverage they must pay the same cost as an active employee for full insurance coverage of their dependents. The City amended this plan in fiscal year 2021 resulting in a decrease in the net OPEB liability at year end and resulting in a deferred inflow of resources - plan benefit changes. The change requires all retirees and their spouses on the health insurance plan, upon turning 65, must obtain medical coverage through Medicare. The City provides a monthly allowance to offset the cost of Medicare for retirees and their spouses over the age of 65.

Membership in the plan as of the measurement date of June 30, 2025 was as follows:

| | |
|--------------------------------------|------------|
| Inactive employees (retired post 65) | 81 |
| Inactive employees (retired pre 65) | 104 |
| Active employees | <u>498</u> |
| Total | 683 |

Contributions - Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the Plan upon retirement. Eligible retired employees participating in the City's Retiree Health Insurance Plan pay their premiums directly to the City. Expenditures for post-retirement healthcare and other benefits are recognized monthly and funded into the irrevocable trust. The City funds 100% of the actuarially determined contribution (ADC), which approximates the annual OPEB cost, and totaled \$1,000,000 for the fiscal year ended September 30, 2025.

Net OPEB Liability

The City's net OPEB liability (NOL) was measured as of June 30, 2025 and the total OPEB liability (TOL) used to calculate the NOL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The NOL in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions:

| | |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial method | Entry Age Normal |
| Discount rate | 7.0% per annum. The plan is funded in an irrevocable trust maintained by the plan sponsor. The City has, on average, made contributions the last five years that, if continued in this fashion with the average contributions increased by 2% in each future year, the plan will always be sufficiently funded to pay benefits due. |
| Inflation | 2.5% per annum |
| Mortality | PRI-2012 Total Dataset Mortality Table with Improvement Scale MP-2021 |
| Marriage Assumptions | 3-year spouse age difference with females assumed 3 years younger than males. 25% of participants eligible for future post-employment benefits are assumed to have an eligible spouse electing to receive plan benefits. For retired members, we have used actual marital status, as provided, and assumed all such spouses are receiving plan benefits. |
| Health-care cost trend rates | 7% in year 1 graded downward ½% per year to 4.5% in year 6 & later |
| Post-65 premium reductions | It is assumed that employer-subsidized premiums will be reduced by two-thirds after age 65 due to Medicare eligibility. |
| Assumed utilization | 75% of eligible future retirees are assumed to elect plan benefits |
| Changes in assumptions | The mortality table improvement scale has been changed from MP-2020 to MP 2021. |
| Salary rate | 3% per annum |

Retirement Rates – for employees eligible for retirement, assumed rates are as follows:

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

Withdrawal (turnover) rates – Graduated rates (see table below for sample rates)::

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

There were no changes in assumptions.

The plan’s policy in regard to the allocation of invested assets is established by the City Council. The target asset allocation policy is 50% equity investments, 45% fixed income investments, and 5% cash. The long-term expected rate of return on plan investments used in the valuation was determined using a building-block method in which the City’s best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighing the City’s expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The City’s best estimates of geometric real rates of return for each major asset class included in the plan’s target asset allocation as of June 30, 2025 are summarized in the following table:

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

Changes in the Net OPEB Liability

| | Net OPEB Liability |
|---------------------------------------------------|-----------------------|
| Balance at June 30, 2024 | <u>\$ 18,600,356</u> |
| Service Cost | 454,655 |
| Interest | 3,157,271 |
| Difference between expected and actual experience | 2,370,653 |
| Employer contributions | (5,040,774) |
| Expected return on net position | <u>(1,907,746)</u> |
| Net changes | <u>(965,941)</u> |
| Balance, end of year | <u>\$ 17,634,415</u> |

The Plan's fiduciary net position was 64.3% of the Total OPEB liability as of June 30, 2025.

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease in Discount Rate <u>(6.00%)</u> | Discount Rate <u>(7.00%)</u> | 1% Increase in Discount Rate <u>(8.00%)</u> |
|--------------------|---------------------------------------------------|---------------------------------|---------------------------------------------------|
| Net OPEB Liability | \$ 24,077,957 | \$ 17,634,415 | \$ 12,375,601 |

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

| | 1% Decrease in Trend Rate <u></u> | Trend Rate <u></u> | 1% Increase in Trend Rate <u></u> |
|--------------------|-----------------------------------------|-----------------------|-----------------------------------------|
| Net OPEB Liability | \$ 12,371,379 | \$ 17,634,415 | \$ 24,011,849 |

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

For the year ended September 30, 2025, the City recognized expense of \$4,537,231.

At September 30, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|
| Difference in expected and actual experience | \$ 3,133,325 | \$ - |
| Net difference between projected and actual investment earnings | 927,505 | (1,428,143) |
| | <u>\$ 4,060,830</u> | <u>\$ (1,428,143)</u> |

Contributions of \$1,000,000 reported as deferred outflows of resources related to OPEB result from contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year | Net Deferred Outflows/ (Inflows) of Resources |
|----------------|-----------------------------------------------------|
| 2026 | \$ 2,228,061 |
| 2027 | 777,762 |
| 2028 | (127,800) |
| 2029 | (245,336) |
| Total | \$ 2,632,687 |

The City recognized combined OPEB expense for the City's two OPEB plans of \$4,601,272.

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET POSITION

| | Governmental Activities 2025 | Governmental Activities 2024 | Governmental Activities 2023 | Governmental Activities 2022 | Governmental Activities 2021 |
|-------------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| REVENUES: | | | | | |
| Program Revenues: | | | | | |
| Charges for services | \$ 31,856,432 | \$ 24,724,850 | \$ 19,234,608 | \$ 21,534,786 | \$ 21,277,139 |
| Operating grants and contributions | 7,310,256 | 994,236 | 675,274 | 672,718 | 6,292,049 |
| Capital grants and contributions | 911,397 | 26,614,349 | 17,752,534 | 25,510,560 | 29,275,662 |
| General revenues: | | | | | |
| Property taxes | 85,810,225 | 80,163,826 | 69,024,245 | 62,262,520 | 58,744,441 |
| Other taxes | 35,828,129 | 36,364,795 | 35,290,236 | 30,966,317 | 31,226,708 |
| Other | 12,486,789 | 14,142,294 | 6,001,229 | 1,198,552 | 256,856 |
| Total Revenues | <u>\$ 174,203,228</u> | <u>\$ 183,004,350</u> | <u>\$ 147,978,126</u> | <u>\$ 142,145,453</u> | <u>\$ 147,072,855</u> |
| EXPENSES: | | | | | |
| General government | 53,405,519 | 37,953,399 | 38,246,623 | 25,906,496 | 24,895,115 |
| Public safety | 57,399,876 | 51,239,913 | 47,973,987 | 37,913,447 | 39,918,078 |
| Public works | 23,159,891 | 25,333,799 | 22,410,589 | 18,944,257 | 17,537,246 |
| Culture and recreation | 15,414,203 | 14,861,115 | 13,541,487 | 12,710,287 | 11,954,562 |
| Interest on long-term debt | 17,854,997 | 10,510,394 | 7,369,330 | 6,538,536 | 6,676,181 |
| Total Expenses | <u>\$ 167,234,486</u> | <u>\$ 139,898,620</u> | <u>\$ 129,542,016</u> | <u>\$ 102,013,023</u> | <u>\$ 100,981,182</u> |
| Increase in net position before transfers | 6,968,742 | 43,105,730 | 18,436,110 | 40,132,430 | 46,091,673 |
| Transfers | 4,606,880 | 4,530,383 | 3,198,249 | 2,518,561 | 3,448,889 |
| Increase in net position | 11,575,622 | 47,636,113 | 21,634,359 | 42,650,991 | 49,540,562 |
| Beginning Net position | 454,090,651 | 406,454,538 | 385,244,733 | 342,593,742 | 293,053,180 |
| Restatement | 1,287,743 | - | (424,554) | - | - |
| Ending Net position | <u>\$ 466,954,016</u> | <u>\$ 454,090,651</u> | <u>\$ 406,454,538</u> | <u>\$ 385,244,733</u> | <u>\$ 342,593,742</u> |

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TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

| | Fiscal Years Ended September 30, | | | | |
|----------------------------------------|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| Revenues: | | | | | |
| Taxes, Penalties and Interest | \$ 84,046,699 | \$ 72,027,644 | \$ 67,189,226 | \$ 61,855,077 | \$ 58,533,199 |
| Licenses and Permits | 3,810,959 | 4,305,699 | 3,287,058 | 3,849,869 | 3,491,453 |
| Intergovernmental | - | 784,041 | 555,905 | 681,269 | 2,162,099 |
| Charges for Services | 3,783,417 | 8,654,656 | 7,734,372 | 7,409,094 | 6,624,582 |
| Fine and Forfeitures | 1,425,473 | 1,139,348 | 1,172,990 | 1,315,551 | 1,216,056 |
| Interest | 928,329 | 1,178,002 | 1,016,577 | 128,774 | 8,398 |
| Contributions | 1,038,333 | 16,738 | 16,957 | 700 | 4,250 |
| Miscellaneous | 2,698,373 | 2,239,329 | 2,018,811 | 2,551,670 | 1,578,375 |
| Total Revenues | <u>\$ 97,731,583</u> | <u>\$ 90,345,457</u> | <u>\$ 82,991,896</u> | <u>\$ 77,792,004</u> | <u>\$ 73,618,412</u> |
| Expenditures: | | | | | |
| General Government | \$ 29,483,349 | \$ 29,559,793 | \$ 26,784,608 | \$ 22,914,670 | \$ 22,463,672 |
| Public Safety | 52,212,479 | 48,849,582 | 45,230,640 | 41,085,511 | 39,694,000 |
| Public Works | 7,816,888 | 6,908,958 | 5,889,375 | 5,183,655 | 4,447,759 |
| Cultural and Recreation | 5,672,086 | 5,175,841 | 4,940,588 | 5,330,656 | 4,692,466 |
| Capital Outlay | 2,908,372 | 750,149 | 30,000 | 127,303 | 112,771 |
| Total Expenditures | <u>\$ 100,322,172</u> | <u>\$ 92,301,112</u> | <u>\$ 82,875,211</u> | <u>\$ 74,641,795</u> | <u>\$ 71,410,668</u> |
| Other Financing Sources (Uses): | | | | | |
| Unreserved, current | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sale of City Property | 847,467 | 6,280,834 | 16,676 | 23,856 | 57,251 |
| Issuance of SBITAs | 41,379 | - | - | - | - |
| Bond Proceeds | 3,633,211 | - | - | 82,349 | - |
| Premiums/Discounts, net | 410,365 | - | - | 6,900 | - |
| Transfers In | - | 4,400,750 | 3,710,269 | 3,147,242 | 4,976,975 |
| Transfers Out | (1,453,690) | (4,440,775) | (2,980,797) | (2,065,720) | (2,035,364) |
| Total Other Sources (Uses) | <u>\$ 3,478,732</u> | <u>\$ 6,802,393</u> | <u>\$ 746,148</u> | <u>\$ 1,194,627</u> | <u>\$ 2,998,862</u> |
| Excess (Deficiency) of | | | | | |
| Revenues Over Expenditures | | | | | |
| and Other Sources (Uses) | 888,143 | 4,846,738 | 862,833 | 4,344,836 | 5,206,606 |
| Beginning Fund Balance | <u>37,448,312</u> | <u>32,601,574</u> | <u>31,738,741</u> | <u>27,393,905</u> | <u>22,187,299</u> |
| Ending Fund Balance | <u>\$ 38,336,455</u> | <u>\$ 37,448,312</u> | <u>\$ 32,601,574</u> | <u>\$ 31,738,741</u> | <u>\$ 27,393,905</u> |

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In addition to the collections below, in 1992 the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2% of 1%) for the purpose of park, downtown and historical improvements and such tax may be pledged to secure payment of sales tax revenue bonds issued by the Mansfield Park Facilities Development Corporation. On January 18, 1997 the voters of the City also approved a sales and use tax of one-half of one percent (1/2% of 1%) solely for the promotion and development of new and expanded business enterprises and such tax may be pledged to the payment of obligations that may be issued by the Mansfield Economic Development Corporation.

| Fiscal Year Ended 9/30 | 1% Local Sales Tax Collected For General Fund ⁽¹⁾ | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita ⁽²⁾ |
|------------------------|--------------------------------------------------------------|--------------------------|-----------------------------------|---------------------------|
| 2022 | \$ 18,194,627 | 31.56% | \$ 0.2262 | \$ 236.17 |
| 2023 | 19,613,609 | 30.18% | 0.2072 | 241.56 |
| 2024 | 20,155,417 | 27.19% | 0.1847 | 239.82 |
| 2025 | 21,721,674 | 28.44% | 0.1790 | 248.33 |
| 2026 | 13,452,787 ⁽³⁾ | 16.46% | 0.1035 | 147.29 |

- (1) Excludes (a) one-half cent sales tax collections for Mansfield Economic Development Corporation, collected for the promotion and development of new and expanded business enterprises and (b) one-half cent sales collections for Mansfield Park Facilities Development Corporation collected for park, downtown and historical improvements.
- (2) Based on population estimates of City Planning Department. For population estimates see Table 3 – Valuation and General Obligation Debt History.
- (3) Collections through April 30, 2026.

FINANCIAL POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies used by the City are described below. The audited financial statements of the City for the year ended September 30, 2025, prepared in accordance with the GASB Statements, are included in Appendix B hereto.

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

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

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

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

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

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

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

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

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

INVESTMENTS

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

AUTHORIZED INVESTMENTS

Under current State law, the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit, (2) direct obligations of the State or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act Texas Government Code, Chapter 2256, as amended (the "PFIA"), (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas 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 obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City and held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (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 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, (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 no 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 below.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State are authorized to implement 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) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City 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 PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, (6) yield, and (7) legality.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and 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 City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

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

TABLE 15 - CURRENT INVESTMENTS

As of April 30, 2026, the City's invested funds were invested in the following categories:

| <u>Description of Investment</u> | <u>Percent of Portfolio</u> | <u>Total Investment</u> |
|----------------------------------|---------------------------------|-------------------------|
| LOGIC | 0.03% | \$ 2,675 |
| Bank of America Merrill Lynch | 60.24% | 4,935,462 |
| Texas CLASS (investment pool) | 39.73% | 3,254,880 |
| TexStar | 0.00% | 196 |
| | <u>100.00%</u> | <u>\$ 8,193,213</u> |

The Pool that the City invests in is LOGIC. It is a governmental investment pool that operates as a money market equivalent. Each pool currently maintains an "AAA" rating from S&P Global Ratings, a business unit of Standard and Poor's Financial Services LLP ("S&P") or Fitch Ratings and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds are allowed by the participants.

LOGIC is a local government investment pool for whom HilltopSecurities Asset Management, Inc., provides customer service and marketing for the pool. LOGIC currently maintains a "AAAm" rating from S&P and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

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TAX MATTERS

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

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

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

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

Bond Counsel will express no opinion as to the amount or timing of interest on the Obligations or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Obligations. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinances upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Obligations from gross income for federal income tax purposes.

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

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Obligations should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Obligations.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Obligations, is included in a corporation’s “adjusted financial statement income,” ownership of the Obligations could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also 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 tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Obligations.

Prospective purchasers of the Obligations should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Obligations, received or accrued during the year.

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The City will update and provide this information in the numbered Tables within six months after the end of each fiscal year ending in and after 2026 and, if then available, audited financial statements of the City. If audited financial statements are not available when the information is provided, the City will provide audited financial statements within 12 months of the end of the fiscal year, when and if they become available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12, as amended (the "Rule").

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

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

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

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

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

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

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

The City contracts with both Tarrant Regional Water District (TRWD) to supply raw water to the City and Trinity River Authority (TRA) to treat its wastewater. The City is linking its annual financial and operating data filings related to the System to the outstanding issues of both TRWD and TRA.

OTHER INFORMATION

RATINGS

The Obligations and presently outstanding tax-supported debt of the City are rated are rated "Aa1" (negative outlook) by Moody's Investors Service, Inc., "AAA" by S&P Global Ratings and "AA+" by Fitch Ratings, Inc., without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

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

Plaintiffs' request was initially denied and Plaintiffs appealed that denial. In 2016, the Fort Worth Court of Appeals first upheld the denial but then changed course and voted to reverse the lower court's denial. The City appealed the Court of Appeals reversal to the Texas Supreme Court and in December of 2017 the Supreme Court denied review after asking for full briefing.

The case was then referred back to the trial court to implement the decision of the Court of Appeals overturning the trial court's decision and directing that an order to barricade the pedestrian bridge be issued. Following the Order closing the bridge, the case proceeded at the trial court level on the merits of the dispute (i.e. who owns the R2 lots). In late 2018, Judge Wallach issued an Order holding, among other things, that the HOA governing the subdivision owns the R2 lots.

The City appealed Judge Wallach's 2018 Order and in 2021 the Court of Appeals overturned Judge Wallach's Order holding that the trial court erred when it determined that the HOA owned the R2 lots. The Court of Appeals sent the case back down to the trial court yet again where the case currently sits waiting for a ruling from the Judge as to who owns the R2 lots. The Judge held a hearing to receive arguments from both sides on September 27, 2022, and took the matter under advisement. On December 4, 2023, the Judge issued an order granting Plaintiff's Partial Summary Judgment Motion in its entirety, declaring that the property was conveyed to the Arbors HOA and the City does not own the property. The Court granted a portion of the City's Summary Judgment Motion, holding that the City did not violate its flood control ordinance and denied the remaining portions of the City's motion.

Plaintiffs have on file a motion requesting the Judge to either transfer the Arbors HOA property to the Estates HOA or appoint a receiver to facilitate the transfer of Arbors HOA property. Plaintiffs' motion is set for hearing on November 8, 2024. The City is currently engaged in ongoing settlement negotiations.

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and the Initial Certificate and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law and the Obligations are not private activity bonds, subject to the matters described under "Tax Matters" herein, including alternative minimum tax consequences for corporations. Forms of such opinions are attached hereto as Appendix C.

Though it may represent the Municipal Advisor and Underwriters from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement under the captions "Plan of Financing" (except under the subcaption "Uses of Proceeds"), "The Obligations" (except under the subcaptions "Book-Entry-Only System" and "Obligationholders' Remedies" and the last sentence under "Tax Rate Limitation"), "Tax Matters" and "Continuing Disclosure of Information" (except the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Obligations For Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" under the caption "Other Information" and is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances. The legal opinions will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by West & Associates, L.L.P., Dallas, Texas, Counsel to the Underwriters. The legal fee of such counsel is contingent upon the sale and delivery of the Bonds.

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

MUNICIPAL ADVISOR

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

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

UNDERWRITING

The underwriters of the Bonds (the "Underwriters of the Bonds") have agreed, subject to certain conditions, to purchase the Bonds from the City, at an underwriting discount of \$ _____. The Underwriters of the Bonds 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 Underwriters of the Bonds 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 Underwriters of the Bonds.

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

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, municipal advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the bank.

CYBERSECURITY

Computer networks and data transmission and collection are vital to the operations of the City information technology and infrastructure of the City may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the City. To mitigate these risks, the City continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for City staff and administration.

FORWARD-LOOKING STATEMENT DISCLAIMER

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

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

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. 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.

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

The Ordinances authorizing the issuance of the Obligations will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Obligations by the Underwriters.

Mayor
City of Mansfield, Texas

ATTEST:

City Secretary

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY . . . The City of Mansfield encompasses 36.69 square miles and is located in the southeastern portion of Tarrant County with small areas of the City extending into Johnson and Ellis Counties. The City is bounded by the cities of Arlington on the north, Grand Prairie on the east and Fort Worth on the west. Farm Road 157 is a direct route between the City and Arlington. U.S. Highway 287 passes directly through the City from east to west. Dallas is approximately 25 miles to the northeast via U.S. Highway 287 and U.S. Highway 67 or I-20. Downtown Fort Worth is approximately 20 miles to the northwest via U.S. Highway 287 and I-20. Highway 360 provides direct connection to the cities of Arlington and Grand Prairie and to the Dallas-Fort Worth International Airport.

POPULATION . . . The City's 2020 U.S. Census population was 72,602, increasing 159.01% since 2000. The City Planning Department estimates the 2026 population at 91,336 reflecting a 155.18% increase since 2010.

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

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

Since 2020, the MEDC has assisted 20 companies with increasing their presence in Mansfield; 10 expansions, 10 new developments and 3 road projects. The new developments include Crystal Window and Door Systems, a door and window manufacturing company, with regional headquarters, who will invest over \$135 million in building a manufacturing facility and corporate headquarters and will create over 650 jobs; Compressed Air Systems with over 90,000 square feet of new warehouse, manufacturing and corporate headquarters for a total new investment of over \$13.6 million and 60 new employees; and Infinity Sound with a capital investment of \$3.6 million, 35 jobs and their corporate headquarters. MEDC also assisted several company expansions, including Mouser Electronics who recently completed 400,000 square feet of warehouse space. BCB Transport completed construction of a new 200,000 square feet warehouse facility with a total investment of \$17 million. MEDC also assisted with several retail and restaurant recruitments at the Shops at Broad and a 150,000 square foot H-E-B Grocery store and surrounding shopping center.

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PRINCIPAL EMPLOYERS

| <u>Company</u> | <u>Product Line</u> | <u>Number of Employees</u> |
|---------------------------------------|------------------------------------|----------------------------|
| Mansfield Independent School District | Education | 5,077 |
| Mouser Electronics | Distribution of Electronic Parts | 2,252 |
| Methodist Mansfield Medical Center | Full Service Hospital | 1,168 |
| Klein Tools | Manufacturer of Hand Tool Products | 1,155 |
| City of Mansfield, Texas | Municipal Government | 596 |
| Don Lee Farms | Food Processing | 335 |
| Texas Health Resources | Full Service Hospital | 303 |
| Venus Construction | Utility Contractor | 201 |
| SJ Louis Construction of TX | Utility Contractor | 200 |
| Conveyors, Inc. | Manufacturer of Conveyor Equipment | 192 |

HISTORICAL EMPLOYMENT DATA (ANNUAL AVERAGE DATA) ⁽¹⁾

| City of Mansfield | April | | | | |
|-------------------|--------|--------|--------|--------|--------|
| | 2026 | 2025 | 2024 | 2023 | 2022 |
| Labor Force | 45,078 | 45,132 | 44,449 | 41,871 | 40,766 |
| Employed | 43,351 | 43,316 | 42,744 | 40,325 | 39,337 |
| Unemployed | 1,727 | 1,816 | 1,705 | 1,546 | 1,429 |
| % Unemployment | 3.8% | 4.0% | 3.8% | 3.7% | 3.5% |

| Tarrant County | April | | | | |
|----------------|-----------|-----------|-----------|-----------|-----------|
| | 2026 | 2025 | 2024 | 2023 | 2022 |
| Labor Force | 1,206,627 | 1,207,781 | 1,192,098 | 1,170,758 | 1,140,773 |
| Employed | 1,161,101 | 1,160,092 | 1,144,792 | 1,127,271 | 1,099,642 |
| Unemployed | 45,526 | 47,689 | 47,306 | 43,487 | 41,131 |
| % Unemployment | 3.8% | 3.9% | 4.0% | 3.7% | 3.6% |

(1) Source: Texas Employment Commission.

SERVICES . . . The City is served by hospitals within the City and the immediate area including Methodist Mansfield Medical Center, HCA Healthcare, Arlington Memorial Hospital, Huguley Hospital, Harris Hospital and John Peter Smith Hospital. Texas Health Resources has opened a new full service hospital.

The City addresses the needs of its citizens by offering many varied services to its residents. The police and fire departments employ 173 and 115 persons, respectively. Emergency ambulance service is also offered. Park and recreation facilities include 30 City parks consisting of 1,200 acres, 16 playgrounds, 30 athletic fields and over eleven miles of running trails. The City also has one public library with approximately 100,000 visitors per year.

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 one pre-kindergarten academy; 24 elementary schools with grades kindergarten through 4; one early learners academy pre-kindergarten; seven intermediate schools with grades 5 and 6; two STEM Academy, seven middle schools for grades 7 and 8; five high schools with grades 9 through 12; one career & technology academy; one early college high school and one alternative campus. Enrollment for the 2024/2025 school year was approximately 35,851. Colleges within close proximity to the City are Tarrant and Dallas County Community Colleges, Southern Methodist University, Dallas Baptist University, University of Dallas, University of North Texas, Texas Women’s University, University of Texas at Dallas, University of Texas at Arlington, Texas Christian University, and Texas Tech University Health Sciences Center School of Nursing satellite campus, all of which are well known for their educational standards.

BUILDING PERMITS BY CATEGORY

| Fiscal Year Ended 9/30 | Commercial and Industrial | | Residential | | Grand Total |
|---------------------------------|---------------------------|-------------|----------------|-------------|-------------|
| | Number | Amount | Number | Amount | |
| | 2021 | 86 | \$ 168,760,936 | 943 | |
| 2022 | 99 | 164,554,677 | 1,072 | 366,747,745 | 531,302,422 |
| 2023 | 75 | 187,946,099 | 550 | 187,835,329 | 375,781,428 |
| 2024 | 74 | 179,112,571 | 1,016 | 374,351,151 | 553,463,722 |
| 2025 | 40 | 320,576,441 | 754 | 380,124,720 | 700,701,161 |

The following tables illustrate projects underway in the City as of April 30, 2026.

Estimate of Platted Residential Lots Available for Development

| <u>Development</u> | <u>Number of Lots Remaining</u> | <u>Years To Build Out</u> | <u>Total Projected Population</u> |
|-----------------------------------|-----------------------------------------|-------------------------------|-------------------------------------------|
| Birdsong Ph 2 | 6 | 1.0 | 20 |
| Birdsong Ph 3 | 75 | 2.5 | 247 |
| Birdsong Ph 1 | 11 | 1.0 | 36 |
| Charleston TH | 48 | 1.5 | 136 |
| Copper Creek | 12 | 1.0 | 40 |
| Kimball Manor (Duplex) | 4 | 1.5 | 13 |
| Ladera at the Reserve Ph 2 | 61 | 2.0 | 201 |
| Legacy Estates | 4 | 1.0 | 13 |
| Long Estates | 2 | 2.0 | 7 |
| M3 Ranch Ph 2A & 2B | 121 | 3.5 | 399 |
| M3 Ranch Ph 1A & 1B | 34 | 1.5 | 112 |
| Main St Village TH | 19 | 1.5 | 54 |
| Mansfield Webb TH | 19 | 2.0 | 54 |
| Mitchell Farms | 17 | 1.0 | 56 |
| Parkside Estates | 45 | 1.5 | 148 |
| Rockwood Addition Ph 2 | 25 | 1.0 | 82 |
| Rockwood Addition Ph 1 | 11 | 1.0 | 36 |
| Sayers Landing | 16 | 1.5 | 53 |
| Seeton Estates | 4 | 2.5 | 13 |
| Somerset Ph 4A | 16 | 1.0 | 53 |
| Somerset Ph 4B | 32 | 0.5 | 105 |
| Somerset Ph 5A | 36 | 0.5 | 119 |
| Somerset Ph 3 | 9 | 1.0 | 30 |
| Southpointe Ph 1A, Sec 1 & 2 & 1B | 7 | 1.0 | 23 |
| Southpointe Ph 7 & 7A | 6 | 3.0 | 20 |
| Southpointe Ph 8B | 3 | 1.0 | 10 |
| The Oaks Preserve Ph 1 | 2 | 1.5 | 7 |
| The View at the Reserve Ph 1 | 3 | 1.0 | 10 |
| The View at the Reserve Ph 2 | 70 | 2.5 | 231 |
| Triple Diamond Ranch Ph 1 | 5 | 1.0 | 16 |
| Triple Diamond Ranch Ph 2 | 6 | 1.0 | 20 |
| Watson Branch Ph 1 | 11 | 1.0 | 36 |
| Total | <u>740</u> | | <u>2,399</u> |

Estimate of Preliminary Platted Residential Lots for Future

| <u>Development</u> | Number of Lots to be Developed | Total Projected Population |
|---------------------------------|--------------------------------------|----------------------------------|
| Alexis Court Townhomes | 48 | 136 |
| Damascus Gardens | 9 | 30 |
| Southpointe 7B | 99 | 326 |
| The Wyatt Townhomes | 25 | 71 |
| Dolce Vita | 125 | 412 |
| Somerset Townhomes | 134 | 381 |
| Kinney Park | 214 | 705 |
| Rockwood Addition (Future Ph 3) | 118 | 389 |
| Birdsong Ph 4 | 192 | 632 |
| Lone Star Ranch Ph 3 | 66 | 217 |
| Westhill Parks Ph 1 | 206 | 679 |
| The Oaks Preserve Ph 2 & Ph 3 | 85 | 280 |
| Homestead Ph 1 | 186 | 613 |
| | <u>1,507</u> | <u>4,870</u> |

Total Estimate of Preliminary and Final Platted Lots for Development: 2,247

Estimate of Platted Commercial and Industrial Acreage Available for Development

| <u>Development</u> | <u>Number of Acres</u> | <u>Uses</u> |
|----------------------------------|----------------------------|-----------------------|
| 157 Building Supply Addition | 0.749 | Retail/Commercial |
| AM-C Warehouse Addition | 11.920 | Industrial |
| A. Moore U.S. 287 South | 3.151 | Retail/Commercial |
| Arlington Federal Credit Union | 2.170 | Retail/Commercial |
| Big League Dreams Addition | 3.002 | Retail/Commercial |
| Calvary Church of the Nazarene | 6.160 | Retail/Office |
| Community of Hope Add. | 3.522 | Retail/Commercial |
| Cooper Square Addition | 8.080 | Retail/Commercial |
| Costco Addition | 2.077 | Retail/Commercial |
| Creekside Plaza | 0.610 | Office |
| Easy Drive Business Park | 3.885 | Industrial |
| Golden Acres | 3.210 | Retail/Commercial |
| Heritage Estates | 1.460 | Retail/Commercial |
| Highland Heights | 13.380 | Office/Commercial |
| Hillcrest Business Park | 7.719 | Commercial/Industrial |
| Jenkins Addition | 0.190 | Retail/Office |
| J.M. Thomas Addition | 1.360 | Retail/Commercial |
| K&M Hotels Addition | 1.151 | Retail/Commercial |
| Knapp Sisters Business Park | 3.270 | Retail/Commercial |
| Lightbridge Addition | 2.680 | Retail/Commercial |
| Mansfield Debbie Lane Addition | 1.270 | Retail/Commercial |
| Mansfield Dental Addition | 2.492 | Retail/Commercial |
| Mansfield EDC Tower Add. | 14.210 | Industrial |
| Mansfield Industrial Park East | 2.860 | Commercial/Industrial |
| Mansfield Marketplace | 20.070 | Retail/Commercial |
| Mansfield Medical Plaza | 6.270 | Office |
| Mansfield Police Station | 3.260 | Industrial |
| Mansfield Retail Center Addition | 10.300 | Retail/Commercial |
| Mansfield Town Center East | 5.330 | Retail/Commercial |
| Mansfield Town Center West | 8.070 | Retail/Commercial |
| McCaslin Business Park | 11.670 | Commercial/Industrial |
| Meyergreen Business Park | 0.650 | Retail/Commercial |
| New Intermediate School South | 5.669 | Retail/Commercial |
| Parkside Estates | 2.031 | Retail/Commercial |
| Plainco Properties Addition | 1.326 | Industrial |
| Regency Addition | 3.320 | Commercial |
| Reynolds Addition | 1.415 | Retail/Commercial |
| Sar Medical Plaza | 2.320 | Office |
| Sentry Industrial Park | 2.383 | Industrial |
| Stadium Plaza | 4.890 | Commercial/Automotive |
| Steadfast Heritage Addition | 1.630 | Commercial/Industrial |
| Shops at Broad Street, The | 14.506 | Retail/Commercial |
| Southpoint Addition | 6.425 | Retail/Commercial |
| THR RTC Addition | 4.323 | Retail/Commercial |
| TSC Addition | 4.440 | Commercial/Industrial |
| Tuscany on Walnut Creek | 1.117 | Office/Commercial |
| U.C.I. Addition | 7.116 | Retail/Commercial |
| Village at South Pointe, The | 24.810 | Retail/Commercial |
| Village Green, The | 2.093 | Retail/Commercial |
| Village Off Broadway | 1.967 | Retail/Commercial |
| Vistas at Walnut Ridge | 4.290 | Retail/Commercial |
| Walnut Creek Corner | 3.290 | Retail/Commercial |
| Total | <u>265.56</u> | |

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APPENDIX B

EXCERPTS FROM THE
CITY OF MANSFIELD, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Mansfield, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2025 (the "Report"), 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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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council
City of Mansfield, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 City of Mansfield, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Honorable Mayor and
Members of the City Council

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, general fund budgetary comparison schedule, pension information, and other-post employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Honorable Mayor and
Members of the City Council

Supplementary 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 combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Whitley Penn LLP

Fort Worth, Texas
March 9, 2026



CITY OF MANSFIELD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mansfield, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. 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 of resources less its liabilities and deferred inflows of resources at the close of the City's fiscal year is approximately \$788 million.
- The City's deferred inflows of resources increased approximately \$4 million due to differences between expected and actual experience for pension and OPEB plans, lease activities, and Public Private Partnerships.
- The City recognized approximately \$236 million in revenue from various sources of taxes, services, and capital contributions and recognized approximately \$212 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 \$250 million. Approximately 5% of this \$250 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 \$24 million or 24% of total general fund expenditures.
- The City and MEDC's total debt obligations (excluding premiums and discounts) increased by \$207.8 million (61.3%) during the current fiscal year. This is from approximately \$240.9 million in new bond proceeds offset by refunding and defeasance of \$16.3 million and \$16.8 million in scheduled principal payments during the year. The key factors affecting the City's debt position are as follows:
 - General Obligation Refunding and Improvement Bonds, Series 2025 was issued in the amount of \$13.0 million for the purpose of acquiring, constructing, expanding, and equipping the Mansfield Park Trail Network, and the acquisition of land, and for the purpose of refunding a portion of the City's debt (Combination Tax and Revenue Certificates of Obligation, Series 2016 and General Obligation Refunding and Improvement Bonds, Series 2016).
 - Combination Tax and Revenue Certificates of Obligation, Series 2025 was issued in the amount of \$139.6 million for the purpose of designing, developing, constructing, improving, repairing, extending and expanding public infrastructure, parks and fire facilities, and the acquisition of vehicles and equipment for public safety and public works departments.
 - Special Assessment Revenue Bonds, Series 2025 for Staybolt PID Improvement Area #1 Improvements was issued in the amount of \$9.2 million for the purpose of paying a portion of the costs related to Improvement Area #1 Improvements.
 - Sales Tax Revenue Bonds, Taxable New Series 2025 was issued in the amount of \$22.6 million by Mansfield Economic Development Corporation for the purpose of designing, developing and constructing a professional multi-sport stadium and related infrastructure.
 - Sales Tax Revenue Bonds, Tax-Exempt New Series 2025 was issued in the amount of \$56.5 million by Mansfield Economic Development Corporation for the purpose of designing, developing and constructing a professional multi-sport stadium and related infrastructure.

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

Government-Wide Financial Statements

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

The Statement of Net Position presents information on the City's assets and deferred outflows of resources less liabilities and deferred inflows of resources as the City's net financial position, or remaining net position. Over time, increases or

CITY OF MANSFIELD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 & Sewer Fund, and Drainage 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 and the Mansfield Public Facility 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 four Tax Increment Financing Reinvestment Zones (TIRZs), all legally separate entities, which are geographically defined regions within the City limits established by the City. The purpose of the reinvestment zones are to pay for the public's infrastructure to be owned by the City within the region. The TIRZs are an integral part of the primary government. The City has three public improvement districts - South Pointe Public Improvement District, Starlin Public Improvement District, and Staybolt Public Improvement District, which are also an integral part of the primary government. The City established the South Pointe PID for the purpose of maintaining public improvements on approximately 873 acres in the TIRZ number one area. The City established the Starlin PID for the purpose of maintaining public improvements on approximately 121.5 acres. The City established the Staybolt PID for the purpose of maintaining public improvements on approximately 134.3 acres. An annual assessment will fund the public improvement districts.

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.

CITY OF MANSFIELD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The City maintains 21 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, Mansfield Parks Facility Development Corporation, TIRZ #2, and the Building Construction Fund, all of which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

Proprietary Funds

The City maintains two types of 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 & Sewer Fund and Drainage Fund. The City uses an internal service fund to account for its self-insured group health insurance.

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 & Sewer Fund, considered to be a major fund of the City and the Drainage Fund, considered to be nonmajor fund of the City. Additionally, the Group Health Insurance is presented as an internal service fund.

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. The City maintains one fiduciary fund to account for OPEB assets that are held in a trust for retirees of the City.

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 and other post-employment benefits to its employees.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$787,951,292 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (91.4%) 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

CITY OF MANSFIELD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's Net Position

The following is a summary of the City's Statement of Net Position:

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Current and other assets | \$ 304,985,755 | \$ 214,603,885 | \$ 93,703,033 | \$ 105,937,337 | \$ 398,688,788 | \$ 320,541,222 |
| Capital assets, net | 686,145,653 | 612,224,441 | 309,346,158 | 284,918,939 | 995,491,811 | 897,143,380 |
| Total Assets | 991,131,408 | 826,828,326 | 403,049,191 | 390,856,276 | 1,394,180,599 | 1,217,684,602 |
| Total Deferred Outflows of Resources | 17,822,306 | 23,009,938 | 3,558,472 | 4,337,409 | 21,380,778 | 27,347,347 |
| Other liabilities | 33,001,767 | 21,570,098 | 10,388,175 | 5,860,548 | 43,389,942 | 27,430,646 |
| Long-term liabilities | 485,675,790 | 354,092,707 | 74,689,314 | 80,711,169 | 560,365,104 | 434,803,876 |
| Total Liabilities | 518,677,557 | 375,662,805 | 85,077,489 | 86,571,717 | 603,755,046 | 462,234,522 |
| Total Deferred Inflows of Resources | 23,322,141 | 20,084,808 | 532,898 | 147,638 | 23,855,039 | 20,232,446 |
| Net Position | | | | | | |
| Net investments in capital assets | 431,563,296 | 404,729,970 | 288,374,479 | 260,551,898 | 719,937,775 | 665,281,868 |
| Restricted | 33,821,149 | 48,674,575 | 4,934,547 | 13,081,812 | 38,755,696 | 61,756,387 |
| Unrestricted | 1,569,571 | 686,106 | 27,688,250 | 34,840,620 | 29,257,821 | 35,526,726 |
| Total Net Position | \$ 466,954,016 | \$ 454,090,651 | \$ 320,997,276 | \$ 308,474,330 | \$ 787,951,292 | \$ 762,564,981 |

As of September 30, 2025, a portion of the City's net position, \$38,755,696 or (4.9)% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position of \$29,257,821 may be used to meet the government's ongoing obligations to citizens and creditors. Total net position of the City is \$787,951,292.

City's Changes in Net Position

The following is a consolidated summary of the City's Statement of Net Activities:

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Beg - Net Position | \$ 454,090,651 | \$ 406,454,538 | \$ 308,474,330 | \$ 285,022,918 | \$ 762,564,981 | \$ 691,477,456 |
| Restatement | 1,287,743 | - | - | - | 1,287,743 | - |
| Beg - Net Position as restated | \$ 455,378,394 | \$ 406,454,538 | \$ 308,474,330 | \$ 285,022,918 | \$ 763,852,724 | \$ 691,477,456 |
| Revenues | \$ 174,203,228 | \$ 183,004,350 | \$ 61,983,735 | \$ 70,613,903 | \$ 236,186,963 | \$ 253,618,253 |
| Expenses | 167,234,486 | 139,898,620 | 44,853,909 | 42,632,108 | 212,088,395 | 182,530,728 |
| Transfers, Net | 4,606,880 | 4,530,383 | (4,606,880) | (4,530,383) | - | - |
| Net Change in Position | 11,575,622 | 47,636,113 | 12,522,946 | 23,451,412 | 24,098,568 | 71,087,525 |
| End - Net Position | \$ 466,954,016 | \$ 454,090,651 | \$ 320,997,276 | \$ 308,474,330 | \$ 787,951,292 | \$ 762,564,981 |

CITY OF MANSFIELD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following is a summary of the City's Statement of Net Activities:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 31,856,432 | \$ 24,724,850 | \$ 56,587,408 | \$ 56,769,785 | \$ 88,443,840 | \$ 81,494,635 |
| Operating grants and contributions | 7,310,256 | 994,236 | - | - | 7,310,256 | 994,236 |
| Capital grants and contributions | 911,397 | 26,614,349 | 959,720 | 9,648,922 | 1,871,117 | 36,263,271 |
| General revenues: | | | | | | |
| Property tax | 85,810,225 | 80,163,826 | - | - | 85,810,225 | 80,163,826 |
| Sales tax | 29,769,057 | 31,497,759 | - | - | 29,769,057 | 31,497,759 |
| Other taxes | 6,059,072 | 4,867,036 | - | - | 6,059,072 | 4,867,036 |
| Gain on sale of capital assets | - | 4,429,105 | - | 47,776 | - | 4,476,881 |
| Other | 12,486,789 | 9,713,189 | 4,436,607 | 4,147,420 | 16,923,396 | 13,860,609 |
| Total Revenue | 174,203,228 | 183,004,350 | 61,983,735 | 70,613,903 | 236,186,963 | 253,618,253 |
| Expenses | | | | | | |
| General government | 53,405,519 | 37,953,399 | - | - | 53,405,519 | 37,953,399 |
| Public safety | 57,399,876 | 51,239,913 | - | - | 57,399,876 | 51,239,913 |
| Public works | 23,159,891 | 25,333,799 | - | - | 23,159,891 | 25,333,799 |
| Culture and recreation | 15,414,203 | 14,861,115 | - | - | 15,414,203 | 14,861,115 |
| Interest on debt | 17,854,997 | 10,510,394 | - | - | 17,854,997 | 10,510,394 |
| Water and sewer | - | - | 42,917,955 | 40,952,179 | 42,917,955 | 40,952,179 |
| Drainage | - | - | 1,935,954 | 1,679,929 | 1,935,954 | 1,679,929 |
| Total Expenses | 167,234,486 | 139,898,620 | 44,853,909 | 42,632,108 | 212,088,395 | 182,530,728 |
| Increase (Decrease) in net position before transfers | 6,968,742 | 43,105,730 | 17,129,826 | 27,981,795 | 24,098,568 | 71,087,525 |
| Transfers Between Governmental and Business-type Activities | 4,606,880 | 4,530,383 | (4,606,880) | (4,530,383) | - | - |
| Net Increase (Decrease) in net position | 11,575,622 | 47,636,113 | 12,522,946 | 23,451,412 | 24,098,568 | 71,087,525 |
| Net Position, Beginning | 454,090,651 | 406,454,538 | 308,474,330 | 285,022,918 | 762,564,981 | 691,477,456 |
| Restatement | 1,287,743 | - | - | - | 1,287,743 | - |
| Net Position, Beginning, as Restated | 455,378,394 | 406,454,538 | 308,474,330 | 285,022,918 | 763,852,724 | 691,477,456 |
| Net Position - End of Year | \$ 466,954,016 | \$ 454,090,651 | \$ 320,997,276 | \$ 308,474,330 | \$ 787,951,292 | \$ 762,564,981 |

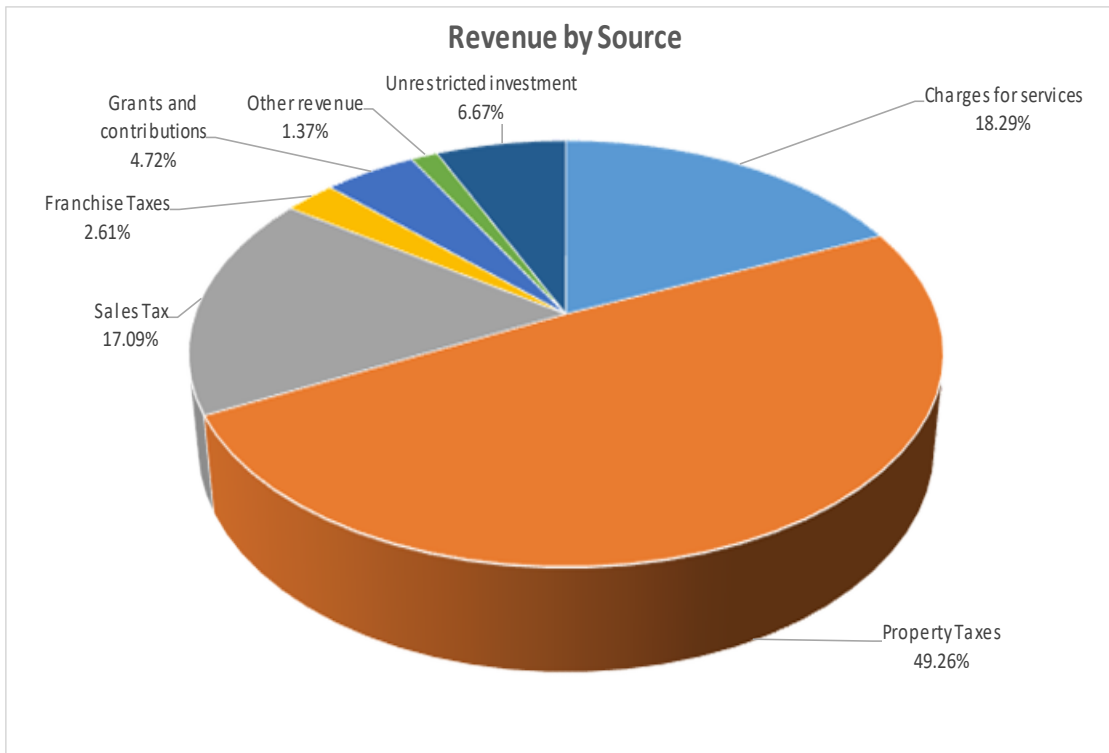
Governmental Activities

For fiscal year 2025, the Governmental activities increased the City's net position by \$11.6 million. The increase in the City's net position primarily increased because of an increase in property taxes and charges for services related to new commercial and residential developments that have been completed recently offset a decrease in grants and contributions, and an increase in expenses from operational growth in line with the population growth.

City governmental activity revenue for fiscal year 2025 decreased approximately \$8.8 million from fiscal year 2024. Revenues in fiscal year 2024 were \$183.0 million compared to this fiscal year revenue of \$174.2 million. Significant changes include a \$5.6 million increase in property taxes due to an increase in property valuations and taxpayers, a \$19.4 million decrease in grants and contributions due to the completion of major commercial and residential developments in prior year and a decrease in gain on sale of assets due to no major sales of land to developers during the current year.

CITY OF MANSFIELD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For fiscal year 2025, program and general revenue sources for governmental activities were distributed as follows:



Expenses in fiscal year 2025 compared to expenses in fiscal year 2024 increased by 19.5% or \$27.3 million. General government and public works functional expenses increased, primarily due to payroll related expenditures, inflation, and to keep up with sustained growth from population increase and development requirements. Interest on debt increased \$7.3 million due to increased debt activities. The remaining functional expenses remained consistent from prior year.

Functional expense continue to increase as a response to the latest citizens' survey to improvements in streets and culture and recreation expenditures increased due to non-capital projects within the parks department. 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.

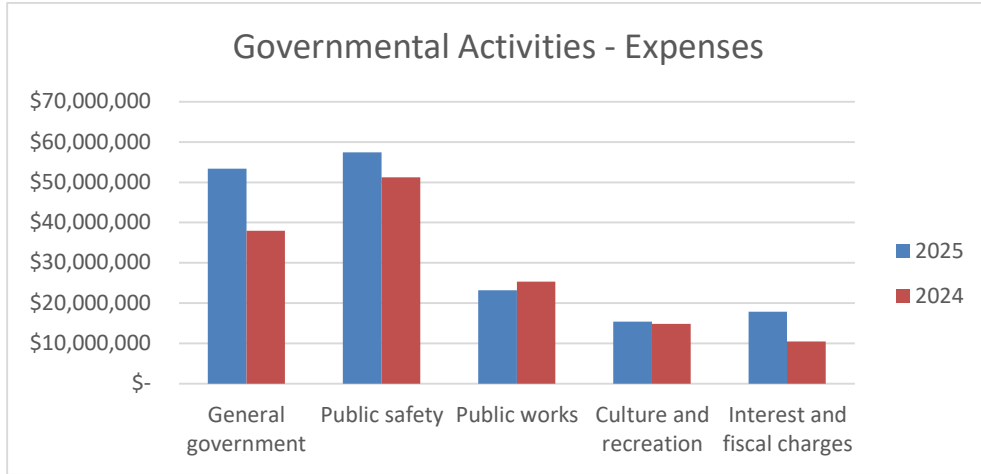
In fiscal 2025, the City recognized \$16.8 million in depreciation expense for street-related assets which is consistent with prior year. Street improvements are expected to last twenty-five years with the appropriate level of maintenance and repair.

This year the City recognized \$17.9 million in interest, amortization and associated issuance costs. Interest expense is the cost the City incurs for borrowing money to make long-term improvements that are generally regarded as long-term assets of the City.

During fiscal year 2025, the City implemented a restatement of beginning net position to properly present the City's internal service fund related to group health insurance. This restatement had the effect of increasing beginning net position of governmental activities by \$1,287,743 to reflect the presentation of assets, liabilities, and net position associated with internal service operations in the newly presented fund.

CITY OF MANSFIELD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For fiscal year 2025 and 2024, functional expenses for governmental activities were distributed as follows:



Business-Type Activities

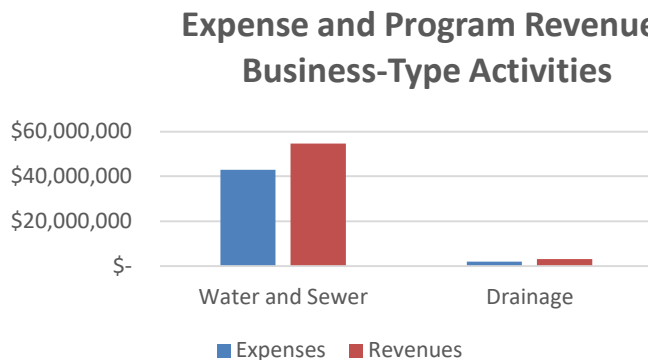
For fiscal year 2025, the Business-type activities increased the City's net position by \$12.5 million.

Revenues without transfers were \$61,983,735 in fiscal year 2025 compared to \$70,613,903 in 2024. The \$8,630,168 decrease or 12.2%, is due to a decrease in capital contributions while charges for services remained consistent. Expenses remained consistent with prior year.

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 2025, developers contributed public improvements or assets of approximately \$1.0 million. These assets are considered revenue in the year of acceptance or in the year of contribution. Generally, these capital contributions are non-cash contributions from developers and are in the form of Water & Sewer lines which are conveyed to the City as the developer finishes the developments.

The City's Drainage 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.

A comparison between expenses and program revenues (charges for services and contributions) related to the Water & Sewer and the Drainage operations is as follows:



CITY OF MANSFIELD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Expenses including interest for fiscal year 2025 were approximately \$44.9 million before transfers of approximately \$(4.6) million, and expenses including interest expense for fiscal year 2024 were approximately \$42.6 million before transfers of approximately \$(4.5) million. Expenses increased by \$2.2 million primarily due to an increase in the cost of water and water treatment. The increase in net position was primarily the result of the activity of the City's Water & Sewer Fund as the City's other Business-Type Funds, the Drainage Fund, for fiscal year 2025 was 11.7% of the change in the net position.

Financial Analysis of The City'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 \$250,407,078, an increase of \$90,208,795 in comparison with the prior year. The majority of the increase is from the issuance of bonds and those proceeds have and will be used to construct public infrastructure and purchase equipment. Approximately 4.6% or \$11,575,864 of the ending fund balance of \$250,407,078 constitutes unassigned fund balance and is available for spending at the government's discretion. The remainder of fund balance is nonspendable as prepaid or inventory, restricted legally or committed for council approved purposes. To indicate the portion of fund balance that is not available for new spending, the City has labeled the remaining fund balances as follows: 1) restricted \$224,115,962, 2) committed \$343,528, and 3) nonspendable \$14,371,724.

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 \$38,336,455. 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. Total fund balance represents approximately 38.2% of total general fund expenditures for fiscal year 2025.

The City's General Fund balance increased \$888,143 in fiscal year 2025. The key reasons for the increases are as follows:

- Actual expenditures exceeded actual revenues by \$(2,590,589) in the General Fund. The largest revenue increases were related to property taxes \$4,488,826 and franchise taxes \$5,957,906. These increases are a result of increase in taxpayers.
- Other financing sources included the proceeds from issuance of bonds of \$3,633,211 and related premium of \$410,365.

The Debt Service fund has a fund balance of \$6,669,740, 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 \$773,433 due to increase in interest expenditures. The City pays for tax-pledged debt through the Debt Service Fund. Other financing sources and uses included the proceeds from issuance of bonds of \$14,246,046 and related premium of \$1,357,905 offset by payment to refunded bond escrow agent of \$(11,527,773).

The street construction has a fund balance of \$65,035,300 for fiscal year 2025. The street construction fund's fund balance increased by \$18,384,726 as a result of newly issued construction bonds of \$30,802,630 and related premium of \$3,479,102. During the fiscal year there were construction payments of \$27,316,782 related to the improvement of major streets and neighborhood streets in and throughout the City. Impact fees are additional revenues paid by developers charged by the City for the impact or costs that new development has on primary streets within the City. The impact fees generated amounted to \$4,818,506 in fiscal year 2025.

CITY OF MANSFIELD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The building construction fund has a fund balance of \$101,937,444 for fiscal year 2025. The building construction fund's fund balance increased by \$57,524,239 as a result of newly issued construction bonds of \$91,622,418 and related premium of \$10,291,068. During the fiscal year building projects increased with construction payments of \$46,760,042 related to the improvement of public infrastructure throughout the City.

The Mansfield Parks Facility Development Corporation (MPFDC) has a fund balance of \$20,837,763 for fiscal year 2025. MPFDC's fund balance increased by \$6,436,804 during the fiscal year as a result of an increase in sales tax revenue of \$1,143,841 offset by a decrease in parks facility construction of \$6,171,389 from prior year.

TIRZ #2 has a deficit fund balance of \$(7,756,039) for fiscal year 2025. TIRZ #2's fund balance decreased by \$2,295,433 as a result of project expenditures incurred in advance of related tax-increment revenues. TIRZ financing requires up-front investment in public infrastructure, therefore expenditures continue to exceed property tax revenues in the early phases of the zone. The deficit is expected to be eliminated over time as incremental property tax revenues are generated within the zone increase and are applied toward these costs. TIRZ #2 was restated as a major fund during fiscal year 2025.

Proprietary Funds

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

For fiscal year 2025, the Water & Sewer Fund's unrestricted net position amounted to \$21,167,576 and a total net position of \$304,541,916. For fiscal year 2025, the Drainage Fund's unrestricted net position amounted to \$6,520,674 and a total net position of \$16,455,360. For fiscal year 2025, the City's internal service fund's net position amounted to \$424,406.

Net position increased in the Water & Sewer Fund by \$11,054,369 for the fiscal year. The City treats lake water and charges a fee to its consumers. During fiscal year 2025, the City treated approximately 6.7 billion gallons of water. Water & Sewer operating revenues in fiscal year 2025 remained consistent with prior year. Water sales in 2025 was \$29.7 million compared to \$29.3 million in fiscal 2024. Sewer charges in 2025 was \$19.0 million compared to \$18.3 million in fiscal year 2024. Average daily consumption of water increased by 2,002 thousand gallons from prior year. Average daily treatment of sewer waste increased by 504 thousand gallons from prior year. The increase in Water & Sewer charges was offset by a decrease in impact fees of \$638.3 thousand compared to prior year. Water & Sewer operating expenses remained consistent with prior year. Operating expenses are controlled through the direct administration of personnel costs and variable costs, which are directly caused by consumers' demand for the water.

Net position increased in the Drainage fund by \$1,468,577 for the fiscal year. Drainage operating revenues and expenses remained consistent with prior year. Drainage fees in 2025 was \$3.1 million in 2025 compared to \$3.0 million in 2024. Operating expenses was \$1.9 million in 2025 compared to \$1.6 million in 2024.

Net position decreased by \$863,337 in the internal service fund for the fiscal year. Contributions for the fiscal year amounted to \$18.5 million while operating revenues totaled \$19.6 million. Insurance premiums paid totaled \$20.5 million for the fiscal year.

General Fund Budgetary Highlights

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

- Revenue results were above budgeted estimates by \$3.2 million for fiscal year 2025.
- Property Taxes were below budgeted estimates by \$5.0 million as collections were less than anticipated. Property valuations improved year over year but the City adopted a 16% homestead exemption, an increase of 2% from prior

CITY OF MANSFIELD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

year. The City also decreased the current tax rate from \$0.659293 to \$0.645 per \$100 of valuation in fiscal year 2025 which limited the taxable growth compared to the prior year.

- Sales Taxes were above budgeted projections by \$1.1 million.
- Franchise Taxes were above budgeted projections by \$0.3 million.
- Licenses and permits exceeded budgeted estimates by \$0.9 million. The City's building permit revenues were above expectations due to the North Texas economy in general, and high demand for home builders and developers to be in Mansfield.
- Contributions and grants were above budgeted by \$0.7 million due to unexpected grant revenue that was awarded to the City in fiscal year 2025. Most of the grant revenue received by the City in fiscal year 2025 was from the Motor Vehicles Crime Prevention Authority.
- Charges for services exceeded budgeted estimates by \$2.3 million as the majority of the better than expected revenue was derived from the collection of additional inspections fees for developments within the City.
- The most significant expenditure of the City is human capital. Management has been effective in maintaining the human capital costs of the organization. With the other financing sources and uses activity included with the operational activity, the City's revenue exceeded its expenditures for the fiscal year by \$888,143. The City was over the overall budget of expenditures by \$3.3 million due to recording of capital outlay. The excess expenditures were offset by increased tax revenue and other financing sources related to the issuance of bonds.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets net of accumulated depreciation for its governmental and business-type activities as of September 30, 2025 amounts to \$995,491,811 compared to \$897,143,380 at September 30, 2024. This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, leased assets, subscription assets, and construction in progress.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Land | \$ 125,939,660 | \$ 124,425,103 | \$ 14,410,346 | \$ 14,298,767 | \$ 140,350,006 | \$ 138,723,870 |
| Buildings and system | 95,635,515 | 92,673,056 | 163,690,873 | 165,890,159 | 259,326,388 | 258,563,215 |
| Improvements | 22,980,103 | 10,744,492 | 1,135,064 | 190,910 | 24,115,167 | 10,935,402 |
| Machinery and equipment | 18,584,275 | 17,708,286 | 3,484,794 | 2,805,473 | 22,069,069 | 20,513,759 |
| Infrastructure | 270,837,039 | 268,168,595 | 87,992,861 | 81,738,778 | 358,829,900 | 349,907,373 |
| Construction in progress | 150,194,576 | 94,786,905 | 38,163,382 | 19,356,837 | 188,357,958 | 114,143,742 |
| Lease assets | 10,212 | 111,828 | 9,156 | 21,294 | 19,368 | 133,122 |
| Subscription assets | 1,964,273 | 3,606,176 | 459,682 | 616,721 | 2,423,955 | 4,222,897 |
| Total | \$ 686,145,653 | \$ 612,224,441 | \$ 309,346,158 | \$ 284,918,939 | \$ 995,491,811 | \$ 897,143,380 |

Capital Assets – Governmental Activities

Roadway expansion and improvements remain a primary element of the City's public works program. In 2025, 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 \$133,914,181 in new street improvements over the next four years.

Street projects in fiscal year 2025:

- The City completed the following roadway improvements during the fiscal year:
 - o Harvest Point (Heritage Parkway, Lone Star Road, Eastern & Western Bridges)
 - o Railroad Quiet Zones (Walnut Creek Drive, Broad Street, Eastern & Western Bridges)

CITY OF MANSFIELD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- Dick Price Road
- The City continued to improve Vinewood Drive and Heritage Parkway south of Lone Star Road and continues construction on the Staybolt Entertainment District infrastructure.
- Several small arterial streets are under construction and design throughout neighborhoods.
- In total, the City spent \$27,316,782 on street improvements and related work during fiscal year 2025.

Building projects in fiscal year 2025:

- The City completed police headquarters during the fiscal year.
- The following facilities were in various stages of planning and construction during the fiscal year:
 - Fire station #1 relocation, city hall, animal control facility, service center expansion, multi-purpose sports venue
- The following public parks and facilities were in various stages of planning and construction during the fiscal year:
 - Geyer commons and canals
 - Southwest Community Park, Sports Park
 - Veterans' Memorial
- In total, the City spent \$46,760,042 on building improvements and related work during fiscal year 2025.

Most of the capital assets that were added to construction in progress or the asset base of the City during fiscal year 2025 were planned or budgeted expenditures during fiscal year 2025. The City plans its asset expansion with deliberate budgetary control and oversight as these costs are substantial and have a significant effect on the operational cost and performance of the City.

Capital Assets – Business-type Activities

The City's municipally owned and operated Water & Sewer system has maintained its superior rating by the Texas Commission on Environmental Quality. The City has planned more than \$54.2 million of water/sewer improvements over the next four years to be paid for by a combination of cash on hand, bonds, and impact fees. These fees are designed to reduce the system's initial costs in building and running Water & Sewer lines to the user. These impact fees must be used for capital purposes and are restricted as to use by law. Business-type capital assets increased approximately \$24.4 million from the previous year. Current Water & Sewer major projects in progress include the US 287 Frontage Rd. utility relocation project and Holland Road increasing Water & Sewer capital assets by \$23.3 million during the fiscal year. The City's drainage program had minimal improvements this year which were mostly related to the completion of improvements to systems detention basins. The City's drainage capital assets increased by \$1.1 million during the fiscal year.

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

Long-Term Debt

At the end of the current fiscal year, the primary government had total principal outstanding of \$452,930,000. The governmental activities had \$392,805,000 in total principal outstanding, and business-type activities had \$60,125,000 in total principal outstanding.

The City's Component Unit, Mansfield Economic Development Corporation, MEDC, has \$93,925,000 in outstanding debt backed by a voter passed sales tax.

At the end of the current fiscal year the City's total principal outstanding amounted to \$546,855,000. Of this amount, \$359,690,000 comprises debt backed by the U.S. government's full faith and credit. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF MANSFIELD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following is a summary of the City and MEDC's outstanding debt for the fiscal year ended:

| | Governmental Activities | Business-Type Activities | Component Unit MEDC | Total |
|----------------------------------|------------------------------------|-------------------------------------|--------------------------------|-----------------------|
| Security Instrument: | | | | |
| Tax obligation bonds | \$ 359,690,000 | \$ - | \$ - | \$ 359,690,000 |
| Sales tax revenue bonds | 23,950,000 | - | 93,925,000 | 117,875,000 |
| Revenue bonds | - | 60,125,000 | - | 60,125,000 |
| Special assessment revenue bonds | 9,165,000 | - | - | 9,165,000 |
| Total | \$ 392,805,000 | \$ 60,125,000 | \$ 93,925,000 | \$ 546,855,000 |

The City's total debt, including MEDC, increased by \$207,755,000 or 61.3% during the current fiscal year. Key factors for the increase was the issuance of five new bond series offset by refunding, cash defeasance and principal payments on existing outstanding debt. During the fiscal year, the City issued \$240,835,000 in new bonds, defeased and refunded \$16,300,000 in existing debt, and made \$16,780,000 in regularly scheduled principal payments.

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 | Aa1 | Aa2 | Aa1/Aa2 | Aa2 |
| Standard & Poor's | AAA | AA+ | A+/AAA | Aa2 |
| Fitch | AA+ | AAA | AA+ | AAA |

For additional information on the City's debt obligations, see note II. 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 fiscal year 2025 Property Tax Rate was \$0.645 per \$100 valuation with a tax margin of \$1.855 per \$100 valuation based upon the maximum ad valorem tax rate noted above. Additional revenues up to \$178,230,931, per year could be raised before reaching the maximum allowable tax base on the current year's appraised net taxable value of \$11,840,063,744.

Economic Factors and Next Year's Budgets and Rates

The following variables were considered in preparing the City's budget for the 2026 fiscal year.

- Throughout the year, City management monitors development activity to ensure responsible stewardship of City resources. The City of Mansfield's economic climate remains strong, supported by improving state and national economic conditions. Strategic investments in infrastructure, rigorous development standards, and proactive economic development initiatives have fostered continued commercial and retail expansion. Residential development also remains active across the City, contributing to overall group.
- The City's annual growth in property valuation has increased 11.7% annually on average for the past ten years and includes a 16% homestead exemption that was put into effect in fiscal year 2025. For fiscal year 2026, the City's valuations are expected to increase 8.2%. Property valuations are expected to remain strong in fiscal 2026 and into 2027 due to residential growth. The City decreased its 2026 tax rate to \$0.639 per \$100 assessed valuation due to the City's emphasis on the importance of easing the tax burden for Mansfield residents while maintain essential

CITY OF MANSFIELD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

public services. The City is a good place to live as crime is low, school ratings are fairly high, land is affordable, and the City's proximity to Dallas and Fort Worth. The City is developing a discernible and identifiable character of being a place to enjoy a good quality life. These intangible characteristics developed recently - over the last decade. The City is also seeing the continued demand for commercial development because of the significant discretionary spending ability of its residents and the relatively stable economy within the City.

- Sales tax revenue is expected to increase with the new residential development and will grow annually. As with property valuations, the City has adjusted its projections of anticipated sales tax receipts in 2026 and 2027. The expected budgeted sales tax receipts in 2026 are anticipated to exceed budget collections of 2025 by 9.55%. Management is monitoring the collections of sales tax revenue and may modify projections depending upon the overall economy.
- Retail developments continue into 2026 and 2027. The City anticipates continued growth in retail spending activity, including a super studio and a multi-use sports venue, along with several other economic development projects will continue to attract retail and commercial development in the short and long term. Through the Mansfield Economic Development program, the City is constantly searching for new retail, commercial and industrial developments to grow its retail base. Development is expected to continue and new property valuations are expected from these developments.
- Median income continues to be an attractive asset for additional development and many in the development community are planning on capturing this income through commercial developments.
- The City has developed stringent building standards that require sustainable developments to assist in extending the asset life of the tax base into the future.
- Efforts have been made to revitalize the City's downtown. The area has suffered in past years from the lack of commerce and trade. The City has created a reinvestment zone to restore and generate new development in this area of the City. The City has purchased land and offered incentives to businesses for locating their new operations in the downtown area. The area is beginning to show signs of growth from the efforts and incentives.

The City's fiscal year 2026 General Fund operating revenue budget increased approximately 8.6% over budgeted revenues in fiscal year 2025. Most of this revenue growth is anticipated from new development in the City that generates additional property tax and sales tax revenue. Any additional appropriations made during fiscal year 2026 will be offset through the management of the operating expenditures of the General Fund during the course of the fiscal year.

Contacting The City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Mansfield, 1200 E. Broad Street, Mansfield, Texas 76063, or by phone at 817-276-4265.



BASIC FINANCIAL STATEMENTS

CITY OF MANSFIELD, TEXAS

STATEMENT OF NET POSITION

September 30, 2025

| | Primary Government | | | Component Unit |
|----------------------------------------------------------------|----------------------------|-----------------------------|----------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total | MEDC |
| Assets | | | | |
| Current Assets: | | | | |
| Cash, cash equivalents and investments | \$ 261,488,325 | \$ 27,455,644 | \$ 288,943,969 | \$ 68,961,096 |
| Receivables (net of allowance for uncollectable) | 11,327,108 | 6,781,022 | 18,108,130 | 843,357 |
| Lease receivable | 203,930 | - | 203,930 | - |
| Public-private partnerships receivable | 16,978,396 | - | 16,978,396 | - |
| Inventory | - | 1,609,085 | 1,609,085 | - |
| Prepays | 11,126 | - | 11,126 | - |
| Restricted assets: | | | | |
| Cash, cash equivalents and investments | 616,272 | 57,857,282 | 58,473,554 | 122,351 |
| Assets acquired for sale | 14,360,598 | - | 14,360,598 | - |
| Total Current Assets | 304,985,755 | 93,703,033 | 398,688,788 | 69,926,804 |
| Noncurrent Assets: | | | | |
| Capital assets (net of accumulated depreciation/amortization): | | | | |
| Land | 125,939,660 | 14,410,346 | 140,350,006 | 10,382,369 |
| Construction in progress | 150,194,576 | 38,163,382 | 188,357,958 | 40,074,038 |
| Buildings and systems | 95,635,515 | 163,690,873 | 259,326,388 | 554,969 |
| Improvements other than buildings | 22,980,103 | 1,135,064 | 24,115,167 | 15,362,642 |
| Machinery and equipment | 18,584,275 | 3,484,794 | 22,069,069 | - |
| Infrastructure | 270,837,039 | 87,992,861 | 358,829,900 | - |
| Lease assets - equipment | 10,212 | 9,156 | 19,368 | - |
| Subscription assets | 1,964,273 | 459,682 | 2,423,955 | 10,101 |
| Total Noncurrent Assets | 686,145,653 | 309,346,158 | 995,491,811 | 66,384,119 |
| Total Assets | 991,131,408 | 403,049,191 | 1,394,180,599 | 136,310,923 |
| Deferred Outflows of Resources | | | | |
| Deferred charges on refunding | 210,261 | 1,462,335 | 1,672,596 | - |
| Deferred outflows - pension | 13,762,595 | 1,637,986 | 15,400,581 | 176,537 |
| Deferred outflows - OPEB | 3,849,450 | 458,151 | 4,307,601 | 49,378 |
| Total Deferred Outflows of Resources | 17,822,306 | 3,558,472 | 21,380,778 | 225,915 |

CITY OF MANSFIELD, TEXAS
STATEMENT OF NET POSITION
September 30, 2025

| | Primary Government | | | Component Unit |
|--------------------------------------------|----------------------------|-----------------------------|-----------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | MEDC |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts payable | \$ 21,974,659 | \$ 6,319,590 | \$ 28,294,249 | \$ 7,808,295 |
| Accrued wages and benefits | 2,930,347 | 267,082 | 3,197,429 | 23,862 |
| Accrued liabilities | 1,200,849 | 1,864,855 | 3,065,704 | - |
| Accrued interest payable | 2,490,331 | 500,400 | 2,990,731 | 692,550 |
| Unearned revenue | 1,024,150 | 12,917 | 1,037,067 | - |
| Liabilities payable from restricted assets | 3,381,431 | 1,423,331 | 4,804,762 | 1,669,486 |
| Total Current Liabilities | 33,001,767 | 10,388,175 | 43,389,942 | 10,194,193 |
| Noncurrent Liabilities: | | | | |
| Due within one year | | | | |
| Compensated absences | 5,538,441 | 536,439 | 6,074,880 | 24,472 |
| Lease/SBITA liabilities | 839,449 | 129,946 | 969,395 | 9,653 |
| Bonds payable | 14,025,000 | 4,590,000 | 18,615,000 | 1,110,000 |
| Due in more than one year | | | | |
| Compensated absences | 7,885,925 | 749,685 | 8,635,610 | 114,717 |
| Lease/SBITA liabilities | 530,857 | 217,912 | 748,769 | - |
| Bonds payable and premium/discount | 410,430,414 | 62,939,872 | 473,370,286 | 95,055,266 |
| Net pension liability | 29,683,587 | 3,532,859 | 33,216,446 | 380,760 |
| Net OPEB liability | 15,580,243 | 1,854,318 | 17,434,561 | 199,852 |
| Total OPEB liability - SDBF | 1,161,874 | 138,283 | 1,300,157 | 14,904 |
| Total Noncurrent Liabilities | 485,675,790 | 74,689,314 | 560,365,104 | 96,909,624 |
| Total Liabilities | 518,677,557 | 85,077,489 | 603,755,046 | 107,103,817 |
| Deferred Inflows of Resources | | | | |
| Deferred gain on refunding | 1,818,265 | - | 1,818,265 | - |
| Deferred inflows from leases | 185,060 | 3,512 | 188,572 | - |
| Deferred Inflows from PPP | 16,870,835 | - | 16,870,835 | - |
| Deferred inflows - pension | 2,709,515 | 322,479 | 3,031,994 | 34,756 |
| Deferred inflows - OPEB | 1,738,466 | 206,907 | 1,945,373 | 22,300 |
| Total Deferred Inflows of Resources | 23,322,141 | 532,898 | 23,855,039 | 57,056 |
| Net Position | | | | |
| Net investment in capital assets | 431,563,296 | 288,374,479 | 719,937,775 | 16,074,572 |
| Restricted | 33,821,149 | 4,934,547 | 38,755,696 | 13,301,393 |
| Unrestricted | 1,569,571 | 27,688,250 | 29,257,821 | - |
| Total Net Position | \$ 466,954,016 | \$ 320,997,276 | \$ 787,951,292 | \$ 29,375,965 |

CITY OF MANSFIELD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General government | \$ 53,405,519 | \$ 17,680,760 | \$ 6,023,917 | \$ - |
| Public safety | 57,399,876 | 5,351,584 | 934,564 | - |
| Public works | 23,159,891 | 5,083,649 | 316,131 | - |
| Culture and recreation | 15,414,203 | 3,740,439 | 35,644 | 911,397 |
| Interest on long-term debt | 17,854,997 | - | - | - |
| Total Governmental Activities | 167,234,486 | 31,856,432 | 7,310,256 | 911,397 |
| Business-Type Activities: | | | | |
| Water | 30,496,938 | 34,532,575 | - | 959,720 |
| Sewer | 12,421,017 | 18,954,283 | - | - |
| Drainage | 1,935,954 | 3,100,550 | - | - |
| Total Business-Type Activities | 44,853,909 | 56,587,408 | - | 959,720 |
| Total Primary Government | \$ 212,088,395 | \$ 88,443,840 | \$ 7,310,256 | \$ 1,871,117 |
| Component Units: | | | | |
| MEDC | \$ 15,323,194 | \$ - | \$ - | \$ - |
| Total Component Units | \$ 15,323,194 | \$ - | \$ - | \$ - |

CITY OF MANSFIELD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | | |
|---------------------------------------------------------|---------------------------------------------------|--------------------------|-------------------------|------------------------|
| | Primary Government | | | Component Unit |
| | Governmental Activities | Business-type Activities | Total | MEDC |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General government | \$ (29,700,842) | \$ - | \$ (29,700,842) | \$ - |
| Public safety | (51,113,728) | - | (51,113,728) | - |
| Public works | (17,760,111) | - | (17,760,111) | - |
| Culture and recreation | (10,726,723) | - | (10,726,723) | - |
| Interest on long-term debt | (17,854,997) | - | (17,854,997) | - |
| Total Governmental Activities | (127,156,401) | - | (127,156,401) | - |
| Business-Type Activities: | | | | |
| Water | - | 4,995,357 | 4,995,357 | - |
| Sewer | - | 6,533,266 | 6,533,266 | - |
| Drainage | - | 1,164,596 | 1,164,596 | - |
| Total Business-Type Activities | - | 12,693,219 | 12,693,219 | - |
| Total Primary Government | \$ (127,156,401) | \$ 12,693,219 | \$ (114,463,182) | \$ - |
| Component Units: | | | | |
| MEDC | \$ - | \$ - | \$ - | \$ (15,323,194) |
| Total Component Units | \$ - | \$ - | \$ - | \$ (15,323,194) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 85,810,225 | \$ - | \$ 85,810,225 | \$ - |
| Sales taxes | 29,769,057 | - | 29,769,057 | 9,976,595 |
| Franchise taxes | 4,545,041 | - | 4,545,041 | - |
| Mixed drink taxes | 366,293 | - | 366,293 | - |
| Hotel/Motel taxes | 1,147,738 | - | 1,147,738 | - |
| Unrestricted investment earnings | 11,620,586 | 4,229,954 | 15,850,540 | 2,800,483 |
| Miscellaneous | 866,203 | 206,653 | 1,072,856 | 41,482 |
| Transfers | 4,606,880 | (4,606,880) | - | - |
| Total General Revenues | 138,732,023 | (170,273) | 138,561,750 | 12,818,560 |
| Change in net position | 11,575,622 | 12,522,946 | 24,098,568 | (2,504,634) |
| Net Position - Beginning, as Previously Reported | 454,090,651 | 308,474,330 | 762,564,981 | 31,880,599 |
| Restatement | 1,287,743 | - | 1,287,743 | - |
| Net Position - Beginning, as Restated | 455,378,394 | 308,474,330 | 763,852,724 | 31,880,599 |
| Net Position - End | \$ 466,954,016 | \$ 320,997,276 | \$ 787,951,292 | \$ 29,375,965 |

CITY OF MANSFIELD, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025**

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Street Construction</u> | <u>Building Construction</u> |
|--------------------------------------------------------------------------|----------------------|--------------------------|--------------------------------|----------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 989,166 | \$ 6,091,952 | \$ 22,909,110 | \$ 4,409,250 |
| Investments | 8,859,464 | 578,363 | 48,226,409 | 110,943,122 |
| Receivables, net of allowance: | | | | |
| Property taxes | 233,676 | 123,638 | - | - |
| Sales taxes | 2,475,050 | - | - | - |
| Other taxes | - | - | - | - |
| Ambulance fees | 1,684,356 | - | - | - |
| Fines, fees and court costs | 135,532 | - | - | - |
| Developer agreements | 3,964,238 | - | - | - |
| Lease receivable | - | - | - | - |
| PPP receivable | - | - | - | - |
| Other receivables | 687,985 | - | - | - |
| Due from other funds | 18,606,081 | - | - | - |
| Prepaid items | 11,126 | - | - | - |
| Assets limited to use: | | | | |
| Cash and cash equivalents | 114,003 | - | - | - |
| Assets acquired for sale | 14,360,598 | - | - | - |
| Total Assets | <u>52,121,275</u> | <u>6,793,953</u> | <u>71,135,519</u> | <u>115,352,372</u> |
| Liabilities | | | | |
| Accounts payable | 3,900,963 | 575 | 5,163,343 | 9,767,070 |
| Accrued wages and benefits | 2,818,993 | - | 7,110 | - |
| Deposits and other liabilities | 160,460 | - | - | - |
| Due to other funds | - | - | - | 1,773,788 |
| Retainage payable | - | - | 929,766 | 1,874,070 |
| Unearned revenue | 558,715 | - | - | - |
| Total Liabilities | <u>7,439,131</u> | <u>575</u> | <u>6,100,219</u> | <u>13,414,928</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - property taxes | 233,676 | 123,638 | - | - |
| Unavailable revenue - mixed drink taxes | 30,192 | - | - | - |
| Unavailable revenue - ambulance fees | 1,701,235 | - | - | - |
| Unavailable revenue - courts | 135,532 | - | - | - |
| Unavailable revenue - grants | 280,816 | - | - | - |
| Unavailable revenue - proceeds from sale of capital assets | 3,964,238 | - | - | - |
| Deferred Inflows - leases | - | - | - | - |
| Deferred Inflows - PPP | - | - | - | - |
| Total Deferred Inflows of Resources | <u>6,345,689</u> | <u>123,638</u> | <u>-</u> | <u>-</u> |
| Fund Balance | | | | |
| Nonspendable | 14,371,724 | - | - | - |
| Restricted | - | 6,669,740 | 65,035,300 | 101,937,444 |
| Committed | - | - | - | - |
| Unassigned | 23,964,731 | - | - | - |
| Total Fund Balance | <u>38,336,455</u> | <u>6,669,740</u> | <u>65,035,300</u> | <u>101,937,444</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 52,121,275</u> | <u>\$ 6,793,953</u> | <u>\$ 71,135,519</u> | <u>\$ 115,352,372</u> |

CITY OF MANSFIELD, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025**

| | Mansfield Parks Facility Development Corporation | TIRZ #2 | Non-major Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------------------|-----------------------------------------------------------|--------------------|------------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 16,138,742 | \$ - | \$ 11,232,734 | \$ 61,770,954 |
| Investments | 8,754,306 | - | 21,923,035 | 199,284,699 |
| Receivables, net of allowance: | | | | |
| Property taxes | - | - | 121,236 | 478,550 |
| Sales taxes | - | - | - | 2,475,050 |
| Other taxes | - | - | 130,349 | 130,349 |
| Ambulance fees | - | - | - | 1,684,356 |
| Fines, fees and court costs | - | - | - | 135,532 |
| Developer agreements | - | 429,583 | - | 4,393,821 |
| Lease receivable | 203,930 | - | - | 203,930 |
| PPP receivable | 16,978,396 | - | - | 16,978,396 |
| Other receivables | 1,090,740 | - | 250,725 | 2,029,450 |
| Due from other funds | - | - | - | 18,606,081 |
| Prepaid items | - | - | - | 11,126 |
| Assets limited to use: | | | | |
| Cash and cash equivalents | 502,269 | - | - | 616,272 |
| Assets acquired for sale | - | - | - | 14,360,598 |
| Total Assets | 43,668,383 | 429,583 | 33,658,079 | 323,159,164 |
| Liabilities | | | | |
| Accounts payable | 463,199 | - | 2,692,243 | 21,987,393 |
| Accrued wages and benefits | 98,826 | - | 5,418 | 2,930,347 |
| Deposits and other liabilities | 1,019,389 | - | - | 1,179,849 |
| Due to other funds | 4,005,645 | 8,185,622 | 4,641,026 | 18,606,081 |
| Retainage payable | - | - | 577,595 | 3,381,431 |
| Unearned revenue | 187,666 | - | 277,769 | 1,024,150 |
| Total Liabilities | 5,774,725 | 8,185,622 | 8,194,051 | 49,109,251 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - property taxes | - | - | 5,639 | 362,953 |
| Unavailable revenue - mixed drink taxes | - | - | - | 30,192 |
| Unavailable revenue - ambulance fees | - | - | - | 1,701,235 |
| Unavailable revenue - courts | - | - | - | 135,532 |
| Unavailable revenue - grants | - | - | 111,974 | 392,790 |
| Unavailable revenue - proceeds from sale of capital assets | - | - | - | 3,964,238 |
| Deferred Inflows - leases | 185,060 | - | - | 185,060 |
| Deferred Inflows - PPP | 16,870,835 | - | - | 16,870,835 |
| Total Deferred Inflows of Resources | 17,055,895 | - | 117,613 | 23,642,835 |
| Fund Balance | | | | |
| Nonspendable | - | - | - | 14,371,724 |
| Restricted | 20,837,763 | - | 29,635,715 | 224,115,962 |
| Committed | - | - | 343,528 | 343,528 |
| Unassigned | - | (7,756,039) | (4,632,828) | 11,575,864 |
| Total Fund Balance | 20,837,763 | (7,756,039) | 25,346,415 | 250,407,078 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 43,668,383 | \$ 429,583 | \$ 33,658,079 | \$ 323,159,164 |

CITY OF MANSFIELD, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2025

Total Fund Balances - Governmental Funds \$ 250,407,078

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 686,145,653

Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

| | |
|-----------------------------------------|---------------|
| Bonds, leases, and SBITAs | (394,175,306) |
| Unamortized premiums/discounts on bonds | (31,650,414) |
| Deferred gain on refunding | (1,818,265) |
| Deferred charges on refunding | 210,261 |
| Accrued compensated absences | (13,424,366) |

Payables for bond interest which are not due in the current period are not reported in the funds but are included in the statement of net position. (2,490,331)

Recognition of the City's proportionate share of the net pension asset is not reported in the funds. (29,683,587)

Recognition of the City's proportionate share of the total OPEB liability is not reported in the funds. (16,742,117)

Other adjustments are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. Revenues that are unavailable to pay for current period expenditures and are deferred inflows in the governmental funds are recognized in the government wide statements.

| | |
|---------------------------------------|-----------|
| Property taxes and mixed beverage tax | 393,145 |
| Municipal court - fines and fees | 135,532 |
| Grants | 392,790 |
| Assets held for sale | 3,964,238 |
| Ambulance services | 1,701,235 |

Deferred inflows of resources related to the pension and OPEB plans are not reported in the funds. (4,447,981)

Deferred outflows of resources related to the pension and OPEB plans are not reported in the funds. 17,612,045

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

424,406

Total Net Position - Governmental Activities \$ 466,954,016

CITY OF MANSFIELD, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Street Construction</u> | <u>Building Construction</u> |
|-------------------------------------------------------------------|----------------------|--------------------------|----------------------------|------------------------------|
| Revenues | | | | |
| Taxes: | | | | |
| Property | \$ 51,523,178 | \$ 26,424,152 | \$ - | \$ - |
| Sales | 21,721,674 | - | - | - |
| Franchise | 4,545,041 | - | - | - |
| Mixed drink | 365,262 | - | - | - |
| Hotel/motel | - | - | - | - |
| Licenses and permits | 3,810,959 | - | - | - |
| Charges for services | 9,674,961 | - | - | - |
| Fines and forfeitures | 1,425,473 | - | - | - |
| Investment earnings | 928,329 | 327,830 | 2,877,915 | 5,035,635 |
| Contributions and grants | 1,038,333 | - | - | - |
| Impact and developer fees | - | - | 4,818,506 | - |
| Miscellaneous | 2,698,373 | 38,164 | 4,076,668 | 3,930 |
| Total Revenues | <u>97,731,583</u> | <u>26,790,146</u> | <u>11,773,089</u> | <u>5,039,565</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 29,483,349 | - | - | 1,678,564 |
| Public safety | 52,212,479 | - | - | 250,179 |
| Public works | 7,816,888 | - | 71,581 | - |
| Culture and recreation | 5,672,086 | - | - | 14,606 |
| Debt service: | | | | |
| Principal retirement | 858,091 | 15,775,000 | - | - |
| Interest and fiscal charges | 1,337,676 | 15,682,856 | - | - |
| Bond issuance costs | 33,231 | 181,881 | 281,732 | 843,247 |
| Capital outlay | 2,908,372 | - | 27,316,782 | 46,760,042 |
| Total Expenditures | <u>100,322,172</u> | <u>31,639,737</u> | <u>27,670,095</u> | <u>49,546,638</u> |
| Excess (deficiency) of revenues over expenditures | (2,590,589) | (4,849,591) | (15,897,006) | (44,507,073) |
| Other Financing Sources (Uses) | | | | |
| Issuance of bonds | 3,633,211 | 14,246,046 | 30,802,630 | 91,622,418 |
| Issuance of SBITAs | 41,379 | - | - | - |
| Premium/(Discount) on issuance of bonds | 410,365 | 1,357,905 | 3,479,102 | 10,291,068 |
| Payment to refunded bond escrow agent | - | (11,527,773) | - | - |
| Sale of general capital assets | 847,467 | - | - | - |
| Transfers in | - | - | - | 117,826 |
| Transfers out | (1,453,690) | - | - | - |
| Total Other Financing Sources (Uses) | <u>3,478,732</u> | <u>4,076,178</u> | <u>34,281,732</u> | <u>102,031,312</u> |
| Net change in fund balances | 888,143 | (773,413) | 18,384,726 | 57,524,239 |
| Fund Balances - Beginning of Year (As Previously Reported) | 37,448,312 | 7,443,153 | 46,650,574 | 44,413,205 |
| Change in major fund | - | - | - | - |
| Fund Balances - Beginning of Year (As Restated) | <u>37,448,312</u> | <u>7,443,153</u> | <u>46,650,574</u> | <u>44,413,205</u> |
| Fund balances - End of Year | <u>\$ 38,336,455</u> | <u>\$ 6,669,740</u> | <u>\$ 65,035,300</u> | <u>\$ 101,937,444</u> |

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

| | Mansfield Parks Facility Development Corporation | TIRZ #2 | Non-major Governmental Funds | Total Governmental Funds |
|-----------------------------------------------------------------------|-----------------------------------------------------------|-----------------------|------------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes: | | | | |
| Property | \$ - | \$ 1,312,342 | \$ 7,481,609 | \$ 86,741,281 |
| Sales | 8,040,920 | - | 2,803,405 | 32,565,999 |
| Franchise | - | - | - | 4,545,041 |
| Mixed drink | - | - | - | 365,262 |
| Hotel/motel | - | - | 1,147,738 | 1,147,738 |
| Licenses and permits | - | - | - | 3,810,959 |
| Charges for services | 2,021,856 | - | 135,605 | 11,832,422 |
| Fines and forfeitures | - | - | 39,931 | 1,465,404 |
| Investment earnings | 1,444,667 | - | 1,006,210 | 11,620,586 |
| Contributions and grants | 67,371 | - | 6,254,453 | 7,360,157 |
| Impact and developer fees | 1,622,400 | - | - | 6,440,906 |
| Miscellaneous | 104,834 | 21,000 | 183,603 | 7,126,572 |
| Total Revenues | 13,302,048 | 1,333,342 | 19,052,554 | 175,022,327 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | 1,895,842 | 12,773,485 | 45,831,240 |
| Public safety | - | - | 336,213 | 52,798,871 |
| Public works | - | - | - | 7,888,469 |
| Culture and recreation | 6,686,266 | - | 6,983 | 12,379,941 |
| Debt service: | | | | |
| Principal retirement | 6,527 | - | 1,735,000 | 18,374,618 |
| Interest and fiscal charges | 70,776 | - | 1,833,845 | 18,925,153 |
| Bond issuance costs | - | - | 819,268 | 2,159,359 |
| Capital outlay | 848,101 | 1,732,933 | 19,611,131 | 99,177,361 |
| Total Expenditures | 7,611,670 | 3,628,775 | 37,115,925 | 257,535,012 |
| Excess (deficiency) of revenues over expenditures | 5,690,378 | (2,295,433) | (18,063,371) | (82,512,685) |
| Other Financing Sources (Uses) | | | | |
| Issuance of bonds | - | - | 21,435,695 | 161,740,000 |
| Issuance of SBITAs | - | - | - | 41,379 |
| Premium/(Discount) on issuance of bonds | - | - | 1,333,405 | 16,871,845 |
| Payment to refunded bond escrow agent | - | - | - | (11,527,773) |
| Sale of general capital assets | 24,603 | - | 117,079 | 989,149 |
| Transfers in | 721,823 | - | 5,957,297 | 6,796,946 |
| Transfers out | - | - | (736,376) | (2,190,066) |
| Total Other Financing Sources (Uses) | 746,426 | - | 28,107,100 | 172,721,480 |
| Net change in fund balances | 6,436,804 | (2,295,433) | 10,043,729 | 90,208,795 |
| Fund Balances - Beginning of Year (As Previously Reported) | 14,400,959 | - | 9,842,080 | 160,198,283 |
| Change in major fund | - | (5,460,606) | 5,460,606 | - |
| Fund Balances - Beginning of Year (As Restated) | 14,400,959 | (5,460,606) | 15,302,686 | 160,198,283 |
| Fund balances - End of Year | \$ 20,837,763 | \$ (7,756,039) | \$ 25,346,415 | \$ 250,407,078 |

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, 2025

Net Change in Fund Balances - Total Governmental Funds \$ 90,208,795

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

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/amortization expense.

| | |
|-----------------------|--------------|
| Capital outlay | 99,177,361 |
| Capital contributions | 911,397 |
| Depreciation expense | (25,275,858) |

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the resulting gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

(534,607)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

(2,719,645)

Governmental funds report repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances.

| | |
|------------------------------------------------|---------------|
| Principal on bonds repaid in the current year | 17,510,000 |
| Principal on leases/SBITAs in the current year | 864,618 |
| Proceeds from the issuance of debt | (161,740,000) |
| Proceeds from issuance of SBITAs | (41,379) |
| Premium/Discount on issuance of bonds | (16,871,845) |
| Payments to escrow for refunded bonds | 11,527,773 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

| | |
|--------------------------------------------------------------------------------|-------------|
| Compensated absences | 636,876 |
| Accrued interest | (123,179) |
| Amortization of premium/discount on bonds and deferred gain/loss on refundings | 1,203,187 |
| Pension and OPEB expense | (2,294,535) |

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities (exclusive of capital assets and debt).

(863,337)

Change in Net Position of Governmental Activities

\$ 11,575,622

CITY OF MANSFIELD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2025

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|----------------------------------------------------------------------------|----------------------------------------------------|----------------------|-------------------------|-------------------------------|
| | Water & Sewer | | | Activities |
| | Fund | Drainage Fund | Total Enterprise | Group Health Insurance |
| Assets | | | | |
| Current Assets: | | | | |
| Cash, cash equivalents, and investments | \$ 20,394,574 | \$ 7,061,070 | \$ 27,455,644 | \$ 432,672 |
| Accounts receivable, (net of allowance for uncollectable) | 6,407,319 | 373,703 | 6,781,022 | - |
| Inventories | 1,609,085 | - | 1,609,085 | - |
| Restricted cash and cash equivalents | 57,855,834 | 1,448 | 57,857,282 | - |
| Total Current Assets | 86,266,812 | 7,436,221 | 93,703,033 | 432,672 |
| Noncurrent Assets: | | | | |
| Capital Assets - Net: | | | | |
| Land | 12,143,021 | 2,267,325 | 14,410,346 | - |
| Construction in progress | 37,319,900 | 843,482 | 38,163,382 | - |
| Buildings, systems, and infrastructure | 245,741,210 | 5,942,524 | 251,683,734 | - |
| Improvements other than buildings | 323,318 | 811,746 | 1,135,064 | - |
| Machinery and equipment | 3,090,186 | 394,608 | 3,484,794 | - |
| Lease assets | 9,156 | - | 9,156 | - |
| Subscription asset | 420,423 | 39,259 | 459,682 | - |
| Total Capital Assets (Net of Accumulated Depreciation/Amortization) | 299,047,214 | 10,298,944 | 309,346,158 | - |
| Total Noncurrent Assets | 299,047,214 | 10,298,944 | 309,346,158 | - |
| Total Assets | 385,314,026 | 17,735,165 | 403,049,191 | 432,672 |
| Deferred Outflows of Resources | | | | |
| Deferred outflows - pension | 1,452,622 | 185,364 | 1,637,986 | - |
| Deferred outflows - OPEB | 407,790 | 50,361 | 458,151 | - |
| Deferred loss on refunding | 1,462,335 | - | 1,462,335 | - |
| Total Deferred Outflows of Resources | 3,322,747 | 235,725 | 3,558,472 | - |

CITY OF MANSFIELD, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2025

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--------------------------------------------|----------------------------------------------------|----------------------|-------------------------|-------------------------------|
| | Water & Sewer | | | Activities |
| | Fund | Drainage Fund | Total Enterprise | Group Health Insurance |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts payable | \$ 6,085,688 | \$ 233,902 | \$ 6,319,590 | \$ 8,266 |
| Accrued wages and benefits | 242,648 | 24,434 | 267,082 | - |
| Compensated absences | 484,082 | 52,357 | 536,439 | - |
| Customer deposits payable | 1,864,855 | - | 1,864,855 | - |
| Retainage payable | 1,388,583 | 34,748 | 1,423,331 | - |
| Accrued interest payable | 496,394 | 4,006 | 500,400 | - |
| Bonds payable - current | 4,440,000 | 150,000 | 4,590,000 | - |
| Lease liability | 3,784 | - | 3,784 | - |
| SBITA liability | 117,800 | 8,362 | 126,162 | - |
| Unearned revenue | 12,917 | - | 12,917 | - |
| Total Current Liabilities | 15,136,751 | 507,809 | 15,644,560 | 8,266 |
| Noncurrent Liabilities: | | | | |
| Compensated absences | 583,959 | 165,726 | 749,685 | - |
| Bonds payable | 62,786,313 | 153,559 | 62,939,872 | - |
| Lease liability | 5,840 | - | 5,840 | - |
| SBITA liability | 193,035 | 19,037 | 212,072 | - |
| Net pension liability | 3,140,909 | 391,950 | 3,532,859 | - |
| Net OPEB liability | 1,650,343 | 203,975 | 1,854,318 | - |
| Total OPEB liability - SDBF | 123,072 | 15,211 | 138,283 | - |
| Total Noncurrent Liabilities | 68,483,471 | 949,458 | 69,432,929 | - |
| Total Liabilities | 83,620,222 | 1,457,267 | 85,077,489 | 8,266 |
| Deferred Inflows of Resources | | | | |
| Deferred inflows - pension | 286,965 | 35,514 | 322,479 | - |
| Deferred inflows - OPEB | 184,158 | 22,749 | 206,907 | - |
| Deferred inflows - leases | 3,512 | - | 3,512 | - |
| Total Deferred Inflows of Resources | 474,635 | 58,263 | 532,898 | - |
| Net Position | | | | |
| Net investment in capital assets | 278,441,241 | 9,933,238 | 288,374,479 | - |
| Restricted: | | | | |
| Debt service | 4,933,099 | 1,448 | 4,934,547 | - |
| Unrestricted | 21,167,576 | 6,520,674 | 27,688,250 | 424,406 |
| Total Net Position | \$ 304,541,916 | \$ 16,455,360 | \$ 320,997,276 | \$ 424,406 |

CITY OF MANSFIELD, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended September 30, 2025

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---------------------------------------------------------------|----------------------------------------------------|----------------------|-------------------------|--------------------------------|
| | Water & Sewer | | Total Enterprise | Group Health Insurance |
| | Fund | Drainage Fund | | |
| Operating Revenues | | | | |
| Charges for services: | | | | |
| Water sales | \$ 29,712,115 | \$ - | \$ 29,712,115 | \$ - |
| Sewer charges | 18,954,283 | - | 18,954,283 | - |
| Drainage fees | - | 3,100,550 | 3,100,550 | - |
| Impact fees | 4,820,460 | - | 4,820,460 | - |
| Contributions | - | - | - | 18,502,443 |
| Miscellaneous revenues | 193,507 | 8,839 | 202,346 | 1,068,085 |
| Total Operating Revenues | 53,680,365 | 3,109,389 | 56,789,754 | 19,570,528 |
| Operating Expenses | | | | |
| Costs of sales and services | 30,672,087 | 1,490,797 | 32,162,884 | - |
| Personnel services | 894,282 | 173,093 | 1,067,375 | - |
| Other operating expenses | 57,031 | - | 57,031 | 752 |
| Insurance premiums paid | - | - | - | 20,451,010 |
| Depreciation/amortization | 7,285,072 | 241,443 | 7,526,515 | - |
| Total Operating Expenses | 38,908,472 | 1,905,333 | 40,813,805 | 20,451,762 |
| Operating Income | 14,771,893 | 1,204,056 | 15,975,949 | (881,234) |
| Nonoperating Revenues (Expenses) | | | | |
| Investment earnings | 4,009,430 | 220,524 | 4,229,954 | 17,897 |
| Proceeds from sale of assets | 4,307 | - | 4,307 | - |
| Interest and fiscal charges | (4,009,483) | (30,621) | (4,040,104) | - |
| Total Nonoperating Revenues (Expenses) | 4,254 | 189,903 | 194,157 | 17,897 |
| Income (Loss) before transfers and contributions | 14,776,147 | 1,393,959 | 16,170,106 | (863,337) |
| Transfers and Contributions | | | | |
| Capital contributions | 959,720 | - | 959,720 | - |
| Transfers in | - | 74,618 | 74,618 | - |
| Transfers out | (4,681,498) | - | (4,681,498) | - |
| Total Transfers and Contributions - Net | (3,721,778) | 74,618 | (3,647,160) | - |
| Change in net position | 11,054,369 | 1,468,577 | 12,522,946 | (863,337) |
| Net Position - Beginning of Year, as Previously Stated | 293,487,547 | 14,986,783 | 308,474,330 | - |
| Restatement | - | - | - | 1,287,743 |
| Net Position - Beginning of Year, as Restated | 293,487,547 | 14,986,783 | 308,474,330 | 1,287,743 |
| Net Position - End of Year | \$ 304,541,916 | \$ 16,455,360 | \$ 320,997,276 | \$ 424,406 |

CITY OF MANSFIELD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2025

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--------------------------------------------------------------------------------|----------------------------------------------------|---------------------|----------------------|---------------------|
| | | | | Activities |
| | Water & Sewer | | | Group Health |
| Fund | Drainage Fund | Total | Insurance | |
| Cash Flows From Operating Activities: | | | | |
| Cash received from user charges | \$ 55,359,119 | \$ 3,216,225 | \$ 58,575,344 | \$ 19,570,528 |
| Other operating revenue | 193,507 | 8,839 | 202,346 | - |
| Payments to suppliers | (27,554,991) | (1,223,403) | (28,778,394) | - |
| Payments to employees | (849,936) | (120,618) | (970,554) | - |
| Payments for insurance premiums | - | - | - | (20,453,285) |
| Net Cash Provided By (Used In) Operating Activities | 27,147,699 | 1,881,043 | 29,028,742 | (882,757) |
| Cash Flows From Noncapital Financing Activities: | | | | |
| Transfers from other funds | - | 74,618 | 74,618 | - |
| Transfers to other funds | (4,681,498) | - | (4,681,498) | - |
| Net Cash Provided By (Used In) Noncapital Financing Activities | (4,681,498) | 74,618 | (4,606,880) | - |
| Cash flows From Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | (30,599,477) | (1,354,257) | (31,953,734) | - |
| Capital contribution | 959,720 | - | 959,720 | - |
| Principal paid on debt, leases, & SBITAs | (3,787,301) | (151,574) | (3,938,875) | - |
| Interest and fees paid on long-term debt | (4,442,787) | (32,467) | (4,475,254) | - |
| Proceeds from sale of capital assets | 4,307 | - | 4,307 | - |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | (37,865,538) | (1,538,298) | (39,403,836) | - |
| Cash Flows From Investing Activities: | | | | |
| Interest and dividends received | 4,009,430 | 220,524 | 4,229,954 | 17,897 |
| Net Cash Provided By Investing Activities | 4,009,430 | 220,524 | 4,229,954 | 17,897 |
| Net change in cash and cash equivalents | (11,389,907) | 637,887 | (10,752,020) | (864,860) |
| Cash and Cash Equivalents, Beginning of Year | 89,640,315 | 6,424,631 | 96,064,946 | 1,297,532 |
| Cash and Cash Equivalents, End of Year | 78,250,408 | \$ 7,062,518 | \$ 85,312,926 | \$ 432,672 |
| Reconciliation of Operating Income (Loss) to Net Cash | | | | |
| Provided By (Used In) Operating Activities: | | | | |
| Operating income (loss) | \$ 14,771,893 | \$ 1,204,056 | \$ 15,975,949 | \$ (881,234) |
| Adjustments to Reconcile Operating Income (Loss) to Net | | | | |
| Cash Provided By (Used In) Operating Activities: | | | | |
| Depreciation/amortization expense | 7,285,072 | 241,443 | 7,526,515 | - |
| (Increase) decrease in accounts receivable | 1,751,446 | 115,675 | 1,867,121 | - |
| (Increase) decrease in inventories | (419,888) | - | (419,888) | - |
| (Increase) decrease in deferred outflows of resources | 745,710 | 33,227 | 778,937 | - |
| Increase (decrease) in accounts payable | 2,801,606 | 237,772 | 3,039,378 | (1,523) |
| Increase (decrease) in accrued wages payable | 73,970 | 6,087 | 80,057 | - |
| Increase (decrease) in compensated absences | (124,892) | 35,181 | (89,711) | - |
| Increase (decrease) in customer deposits | 120,815 | - | 120,815 | - |
| Increase (decrease) in retainage payable | 792,409 | 29,622 | 822,031 | - |
| Increase (decrease) in net pension liability | (547,182) | (2,475) | (549,657) | - |
| Increase (decrease) in net OPEB liability | (438,477) | (67,590) | (506,067) | - |
| Increase (decrease) in total OPEB liability | (3,664) | 1,666 | (1,998) | - |
| Increase (decrease) in deferred inflows of resources | 338,881 | 46,379 | 385,260 | - |
| Total Adjustments | 12,375,806 | 676,987 | 13,052,793 | (1,523) |
| Net Cash Provided By (Used In) Operating Activities | \$ 27,147,699 | \$ 1,881,043 | \$ 29,028,742 | \$ (882,757) |

CITY OF MANSFIELD, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2025

| | Retiree Health Insurance OPEB Trust |
|--------------------------------------------|------------------------------------------------|
| Assets | |
| Cash, cash equivalents, and investments | \$ 29,500,055 |
| Interest receivable | <u>2,862</u> |
| Total Assets | <u>\$ 29,502,917</u> |
| Net Position | |
| Restricted for: | |
| Other post employment benefits | \$ 29,502,917 |
| Total Net Position | <u>\$ 29,502,917</u> |

CITY OF MANSFIELD, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year June 30, 2025

| | Retiree Health |
|------------------------------------------------------|------------------------------------|
| | <u>Insurance OPEB Trust</u> |
| Additions | |
| Contributions | \$ 1,000,000 |
| Investment earnings: | |
| Interest | 44,365 |
| Dividends | 881,934 |
| Net increase (decrease) in fair value of investments | 2,333,277 |
| Net increase (decrease) in interest receivable | <u>(7,151)</u> |
| Total Additions | <u>4,252,425</u> |
| Deductions | |
| Administrative expenses | <u>2,337,481</u> |
| Total Deductions | <u>2,337,481</u> |
| Net increase in Fiduciary Net Position | 1,914,944 |
| Net Position, Beginning of Year | <u>27,587,973</u> |
| Net Position - Ending | <u>\$ 29,502,917</u> |



CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

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

The City has the following blended component units which do not issue separate financial statements.

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 governmental funds.

Mansfield Public Facility Corporation - The MPFC board of directors is comprised of the Mayor and the City Council. The purpose of the MPFC is to assist the City in financing, refinancing, or providing public facilities. The City is ultimately responsible for MPFC fiscal matters and the MPFC provides services exclusively to the City. The MPFC does not issue separate financial statements and is included in the governmental funds.

Mansfield Tax Increment Financing Reinvestment Zone Number One (TIRZ #1) - The City and the City's management maintain significant influence and management responsibility in the approval of programs, expenditures, and obligations of the TIRZ #1. The TIRZ #1 board of directors is a seven-member board; four members of the board of directors are members of the City's Council with the remaining three board members appointed by the participating entities of the TIRZ #1 unless the participating entity waives its right to board membership, which at such time the City may appoint a member in its stead. Two Counties, Tarrant, and Ellis County, participate in the City's TIRZ #1 as it is a 3,100-acre tract of land that is in three Counties. The TIRZ #1 does not issue separate financial statements, as the TIRZ #1 is included as a major fund of the City. The TIRZ #1 was established in December 2006 and is for the primary benefit of the City. The benefits include financing of the City's infrastructure within the TIRZ #1, which are owned and maintained by the City.

Mansfield Tax Increment Financing Reinvestment Zone Number Two (TIRZ #2) - The City and the City's management maintain significant influence and responsibility in the approval of programs, expenditures, and obligations of the TIRZ #2. The TIRZ #2 board of directors is a five-member board; four members of the board of directors are members of the City's Council with the remaining board member appointed by Tarrant County, the other participating entity. This TIRZ #2 was established to revitalize the City's Historic Downtown area, which includes 317 developed acres. The TIRZ #2 does not issue separate financial statements, as the TIRZ #2 is included as a major fund of the City. The TIRZ #2 was established in December 2012 and is for the primary benefit of the City. The benefits include financing of the City's infrastructure within the TIRZ #2, which will be owned and maintained by the City.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Blended Component Units (continued)

Mansfield Tax Increment Financing Reinvestment Zone Number Three (TIRZ #3) – The City and the City’s management maintain significant influence and responsibility in the approval of programs, expenditures, and obligations of the TIRZ #3. The TIRZ #3 board of directors is an eight-member board; seven members of the board of directors are members of the City’s Council with the remaining board member appointed by Tarrant County, the other participating entity. This TIRZ #2 was established to revitalize the City’s Starlin Ranch area, which includes 121 acres. The TIRZ #2 does not issue separate financial statements, as the TIRZ #2 is included as a non-major fund of the City. The TIRZ #3 was established in October 2022 and is for the primary benefit of the City. The benefits include financing of the City’s infrastructure within the TIRZ #2, which will be owned and maintained by the City.

Mansfield Tax Increment Financing Reinvestment Zone Number Four (TIRZ #4) – The City and the City’s management maintain significant influence and responsibility in the approval of programs, expenditures, and obligations of the TIRZ #4. The TIRZ #4 board of directors is a seven-member board consisting entirely of the City’s Council. This TIRZ #4 was established to develop the area east of SH 360, which includes 359 acres. The TIRZ #4 does not issue separate financial statements, as the TIRZ #4 is included as a non-major fund of the City. The TIRZ #4 was established in December 2022 and is for the primary benefit of the City. The benefits include financing of the City’s infrastructure within the TIRZ #4, which will be owned and maintained by the City.

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

Starlin Ranch Public Improvement District - The City established a public improvement district for the purpose of maintaining public improvements on approximately 121.5 acres in the TIRZ number three area. An annual assessment will fund the public improvement district.

Staybolt Public Improvement District – The City established a public improvement district for the purpose of maintaining public improvements on approximately 134.3 acres. An annual assessment will fund the public improvement district.

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.

Fiduciary Fund

Retiree Health Insurance OPEB Trust - In 2007 the City opened an irrevocable trust with Public Agency Retirement Services (PARS) acting as the plan administrator and US Bank serving as the custodial bank to manage the plan's assets. The purpose of the irrevocable trust is to accumulate resources to pay for future medical costs of the retirees of the City. The Retiree Health Insurance OPEB Trust is a fiduciary component unit of the City and therefore OPEB trust fund financial information is also included in the ACFR for the City.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

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 governmentwide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's Water & 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, TIRZ #2, and Mansfield Parks Facility Development Corporation fund. The major enterprise fund is the Water & Sewer fund, and the nonmajor enterprise fund is the Drainage fund. The internal service fund accounts for the City's group health insurance. 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 termination of major funds along with other qualitative factors. The non-major governmental funds are combined in a separate column in the fund financial statements. The non-major governmental funds are detailed in the combining section of the statements.

The City's fiduciary fund is presented in the fund financial statements. 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 discretely presented component unit. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

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, franchise tax, and investment earnings to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, pension and other postemployment benefit obligations, 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. Funds received in advance for which all eligibility requirements have not been met are considered unearned revenue.

A portion of the City's revenues are derived from developer contributions. Developer's contributions are recorded as non-operating revenue in the Water & 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.

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 statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. 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 & Sewer Fund, and Drainage Fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The principal operating revenues of the City's internal service fund consists primarily of employer and employee contributions. Fund expenditures include claims paid, administrative fees, and stop-loss premiums. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 is used to account for the financial resources used in the construction of general governmental buildings and facilities.

The Mansfield Parks Facility Development Corporation Fund is used to account for the half-cent sales tax, approved by the voters, for parks land acquisition.

TIRZ #2 is used to account for the financing and cost related to revitalization of historic downtown within Mansfield Tax Increment Financing Zone Number Two.

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

The government reports the following major enterprise fund:

The Water & Sewer Fund accounts for the operation of the City's Water & Sewer system. Activities of the Fund include administration, operation, and maintenance of the Water & 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 government reports the following nonmajor enterprise fund:

The Drainage 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 internal service fund:

The City utilizes an Internal Service Fund to account for the financial activity of its group health insurance program. The fund is used to accumulate and allocate costs associated with providing medical, dental, and related coverage to City employees and eligible dependents. Revenues consist primarily of employer and employee contributions, which are determined based on actuarial estimates of expect claims, administrative costs, and stop-loss insurance premium. Fund expenses include claims paid, administrative fees, and stop-loss premiums. This fund allows for the centralized and equitable allocation of health insurance costs to operating departments based on staffing levels and participation.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Additionally, the government reports the following fiduciary fund type:

The other postemployment benefit trust fund is used to report assets held for beneficiaries to fund future postemployment benefits other than pensions. The City utilizes a trust to hold required contributions for other postemployment benefits. Plan trustee must act in accordance with the specific purpose and terms of the OPEB plan. The accompanying statement of fiduciary net position and statement of changes in fiduciary net position are presented as of and for the year ended June 30, 2025, the Plan's year-end in accordance with GASB Statement No. 74.

D. Assets, Liabilities, and Net Position

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 one financial institution.

For fiscal year 2025, the City invested in investment pools 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. The non-spendable portion of the fund balance is provided equal to the amount of inventory, as the amount is not available for expenditure.

3. Prepaid Items:

Payments made to vendors for services that will benefit future periods are recorded as prepaid items. These payments are recognized under the consumption method.

4. Assets Acquired for Sale:

Land that has been acquired for the purpose of selling for future development rather than for governmental use has been record as assets acquired for sale.

5. Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), lease assets, and subscription assets 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.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position (continued)

5. Capital Assets: (continued)

Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at acquisition cost at the date of donation.

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

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

| <u>Asset Category</u> | <u>Useful Life</u> |
|--------------------------------------------------------|--------------------|
| Buildings and improvements | 50 years |
| Water and Sewer Lines | 50 years |
| Vehicles, Machinery, and Equipment | 4-10 years |
| Infrastructure | 25 years |
| Leases | 2-50 years |
| Subscription Based Information Technology Arrangements | 2-7 years |

6. Leases:

Leases are defined by the general government as the right to use an underlying asset. As lessee, the City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Lease assets are measured based on the net present value of the future lease payments at inception using multiple, publicly available data points from across the municipal bond market and the City's bond ratings to generate a consensus view of municipal bond yields and spreads on a quarterly basis, which approximate the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

The City calculates the amortization of the discount on the lease liability and reports that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculation but are recognized as outflows of resources in the period in which the obligation was incurred.

As lessor, the City recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflows of resources at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of the lease receivables occur when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position (continued)

7. Subscription-Based Information Technology Arrangement (SBITA):

Subscription-Based Information Technology Arrangement (SBITA) are defined by the general government as the right to use an underlying asset. The City recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) at the beginning of a subscription unless the subscription is considered a short-term subscription or transfers ownership of the underlying asset. Subscription assets are measured based on the net present value of the future subscription payments at inception using multiple, publicly available data points from across the municipal bond market and the City's bond ratings to generate a consensus view of municipal bond yields and spreads on a quarterly basis, which approximate the incremental borrowing rate. Remeasurement of a subscription liability occurs when there is a change in the subscription term and/or other changes that are likely to have a significant impact on the subscription liability.

The City calculates the amortization of the discount on the subscription liability and reports that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the subscription liability. Variable subscription payments based on the usage of the underlying assets are not included in the subscription liability calculation but are recognized as outflows of resources in the period in which the obligation was incurred.

8. Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements:

PPP is an arrangement in which the City (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (PPP asset), for a period of time in an exchange or exchange-like transaction.

As transferor, the City recognizes a PPP receivable. The PPP receivable is measured using the net present value of future PPP payments to be received for the PPP term and deferred inflows of resources at the beginning of the PPP term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the arrangement. This recognition does not apply to short-term arrangements, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of the PPP receivables occur when there are modifications, including but not limited to changes in the contract price, PPP term, and adding or removing an underlying asset to the PPP agreements. In the case of a partial or full PPP termination, the carrying value of the PPP receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference.

9. Unearned Revenue:

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned, which consists primarily of grant dollars received in advance of incurring eligible expenditures.

10. Deferred Outflows of Resources:

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 assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until the appropriate future period. The City has five items that qualify for this category. Deferred pension/OPEB contributions relate to contributions made by the City after the measurement date so they are deferred and recognized in the upcoming fiscal year. Deferred actuarial experience is the difference in the expected and actual pension and OPEB experience. This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position (continued)

10. Deferred Outflows of Resources: (continued)

Deferred assumption changes are differences arising from a change in actuarial assumptions and are deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date. Deferred investment losses is the difference in the projected and actual earnings on the pension/OPEB assets. This difference is deferred and amortized over a closed five-year period. Deferred loss on refunding are the differences in carrying value of the refunded debt compared to its acquisition price. This difference is deferred and amortized over the remaining life of the refunded debt or new debt, whichever is shorter.

11. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the respective retirement plan and additions to/deductions from the respective Fiduciary Net Position have been determined on the same basis as they are reported by the respective pension plan. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability that pertains to the governmental activities will be liquidated mainly by the General Fund with the rest being liquidated by the MPFDC.

12. Other Postemployment Benefits (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Retiree Health Insurance OPEB Trust and additions to/deductions from the Trust's fiduciary net position have been determined on the same basis as they are reported by the Trust. For this purpose, the Trust recognizes benefit payments when due and payable in accordance with the benefit terms. The other post-employment benefit liabilities that pertain to the governmental activities will be liquidated mainly by the General Fund with the rest being liquidated by the MPFDC.

13. Supplemental Death Benefits Fund (SDBF):

For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, City specific information about its total OPEB liability in the TMRS Supplemental Death Benefits Fund (SDBF) and retiree health insurance and additions to/deductions from the City's total OPEB liability have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Information regarding the City's SDBF Total OPEB Liability is obtained through TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position (continued)

14. Deferred Inflows of Resources:

Deferred inflows of resources represent an acquisition of net assets that applies to future periods by the City that are applicable to future reporting periods. The City has five items that qualify for this category. Deferred assumption changes are differences arising from a change in actuarial assumptions and are deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date. Deferred actuarial experience is the difference in the expected and actual pension and OPEB experience. This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date. Deferred gain 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 or new debt, whichever is shorter. Deferred inflows from leases is calculated as the lease receivable plus any payments made at or prior to the commencement of the lease, it continues to be recognized as revenue over the life of the lease. Deferred inflows from PPP is calculated as the PPP receivable plus any payments made at or prior to the commencement of the PPP, it continues to be recognized as revenue over the life of the PPP. Unavailable revenue is only reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

15. Compensated Absences:

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. 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. The liability for compensated absences includes salary-related benefits.

16. 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.

17. Sales Tax:

The City levies a 2% local sales tax in addition to the statewide sales tax rate of 6.25%. Sales 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.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position (continued)

18. 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Net pension liability is the liability of employer contributions to plan members for benefits provided through a defined benefit plan. Net OPEB/Total OPEB - Supplemental Death Benefits Fund (SDBF) liabilities are the liabilities of postemployment benefits provided to employees separately from a pension plan. Net OPEB liabilities are funded through an irrevocable trust while Total OPEB - SDBF liabilities are not.

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

As a home rule city, the City of Mansfield is not limited by the law in the amount of debt it may issue. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

19. 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.

20. 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

21. 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, or designee is authorized to assign amounts for a specific purpose as permitted by Section 9.12 of the City Charter. The City Manager has designated the Deputy City Manager to assign fund balance. 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.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position (continued)

21. Fund Balance Classification: (continued)

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

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

The deficit fund balance of Starlin PID is included in other governmental funds and will be satisfied with future Starlin PID fund revenues or a subsidy from the General Fund. The deficit fund balance in TIRZ #2 is a major governmental fund and will be satisfied with future property tax. The deficit fund balances of TIRZ #3 and TIRZ #4 are included in other governmental funds and will be satisfied with future property tax. The deficit fund balance of the Grants Fund is included in other governmental funds and will be satisfied once grant revenues are received.

22. 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, lease assets, and subscription assets net of accumulated depreciation/amortization 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."

E. Risk Disclosures – Concentrations and Constraints

In accordance with GASB Statement No. 102, *Certain Risk Disclosures*, the City evaluates whether it has vulnerabilities due to concentrations or constraints that could make it susceptible to a substantial impact. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow or outflow of resources, such as reliance on a single revenue source or vendor. A *constraint* is a limitation imposed by an external party or by formal action of the government's highest level of decision-making authority, such as statutory spending caps or debt limits. The City assesses whether the concentration or constraint is known prior to issuance of the financial statements, whether it makes the City vulnerable to a substantial impact, and whether an event associated with the concentration or constraint has occurred, begun to occur, or is more likely than not to occur within 12 months of the issuance date. If all three criteria are met, the City discloses in the notes the nature of the concentration or constraint, the event or events that could cause a substantial impact, and the actions taken to mitigate the risk prior to issuance. If mitigating actions eliminate these conditions before issuance, disclosure is not required. The City had no concentrations or constraints meeting the requirements for disclosure.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

F. Adoption of New Accounting Standards

In June 2022, the GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences, aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2024, and all reporting periods thereafter. The remaining requirements of this statement were implemented in fiscal year 2025, but did not have an impact on the financial statements. See Note 1.D.15 of the financial statements.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025, but did not have an impact on the financial statements. See Note 1.E of the financials statements.

II. Detailed Notes on All Funds

A. Deposits and Investments

State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a fair value of not less than the principal amount of the deposits. As of September 30, 2025, the carrying amount of the City's on demand deposits (including MEDC) was \$74,561,191 and the bank balance was \$89,493,811. Funds were fully collateralized throughout the entire year. As of September 30, 2025, the primary government had cash and cash equivalents and investments of \$347,417,523 including the following investments, which are recorded as cash equivalents (maturities of investments are measured in weighted average maturities or WAM):

| Primary Government - Governmental and Business-type Activities | Net Asset | |
|-----------------------------------------------------------------------|-----------------------|-------------------|
| | Value | WAM (Days) |
| Investment Type – TexSTAR Investment Pool | \$ 9,297,380 | 49 |
| Investment Type - Money Market Mutual Funds | 23,779,749 | 1 |
| Investment Type - LOGIC Investment Pool | 79,320,307 | 54 |
| Investment Type - Texas CLASS Investment Pool | 154,176,916 | 43 |
| Total Net Asset Value and Weighted Average Maturity | \$ 266,574,352 | 43 |

As of September 30, 2025, the Mansfield Economic Development Corporation had cash and cash equivalents of \$69,083,447 including 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 | Net Asset | |
|--------------------------------------------------------------------|----------------------|-------------------|
| | Value | WAM (Days) |
| Investment Type – TexSTAR Investment Pool | \$ 45,865,372 | 49 |
| Total Net Asset Value and Weighted Average Maturity | \$ 45,865,372 | 49 |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

As of June 30, 2025, the Fiduciary fund, Retiree Health Insurance OPEB Trust had cash and cash equivalents of \$29,500,055, including the following investments, which are recorded as cash equivalents (maturities of investments are measured in weighted average maturities or WAM):

| <u>Fiduciary Fund - Retiree Health Insurance OPEB Trust</u> | Net Asset | |
|-------------------------------------------------------------|----------------------|-------------------|
| | <u>Value</u> | <u>WAM (Days)</u> |
| Investment Type - Money Market Mutual Funds | \$ 29,500,055 | 1 |
| Total Net Asset Value and Weighted Average Maturity | \$ 29,500,055 | 1 |

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

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

Credit Risk – The City is authorized to invest in U.S. government obligations and its agencies or instrumentalities, obligations of Texas and its agencies, fully insured or collateralized certificates of deposit, fully collateralized direct repurchase agreements, government pools and money market funds consisting of any of these securities listed, and obligations of states, cities, and other political subdivisions with a rating of “A” or its equivalent. As of September 30, 2025, 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 fair value less an amount insured by the FDIC. Of the primary government and the component unit’s categorizable bank deposits, none were uninsured and uncollateralized as of September 30, 2025

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 fair 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, 2025, the City’s investments are held in Money Market Mutual Funds; Texas CLASS; LOGIC; and TexSTAR Participant Services. These investments are 18.0%, 52.1%, 26.8% and 3.1%, respectively, 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.

At June 30, 2025, the fiscal year end of the Retiree Health Insurance Trust fiduciary fund, the trust had assets held in cash and cash equivalents (2.7%), mutual funds - equity (49.6%), and mutual funds - fixed income (47.7%).

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

External Investment Pool – TexSTAR's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the fund or who do not have a business relationship with the fund and are qualified to advise. The investment objective and strategies of the pool is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The pool offers same day access to investment funds.

JPMorgan Investment Management (JPMIM) and Hilltop Securities, Inc. (HSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors. JPMIM serves as an investment advisor to TexSTAR, while HSAM provides administrative participant support and marketing services.

TexSTAR is not registered with the Securities and Exchange Commission (SEC) as an investment company but is an investment pool that has been organized in conformity with Chapters 791, Interlocal Cooperation Act, and 2256, Public Funds Investment Act, of the Texas Government Code.

LOGIC is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by Hilltop Securities, Inc. and JPMIM, and managed by JPMIM, who provides custody and investment management. LOGIC's investment objectives are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The portfolio will maintain a dollar weighted average maturity that does not exceed 60 days and seeks to maintain a net asset value of \$1.00 per share.

LOGIC may invest in securities including: obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; other obligations which are unconditionally guaranteed or insured by the U.S.; fully collateralized repurchase agreements with a defined termination date and unconditionally guaranteed or insured by the U.S. or its agencies and instrumentalities; SEC-registered money-market fund rated in the highest rating category by at least one nationally recognized statistical rating organization (NRSRO); and commercial paper as authorized under the Public Funds Investment Act (PFIA). The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium, or national or state emergency that affects the pools' liquidity.

The Cooperative Liquid Assets Securities System - Texas ("CLASS") is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Chapter 2256, Texas Government Code. CLASS is created under an Amended and Restated Trust Agreement, dated as of May 1, 2001 (the "Agreement") among certain Texas governmental entities investing in the pool (the "Participants"), Municipal Investors Services Corporation ("MBIA-MISC") as program administrator, and Wells Fargo as custodian. CLASS is not SEC-registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with MBIA-MISC to provide for the investment and management of the public funds of CLASS.

Separate financial statements for CLASS may be obtained by contacting MBIA Asset Management at 815-A Brazos Street, Suite 345, Austin, Texas 78701- 9996 or by calling (800) 707-6242. CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national or state emergency that affects the pool's liquidity.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments with TexSTAR, LOGIC, and Texas CLASS are carried at net asset value per share (or its equivalent), which are not classified in the fair value hierarchy. Fair value amounts approximate net asset value for the applicable external investment pool balances.

In accordance with GASB Statement No. 72, Fair Value Measurement and Application, investments are recorded at fair value.

In accordance with Statement No. 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Mutual funds are categorized as Level 1.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy limits the investment portfolio as follows:

| <u>Investment Type</u> | <u>Not to Exceed</u> |
|-----------------------------------|----------------------|
| Obligations of the United States | 100% |
| Obligations of the State of Texas | 100% |
| Certificates of Deposit | 100% |
| Investment Pools | 100% |
| Mutual Funds | 100% |

As a means of limiting its exposure to fair value losses arising from rising interest rates, the following guidelines reflect the Retiree Health Insurance OPEB Trust’s asset allocation goals:

| <u>Portfolio Segment</u> | <u>Range of Portfolio Assets</u> |
|--------------------------|----------------------------------|
| Equity | 40 -60% |
| Fixed income | 40 -60% |
| Cash | 0-20% |

In accordance with GASB Statement No. 72, Fair Value Measurement and Application, investments are recorded at fair value.

In accordance with Statement No. 72, the Retiree Health Insurance OPEB Trust categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Mutual funds are categorized as Level 1.

The City, including the proprietary funds and the component unit, do not have any debt security investments, other than in the Retiree Health Insurance OPEB Trust, which are exposed to interest rate risk.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City does not have any investments in foreign obligations.

CITY OF MANSFIELD, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

B. Receivables

Receivables for the City’s governmental funds as of September 30, 2025 consisted of the following:

| | Governmental Funds | | | | | Total |
|-----------------------------------|---------------------|-------------------|----------------------|-------------------|-------------------|----------------------|
| | General | Debt Service | MPFDC | TIRZ #2 | Non-major | |
| Receivables: | | | | | | |
| Property taxes | \$ 747,193 | \$ 389,523 | \$ - | \$ - | \$ 121,236 | \$ 1,257,952 |
| Sales taxes | 2,475,050 | - | - | - | - | 2,475,050 |
| Other taxes | - | - | - | - | 130,349 | 130,349 |
| Ambulance fees | 4,429,454 | - | - | - | - | 4,429,454 |
| Fines, fees and court costs | 365,870 | - | - | - | - | 365,870 |
| Developer agreements | 3,964,238 | - | - | 429,583 | - | 4,393,821 |
| Lease receivable | - | - | 203,930 | - | - | 203,930 |
| PPP receivable | - | - | 16,978,396 | - | - | 16,978,396 |
| Other receivables | 1,033,322 | - | 1,090,740 | - | 250,725 | 2,374,787 |
| Gross Receivables | 13,015,127 | 389,523 | 18,273,066 | 429,583 | 502,310 | 32,609,609 |
| Less: Allowance for Uncollectible | (3,834,290) | (265,885) | - | - | - | (4,100,175) |
| Net Total Receivables | \$ 9,180,837 | \$ 123,638 | \$ 18,273,066 | \$ 429,583 | \$ 502,310 | \$ 28,509,434 |

Receivables for the City’s enterprise funds as of September 30, 2025 consisted of the following:

| | Proprietary Funds | | |
|-----------------------------------|---------------------|-------------------|---------------------|
| | Water & Sewer | Drainage Utility | Total |
| Receivables: | | | |
| Accounts | \$ 8,590,681 | \$ 521,872 | \$ 9,112,553 |
| Other | 4,243 | - | 4,243 |
| Gross Receivables | 8,594,924 | 521,872 | 9,116,796 |
| Less: Allowance for Uncollectible | (2,187,605) | (148,169) | (2,335,774) |
| Net Total Receivables | \$ 6,407,319 | \$ 373,703 | \$ 6,781,022 |

Receivables for MEDC total in the amount of \$843,357 as of September 30, 2025.

CITY OF MANSFIELD, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

C. Capital Assets

Governmental activities' capital assets activity for the year ended September 30, 2025 is as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--------------------------------------------------------------|-----------------------|----------------------|---------------------|---------------------|-----------------------|
| Governmental Activities: | | | | | |
| Capital Assets, Not Being Depreciated/Amortized: | | | | | |
| Land | \$ 124,425,103 | \$ 4,870,480 | \$ - | \$ (3,355,923) | \$ 125,939,660 |
| Construction in progress | 94,786,905 | 88,673,575 | (43,738) | (33,222,166) | 150,194,576 |
| Total Capital Assets, Not Being Depreciated/Amortized | 219,212,008 | 93,544,055 | (43,738) | (36,578,089) | 276,134,236 |
| Capital Assets, Being Depreciated/Amortized: | | | | | |
| Buildings | 119,459,781 | 28,649 | (5,928) | 10,008,029 | 129,490,531 |
| Other improvements | 39,565,964 | - | - | 2,296,069 | 41,862,033 |
| Machinery and equipment | 44,794,663 | 5,563,278 | (6,596,451) | 403,539 | 44,165,029 |
| Infrastructure | 547,834,359 | 911,397 | - | 23,870,452 | 572,616,208 |
| Lease assets - equipment | 304,852 | - | (182,313) | - | 122,539 |
| Subscription assets | 5,531,940 | 41,379 | (1,132,887) | - | 4,440,432 |
| Total Capital Assets, Being Depreciated/Amortized | 757,491,559 | 6,544,703 | (7,917,579) | 36,578,089 | 792,696,772 |
| Less Accumulated Depreciation/Amortization for: | | | | | |
| Buildings | (26,786,725) | (2,362,237) | 5,928 | (4,711,982) | (33,855,016) |
| Other improvements | (28,821,472) | (1,518,521) | - | 11,458,063 | (18,881,930) |
| Machinery and equipment | (27,086,377) | (3,583,901) | 6,470,898 | (1,381,374) | (25,580,754) |
| Infrastructure | (279,665,764) | (16,748,698) | - | (5,364,707) | (301,779,169) |
| Lease assets - equipment | (193,024) | (40,847) | 121,544 | - | (112,327) |
| Subscription assets | (1,925,764) | (1,021,654) | 471,259 | - | (2,476,159) |
| Total Accumulated Depreciation/Amortization | (364,479,126) | (25,275,858) | 7,069,629 | - | (382,685,355) |
| Total Depreciable/Amortizable - Net | 393,012,433 | (18,731,155) | (847,950) | 36,578,089 | 410,011,417 |
| Governmental Activities - Net | \$ 612,224,441 | \$ 74,812,900 | \$ (891,688) | \$ - | \$ 686,145,653 |

Depreciation/amortization expense was charged to functions/programs of the governmental activities as follows:

| | |
|------------------------------------------------------------------------------|----------------------|
| Governmental Activities | |
| General Government | \$ 2,371,315 |
| Public Safety | 3,182,945 |
| Public Works | 16,849,410 |
| Culture and Recreation | 2,872,188 |
| Total Depreciation/Amortization Expense - Governmental Activities | \$ 25,275,858 |

Governmental activities had outstanding commitments at September 30, 2025, under authorized construction contracts of approximately \$90.9 million. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources. These outstanding commitments relate to the major funds.

CITY OF MANSFIELD, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--------------------------------------------------------------|-----------------------|----------------------|--------------------|---------------------|-----------------------|
| Business-type Activities: | | | | | |
| Capital Assets, Not Being Depreciated/Amortized: | | | | | |
| Land | \$ 14,298,767 | \$ 111,579 | \$ - | \$ - | \$ 14,410,346 |
| Construction in progress | 19,356,837 | 29,364,102 | - | (10,557,557) | 38,163,382 |
| Total Capital Assets, Not Being Depreciated/Amortized | 33,655,604 | 29,475,681 | - | (10,557,557) | 52,573,728 |
| Capital Assets, Being Depreciated/Amortized: | | | | | |
| Buildings and systems | 230,118,932 | 298,320 | - | 3,079,268 | 233,496,520 |
| Improvements other than buildings | 467,691 | - | (11,534) | (43,775) | 412,382 |
| Machinery and equipment | 7,068,296 | 1,411,503 | (899,919) | - | 7,579,880 |
| Infrastructure | 109,370,625 | 959,720 | - | 7,522,064 | 117,852,409 |
| Lease assets - equipment | 43,927 | - | (25,135) | - | 18,792 |
| Subscription assets | 785,187 | - | - | - | 785,187 |
| Total Capital Assets, Being Depreciated/Amortized | 347,854,658 | 2,669,543 | (936,588) | 10,557,557 | 360,145,170 |
| Less Accumulated Depreciation/Amortization for: | | | | | |
| Buildings and systems | (64,425,103) | (4,568,798) | - | - | (68,993,901) |
| Improvements other than buildings | (80,451) | (20,147) | 11,534 | - | (89,064) |
| Machinery and equipment | (4,262,823) | (709,868) | 877,605 | - | (4,095,086) |
| Infrastructure | (27,631,847) | (2,227,701) | - | - | (29,859,548) |
| Lease assets - equipment | (22,633) | - | 12,997 | - | (9,636) |
| Subscription assets | (168,466) | (157,039) | - | - | (325,505) |
| Total Accumulated Depreciation/Amortization | (96,591,323) | (7,683,553) | 902,136 | - | (103,372,740) |
| Total Depreciable/Amortizable - Net | 251,263,335 | (5,014,010) | (34,452) | 10,557,557 | 256,772,430 |
| Business-Type Activities - Net | \$ 284,918,939 | \$ 24,461,671 | \$ (34,452) | \$ - | \$ 309,346,158 |

Depreciation/amortization expense was charged to functions/programs of business-type activities as follows:

| | |
|--------------------------------------------------|---------------------|
| Business-Type Activities: | |
| Water and Sewer | \$ 7,429,669 |
| Drainage Utility Fund | 253,884 |
| Total Depreciation/Amortization Expense - | |
| Business-Type Activities | \$ 7,683,553 |

The Water & Sewer Fund had outstanding commitments at September 30, 2025, under authorized construction contracts of approximately \$22.7 million. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources.

The Drainage Fund had no outstanding commitments at September 30, 2025.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

Discretely Presented Component Unit

Activity for the MEDC for the year ended September 30, 2025 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------------------------------------------|------------------------------|----------------------|-----------------------|---------------------------|
| Mansfield Economic Development Corporation: | | | | |
| Capital Assets, Not Being Depreciated/Amortized: | | | | |
| Land | \$ 12,846,835 | \$ - | \$ (2,464,466) | \$ 10,382,369 |
| Construction in progress | 340,910 | 39,733,128 | - | 40,074,038 |
| Total Capital Assets, Not Being Depreciated/Amortized: | <u>13,187,745</u> | <u>39,733,128</u> | <u>(2,464,466)</u> | <u>50,456,407</u> |
| Capital Assets, Being Depreciated/Amortized: | | | | |
| Buildings | 605,288 | - | - | 605,288 |
| Other Improvements | 16,416,326 | - | (167,247) | 16,249,079 |
| Lease assets - equipment | 6,284 | - | (6,284) | - |
| Subscription assets | 30,305 | - | - | 30,305 |
| Total Capital Assets, Being Depreciated/Amortized: | <u>17,058,203</u> | <u>-</u> | <u>(173,531)</u> | <u>16,884,672</u> |
| Less Accumulated Depreciation/Amortization for: | | | | |
| Buildings | (38,210) | (12,109) | - | (50,319) |
| Other Improvements | (449,071) | (490,056) | 52,690 | (886,437) |
| Lease assets | (4,189) | (2,095) | 6,284 | - |
| Subscription assets | (10,102) | (10,102) | - | (20,204) |
| Total Accumulated Depreciation/Amortization | <u>(501,572)</u> | <u>(514,362)</u> | <u>58,974</u> | <u>(956,960)</u> |
| Total Depreciable/Amortizable - Net | <u>16,556,631</u> | <u>(514,362)</u> | <u>(114,557)</u> | <u>15,927,712</u> |
| Mansfield Economic Development Corporation - Net | <u>\$ 29,744,376</u> | <u>\$ 39,218,766</u> | <u>\$ (2,579,023)</u> | <u>\$ 66,384,119</u> |

The MEDC had outstanding commitments at September 30, 2025, under authorized construction contracts of approximately \$51.2 million. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources.

Net Investment in Capital Assets

As of September 30, 2025, the City’s governmental activities calculated net investment in capital assets as follows:

| Governmental Activities - Net Investment in Capital Assets: | |
|--------------------------------------------------------------------|-----------------------|
| Capital assets, net | \$ 686,145,653 |
| Bonds and leases/SBITAs payable | (394,175,306) |
| Unamortized premium/discount | (31,650,414) |
| Deferred amount on refunding | (1,608,004) |
| Related liabilities | (25,289,872) |
| Unspent proceeds | 198,141,239 |
| Net Investment in Capital Assets | <u>\$ 431,563,296</u> |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

As of September 30, 2025, the City’s business-type activities calculated net investment in capital assets as follows:

Business-Type Activities - Net Investment in Capital Assets:

| | <u>Water & Sewer</u> | <u>Drainage</u> | <u>Business-type Activities</u> |
|----------------------------------------------------------|--------------------------|---------------------|-------------------------------------|
| Capital assets, net | \$ 299,047,214 | \$ 10,298,944 | \$ 309,346,158 |
| Bonds, leases/SBITAs payable, and unamortized premium | (67,546,772) | (330,958) | (67,877,730) |
| Related liabilities | (7,474,271) | (34,748) | (7,509,019) |
| Deferred amount on refunding | 1,462,335 | - | 1,462,335 |
| Unspent proceeds | 52,952,735 | - | 52,952,735 |
| Net Investment in Capital Assets | <u>\$ 278,441,241</u> | <u>\$ 9,933,238</u> | <u>\$ 288,374,479</u> |

As of September 30, 2025, MEDC calculated net investment in capital assets as follows:

Component Unit - Net Investment in Capital Assets:

| | |
|----------------------------------------------------------|----------------------|
| Capital assets, net | \$ 66,384,119 |
| Bonds, leases/SBITAs payable, and unamortized premium | (96,174,919) |
| Unspent proceeds | 45,865,372 |
| Net investment in Capital Assets | <u>\$ 16,074,572</u> |

D. Due to/Due from

The composition of the due to/due from balances as of September 30, 2025 is as follows:

| <u>Fund</u> | <u>Due from</u> | <u>Due to</u> |
|----------------------------------------------------|----------------------|----------------------|
| General Fund | \$ - | \$ 18,606,081 |
| Building Construction | 1,773,788 | - |
| Mansfield Parks Facilities Development Corporation | 4,005,645 | - |
| TIRZ #2 | 8,185,622 | - |
| Nonmajor Governmental Funds | 4,641,026 | - |
| Total | <u>\$ 18,606,081</u> | <u>\$ 18,606,081</u> |

The General Fund purchased land for a park that will be repaid by Mansfield Parks Facility Development Corporation in future years. Interfund activity from the General Fund, Building Construction, TIRZ #2, and non-major funds is for the purpose of purchase, construction, and improvements of capital items and for start-up costs for new funds that do not have a sufficient revenue stream yet. Balances will be repaid when future revenues are available within the next fiscal year.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

E. Interfund Transfers

The composition of interfund transfers as of September 30, 2025 is as follows:

| Transfers In | Transfers Out | | | Total |
|-----------------------|----------------------|------------------------------|--------------------------|---------------------|
| | General Fund | Nonmajor Governmental | Water & Sewer | |
| General Fund | \$ - | \$ - | \$ - | \$ - |
| Building Construction | 117,826 | - | - | 117,826 |
| MPFDC | 721,823 | - | - | 721,823 |
| Nonmajor | 614,041 | 736,376 | 4,606,880 | 5,957,297 |
| Drainage | - | - | 74,618 | 74,618 |
| Total | \$ 1,453,690 | \$ 736,376 | \$ 4,681,498 | \$ 6,871,564 |

The various capital projects funds in nonmajor governmental funds received transfers from the Water & Sewer Funds for a reimbursements of capital outlay related to constructions projects during the year.

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

F. Long-Term Debt

1. 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 2045, 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 2025, the City issued \$139,615,000 in Combination Tax and Revenue Certificates of Obligation Bonds, Series 2025 in the amount \$139,615,000 plus premiums of \$15,769,265 and less issuance costs of \$1,276,967. Proceeds from the sale of the Certificates will be used for the purpose of (i) designing, developing, constructing, improving, repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor; (ii) designing, constructing, renovating, improving and equipping fire department facilities, including Fire Station No. 1 and a logistics and storage building; (iii) acquiring vehicles and equipment for fire, police, public works, code compliance and facilities management, including an ambulance and a quint fire truck; (iv) designing, constructing, renovating, improving, and equipping land and facilities for park, open space and recreation purposes, including the Mansfield Sports Park and Geyer Commons, and acquiring land therefor; (v) designing, constructing, and equipping a new city hall for housing governmental functions of the City; (vi) professional services incurred in connection with items (i) through (v); (vii) paying capitalized interest on the Certificates; and (viii) paying the costs incurred in connection with the issuance of the Certificates.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

1. Governmental Activities – General Obligation Bonds, Loans, and Certificates of Obligation (continued)

In 2025, the City issued \$12,960,000 in General Obligation Refunding and Improvement Bonds, Series 2025 for the purpose of refunding the Certificates of Obligation Series 2015, and General Obligation Refunding Series 2015. Proceeds of the Bonds are expected to be used for the purpose of (i) acquiring, designing, constructing, expanding, and equipping the Mansfield Linear Park Trail Network, including Walnut Creek Linear Park and Pond Branch Linear Park, and the acquisition of land therefor, (ii) refunding a portion of the City’s outstanding debt in order to lower the overall debt requirements of the City; and (iii) paying the costs incurred in connection with the issuance of the Bonds.

The debt service for the refunded bonds totaled \$14,975,000 and deposited \$11,527,773 in escrow to refund the bonds. The debt service of the refunded debt was \$20,946,500, while the new refunding debt service will be \$19,866,337. The net present value of the savings is \$1,080,163. The refunding resulted in an economic gain of \$1,102,341 which will be 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 total amount of deferred loss on refunding for the governmental bonds was \$210,261 at September 30, 2025.

The total amount of deferred gain on refunding for the governmental bonds was \$1,818,265 at September 30, 2025.

General obligation debt outstanding at September 30, 2025 comprises the following issues:

| Series | Interest Rates | Date Series Matures | Amount of Original Issue | Bonds Outstanding |
|-------------------|-----------------------|----------------------------|---------------------------------|------------------------------|
| 2016A CO | 1.25% to 3.90% | 2041 | \$ 2,960,000 | \$ 2,210,000 |
| 2017 CO | 3.00% to 5.00% | 2037 | 18,975,000 | 13,225,000 |
| 2018 CO | 3.00% to 4.00% | 2038 | 15,960,000 | 11,565,000 |
| 2019 CO | 3.00% to 4.00% | 2039 | 13,750,000 | 10,730,000 |
| 2020 CO | 2.00% to 4.00% | 2040 | 24,245,000 | 19,660,000 |
| 2020 GO Refunding | 2.00% to 4.00% | 2031 | 4,475,000 | 1,105,000 |
| 2021 CO | 1.50% to 4.00% | 2041 | 9,100,000 | 7,625,000 |
| 2022 CO | 4.00% to 5.00% | 2042 | 9,360,000 | 8,430,000 |
| 2022 GO Refunding | 4.13% to 5.00% | 2043 | 13,365,000 | 12,155,000 |
| 2022A CO | 4.50% to 5.00% | 2043 | 49,200,000 | 47,605,000 |
| 2023 CO | 4.00% to 5.00% | 2043 | 4,925,000 | 4,710,000 |
| 2024 GO Refunding | 5.00% | 2034 | 11,290,000 | 9,610,000 |
| 2024 CO | 5.00% | 2044 | 58,757,000 | 58,485,000 |
| 2025 GO Refunding | 4.00% to 5.00% | 2045 | 12,960,000 | 12,960,000 |
| 2025 CO | 4.00% to 5.25% | 2045 | 139,615,000 | 139,615,000 |
| Total | | | | <u><u>\$ 359,690,000</u></u> |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

1. Governmental Activities – General Obligation Bonds, Loans, and Certificates of Obligation (continued)

Debt requirements to maturity of \$526,586,492 for general obligation debt, including interest of \$166,896,492, are as follows:

| Fiscal Year | Governmental Activities - General Obligations & Certificates of Obligation | | |
|-------------|-------------------------------------------------------------------------------|-----------------------|-----------------------|
| | Principal | Interest | Total |
| 2026 | \$ 12,215,000 | \$ 16,242,724 | \$ 28,457,724 |
| 2027 | 15,920,000 | 15,590,634 | 31,510,634 |
| 2028 | 16,740,000 | 14,835,770 | 31,575,770 |
| 2029 | 17,605,000 | 14,040,748 | 31,645,748 |
| 2030 | 17,465,000 | 13,223,134 | 30,688,134 |
| 2031 - 2035 | 97,025,000 | 53,169,057 | 150,194,057 |
| 2036 - 2040 | 99,480,000 | 30,771,790 | 130,251,790 |
| 2041 - 2045 | 83,240,000 | 9,022,635 | 92,262,635 |
| | <u>\$ 359,690,000</u> | <u>\$ 166,896,492</u> | <u>\$ 526,586,492</u> |

2. Governmental Activities – 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.

As of September 30, 2025 there was no defeased debt outstanding related to the Sales Tax Revenue Bonds.

Special Sales Tax Revenue and Revenue Refunding Bonds outstanding at September 30, 2025 are as follows:

| Series | Interest Rates | Date Series Matures | Amount of Original Issue | Bonds Outstanding |
|--------------|----------------|------------------------|-----------------------------|----------------------|
| 2016 | 2.00% to 4.00% | 2035 | \$ 6,775,000 | \$ 2,475,000 |
| 2016 | 1.05% to 4.83% | 2040 | 14,930,000 | 10,440,000 |
| 2016A | 1.50% to 2.90% | 2041 | 8,295,000 | 6,225,000 |
| 2018 | 3.00% to 4.00% | 2043 | 2,325,000 | 3,100,000 |
| 2018 | 2.54% to 4.35% | 2043 | 3,785,000 | 1,710,000 |
| Total | | | | <u>\$ 23,950,000</u> |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

2. Governmental Activities – Special Sales Tax Revenue Bonds (continued)

Debt service requirements to maturity of \$32,822,688 for Special Sales Tax Revenue Bonds, including interest of \$8,872,688, are as follows:

| Fiscal Year | Governmental Activities - Sales Tax Revenue Bonds | | |
|-------------|---------------------------------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2026 | \$ 1,810,000 | \$ 1,005,849 | \$ 2,815,849 |
| 2027 | 1,550,000 | 941,449 | 2,491,449 |
| 2028 | 1,480,000 | 884,445 | 2,364,445 |
| 2029 | 1,285,000 | 827,728 | 2,112,728 |
| 2030 | 1,330,000 | 778,813 | 2,108,813 |
| 2031 - 2035 | 7,555,000 | 3,025,470 | 10,580,470 |
| 2036 - 2040 | 7,730,000 | 1,325,877 | 9,055,877 |
| 2041 - 2045 | 1,210,000 | 83,057 | 1,293,057 |
| | <u>\$ 23,950,000</u> | <u>\$ 8,872,688</u> | <u>\$ 32,822,688</u> |

The following is a summary of pledged revenues for the Mansfield Parks Facility Development Corporation for the year ended September 30, 2025:

| Revenue Pledged | Total Revenue Pledged | Current Year Debt Service Requirements | Percentage Portion of Pledged Revenue Stream | Remaining Principal and Interest | Period Revenue will not be Available for Other Purposes |
|-----------------------|-----------------------|----------------------------------------|----------------------------------------------|----------------------------------|---------------------------------------------------------|
| .5% Sales and Use Tax | \$ 10,844,325 | \$ 2,800,917 | 26% | \$ 32,822,688 | Until 2043 |

3. Governmental Activities – Special Assessment Revenue Bonds

In 2025, the City issued \$9,165,000 in Special Assessment Revenue Bonds, Series 2025. Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the actual costs of the Improvement Area #1 Improvements, (ii) funding the Bond Reserve Account of the Reserve Fund, (iii) paying capitalized interest on the Bonds, (iv) paying for a portion of the costs incidental to the organization and administration of the Staybolt Public Improvement District, and (v) paying costs of issuance of the Bonds.

The Bonds are special, limited obligations of the PID payable from Improvement Area #1 Assessments levied against assessable properties in the Improvement Area #1 of the PID.

Special assessment revenue bonds outstanding as of September 30, 2025 are as follows:

| Date Issued | Interest Rates | Date Series Matures | Amount of Original Issue | Bonds Outstanding |
|--------------|----------------|---------------------|--------------------------|---------------------|
| 2025 | 4.38% to 6.25% | 2055 | \$ 9,165,000 | \$ 9,165,000 |
| Total | | | | <u>\$ 9,165,000</u> |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

3. Governmental Activities – Special Assessment Revenue Bonds (continued)

Debt service requirements to maturity of \$20,291,767 for Special Assessment Revenue Bonds, including interest of \$11,126,767 are as follows:

| Fiscal Year | Governmental Activities - Special Assessment Bonds | | |
|-------------|----------------------------------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2026 | \$ - | \$ 535,673 | \$ 535,673 |
| 2027 | 134,000 | 547,848 | 681,848 |
| 2028 | 140,000 | 541,985 | 681,985 |
| 2029 | 146,000 | 535,860 | 681,860 |
| 2030 | 152,000 | 529,473 | 681,473 |
| 2031 - 2035 | 873,000 | 2,533,013 | 3,406,013 |
| 2036 - 2040 | 1,159,000 | 2,247,680 | 3,406,680 |
| 2041 - 2045 | 1,558,000 | 1,854,920 | 3,412,920 |
| 2046 - 2050 | 2,112,000 | 1,316,001 | 3,428,001 |
| 2051 - 2055 | 2,891,000 | 484,314 | 3,375,314 |
| | <u>\$ 9,165,000</u> | <u>\$ 11,126,767</u> | <u>\$ 20,291,767</u> |

4. Governmental Activities – Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2025 was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|--------------------------------------|-----------------------|-----------------------|------------------------|-----------------------|----------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 234,190,000 | \$ 152,575,000 | \$ (27,075,000) | \$ 359,690,000 | \$ 12,215,000 |
| Sales tax revenue bonds | 25,685,000 | - | (1,735,000) | 23,950,000 | 1,810,000 |
| Special assessment bonds | - | 9,165,000 | - | 9,165,000 | - |
| Deferred Amounts: | | | | | |
| Premiums | 18,602,767 | 16,924,394 | (3,702,699) | 31,824,462 | - |
| Discounts | (334,202) | (52,548) | 212,702 | (174,048) | - |
| Total bond payable | 278,143,565 | 178,611,846 | (32,299,997) | 424,455,414 | 14,025,000 |
| Compensated absences | 14,061,242 | 5,235,181 | (5,872,057) | 13,424,366 | 5,538,441 |
| Lease payable | 123,827 | - | (92,801) | 31,026 | 31,026 |
| Subscription payable | 2,426,799 | 41,379 | (1,128,898) | 1,339,280 | 808,423 |
| Total other payable | 16,611,868 | 5,276,560 | (7,093,756) | 14,794,672 | 6,377,890 |
| Net Pension Liability | 34,506,593 | - | (4,823,006) | 29,683,587 | - |
| Net OPEB Liability | 16,046,527 | - | (466,284) | 15,580,243 | - |
| Total OPEB Liability - SDBF | 1,186,085 | - | (24,211) | 1,161,874 | - |
| Total Pension & OPEB Liabilities | 51,739,205 | - | (5,313,501) | 46,425,704 | - |
| Total Governmental Activities | <u>\$ 346,494,638</u> | <u>\$ 183,888,406</u> | <u>\$ (44,707,254)</u> | <u>\$ 485,675,790</u> | <u>\$ 20,402,890</u> |

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

CITY OF MANSFIELD, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

5. Business-Type Activities – Waterworks and Sewer System Refunding and Revenue Bonds

The Water & Sewer fund revenue bonds are payable from the gross revenues of the Water & 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 2044, and interest is payable semiannually. The total amount of deferred loss on refunding for the Water & Sewer revenue bonds was \$1,462,335 at September 30, 2025.

Water & Sewer fund debt outstanding at September 30, 2025 comprises of the following issues:

| <u>Date Issued</u> | <u>Interest Rates</u> | <u>Date Series Matures</u> | <u>Amount of Original Issue</u> | <u>Bonds Outstanding</u> |
|--------------------|-----------------------|----------------------------|---------------------------------|--------------------------|
| 2015 | 2.00% to 5.00% | 2027 | \$ 9,540,000 | \$ 755,000 |
| 2016 | 2.00% to 5.00% | 2035 | 24,510,000 | 10,890,000 |
| 2021 | 2.00% to 3.00% | 2030 | 7,425,000 | 3,420,000 |
| 2024 | 5.00% | 2044 | 44,955,000 | 44,755,000 |
| Total | | | | <u>\$ 59,820,000</u> |

Debt service requirements to maturity of \$87,579,080 for Water & Sewer fund, including interest of \$27,759,080, are as follows:

| <u>Fiscal Year</u> | <u>Business-Type Activities - Water & Sewer</u> | | |
|--------------------|-----------------------------------------------------|----------------------|---------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total Requirements</u> |
| 2026 | \$ 4,440,000 | \$ 2,883,115 | \$ 7,323,115 |
| 2027 | 4,640,000 | 2,677,865 | 7,317,865 |
| 2028 | 4,455,000 | 2,463,000 | 6,918,000 |
| 2029 | 4,655,000 | 2,253,850 | 6,908,850 |
| 2030 | 2,875,000 | 2,035,100 | 4,910,100 |
| 2031 - 2035 | 12,435,000 | 8,439,900 | 20,874,900 |
| 2036 - 2040 | 13,190,000 | 5,325,000 | 18,515,000 |
| 2041 - 2045 | 13,130,000 | 1,681,250 | 14,811,250 |
| | <u>\$ 59,820,000</u> | <u>\$ 27,759,080</u> | <u>\$ 87,579,080</u> |

6. Business-type Activities – Drainage Revenue Bonds

The Drainage Fund revenue bonds are payable from the gross revenues of the Drainage 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.

Drainage Fund debt outstanding at September 30, 2025 comprises of the following issues:

| <u>Date Issued</u> | <u>Interest Rates</u> | <u>Date Series Matures</u> | <u>Amount of Original Issue</u> | <u>Bonds Outstanding</u> |
|--------------------|-----------------------|----------------------------|---------------------------------|--------------------------|
| 2007 | 4.00% to 4.30% | 2027 | \$ 2,200,000 | \$ 305,000 |
| Total | | | | <u>\$ 305,000</u> |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

6. Business-type Activities – Drainage Revenue Bonds (continued)

Debt service requirements to maturity of \$324,780 for Drainage debt, including interest of \$19,780, are as follows:

| Fiscal Year | Business-Type Activities - Drainage | | |
|--------------|-------------------------------------|------------------|--------------------|
| | Principal | Interest | Total Requirements |
| 2026 | \$ 150,000 | \$ 13,115 | \$ 163,115 |
| 2027 | 155,000 | 6,665 | 161,665 |
| Total | \$ 305,000 | \$ 19,780 | \$ 324,780 |

7. Changes in business-type activity long-term liabilities

A summary of business-type activity for the year ended September 30, 2025, is as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|---------------------------------------|----------------------|-------------------|-----------------------|----------------------|---------------------|
| Business-type Activities: | | | | | |
| Bonds payable: | | | | | |
| Water/Sewer Revenue Bonds | \$ 62,875,000 | \$ - | \$ (3,055,000) | \$ 59,820,000 | \$ 4,440,000 |
| Drainage Utility Revenue Bonds | 450,000 | - | (145,000) | 305,000 | 150,000 |
| Deferred Amounts: | | | | | |
| Premiums | 8,107,400 | - | (610,269) | 7,497,131 | - |
| Discounts | (93,340) | - | 1,081 | (92,259) | - |
| Total bond payable | 71,339,060 | - | (3,809,188) | 67,529,872 | 4,590,000 |
| Compensated absences | 1,375,833 | 775,278 | (864,987) | 1,286,124 | 536,439 |
| Lease payable | 21,949 | - | (12,325) | 9,624 | 3,784 |
| Subscription payable | 455,595 | - | (117,361) | 338,234 | 126,162 |
| Total other payable | 1,853,377 | 775,278 | (994,673) | 1,633,982 | 666,385 |
| Net Pension Liability | 4,082,516 | - | (549,657) | 3,532,859 | - |
| Net OPEB Liability | 2,360,385 | - | (506,067) | 1,854,318 | - |
| Total OPEB Liability - SDBF | 140,281 | - | (1,998) | 138,283 | - |
| Total Pension & OPEB Liabilities | 6,583,182 | - | (1,057,722) | 5,525,460 | - |
| Total Business-type Activities | \$ 79,775,619 | \$ 775,278 | \$ (5,861,583) | \$ 74,689,314 | \$ 5,256,385 |

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 or operating transfers from the general fund.

8. Mansfield Economic Development Corporation – Sales Tax Revenue Bonds

In 2025, MEDC issued \$56,485,000 in Sales Tax Revenue Bonds, Tax-Exempt New Series 2025. Proceeds from the sale of the Tax-Exempt Bonds will be used for the purpose of (i) designing, developing and constructing a professional multi-sport stadium and related infrastructure; (ii) acquiring a Reserve Fund Surety Bond for deposit in the New Series 2025 Tax-Exempt Bonds Reserve Fund; (iii) paying capitalized interest on the Tax-Exempt Bonds; and (iv) paying the costs of issuing the Tax-Exempt Bonds.

CITY OF MANSFIELD, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

8. Mansfield Economic Development Corporation – Sales Tax Revenue Bonds (continued)

In 2025, MEDC issued \$22,610,000 in Sales Tax Revenue Bonds, Taxable New Series 2025. Proceeds from the sale of the Taxable Bonds will be used for the purpose of (i) designing, developing and constructing a professional multi-sport stadium and related infrastructure;(ii) acquiring a Reserve Fund Surety Bond for deposit in the New Series 2025 Taxable Bonds Reserve Fund; (iii) paying capitalized interest on the Taxable Bonds; and (iv) paying the costs of issuing the Taxable Bonds.

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

MEDC debt outstanding at September 30, 2025 comprises of the following issues:

| Series | Interest Rates | Date Series | Amount of | Bonds |
|--------------|----------------|-------------|----------------|----------------------|
| | | Matures | Original Issue | Outstanding |
| 2012 | 2.00% to 4.00% | 2032 | \$ 3,090,000 | \$ 1,295,000 |
| 2016 | 2.00% to 4.00% | 2036 | 14,125,000 | 8,955,000 |
| 2018 | 2.52% to 4.29% | 2038 | 6,200,000 | 4,580,000 |
| 2025 | 4.00% to 5.00% | 2054 | 56,485,000 | 56,485,000 |
| 2025 | 4.53% to 5.47% | 2054 | 22,610,000 | 22,610,000 |
| Total | | | | \$ 93,925,000 |

Debt service requirements to maturity of \$171,340,625 for MEDC debt, including interest of \$77,515,625, are as follows:

| Fiscal Year | MEDC Activities - Revenue Bonds | | |
|-------------|---------------------------------|----------------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2026 | \$ 1,110,000 | \$ 4,247,637 | \$ 5,357,637 |
| 2027 | 1,540,000 | 4,205,470 | 5,745,470 |
| 2028 | 1,795,000 | 4,143,675 | 5,938,675 |
| 2029 | 1,870,000 | 4,069,186 | 5,939,186 |
| 2030 | 1,950,000 | 3,990,248 | 5,940,248 |
| 2031 - 2035 | 11,060,000 | 18,627,484 | 29,687,484 |
| 2036 - 2040 | 13,700,000 | 15,992,509 | 29,692,509 |
| 2041 - 2045 | 17,475,000 | 12,212,443 | 29,687,443 |
| 2046 - 2050 | 22,055,000 | 7,636,515 | 29,691,515 |
| 2051 - 2055 | 21,370,000 | 2,390,458 | 23,760,458 |
| | \$ 93,925,000 | \$ 77,515,625 | \$ 171,340,625 |

The following is a summary of pledged revenues for the Mansfield Economic Development Corporation for the year ended September 30, 2025:

| Revenue Pledged | Total Revenue Pledged | Current Year Debt Service Requirements | Percentage Portion of Pledged Revenue Stream | Remaining Principal and Interest | Period Revenue will not be Available for Other Purposes |
|-----------------------|-----------------------|----------------------------------------|----------------------------------------------|----------------------------------|---------------------------------------------------------|
| .5% Sales and Use Tax | \$ 10,860,615 | \$ 1,676,730 | 15% | \$ 147,680,167 | Until 2054 |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

F. Long-Term Debt (continued)

9. Changes in MEDC Long-Term Liabilities

A summary of MEDC long-term liabilities activity for the year ended September 30, 2025, is as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|----------------------|-----------------------|----------------------|------------------------|
| MEDC Revenue Bonds | \$ 15,900,000 | \$ 79,095,000 | \$ (1,070,000) | \$ 93,925,000 | \$ 1,110,000 |
| Deferred Amounts: | | | | | |
| Premiums | 776,818 | 1,621,463 | (59,645) | 2,338,636 | - |
| Discounts | (102,191) | - | 3,821 | (98,370) | - |
| Total Bond Payable | 16,574,627 | 80,716,463 | (1,125,824) | 96,165,266 | 1,110,000 |
| Compensated absences | 82,020 | 81,641 | (24,472) | 139,189 | 24,472 |
| Lease payable | 2,157 | - | (2,157) | - | - |
| Subscription payable | 18,972 | - | (9,319) | 9,653 | 9,653 |
| Total other payable | 103,149 | 81,641 | (35,948) | 148,842 | 34,125 |
| Net Pension Liability | 429,906 | - | (49,146) | 380,760 | - |
| Net OPEB Liability | 193,444 | 6,408 | - | 199,852 | - |
| Total OPEB Liability - SDBF | 14,752 | 152 | - | 14,904 | - |
| Total Pension & OPEB Liabilities | 638,102 | 6,560 | (49,146) | 595,516 | - |
| Noncurrent Liabilities | \$ 17,315,878 | \$ 80,804,664 | \$ (1,210,918) | \$ 96,909,624 | \$ 1,144,125 |

G. Restricted Assets

The restricted assets of the Business-type Activities as of September 30, 2025 included the following legal use restrictions.

| Enterprise Fund | Revenue Sinking and Reserve Fund | Bond Construction Fund | Total |
|-----------------|----------------------------------------|------------------------------|----------------------|
| Water & Sewer | \$ 4,933,099 | \$ 52,952,735 | \$ 57,885,834 |
| Drainage | 1,448 | - | 1,448 |
| Total | \$ 4,934,547 | \$ 52,952,735 | \$ 57,887,282 |

The ordinance authorizing the issuance of Water & 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, 2025, 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 & 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 & Sewer System. The unspent proceeds are maintained as restricted assets until such time as needed to fund the Water & 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.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

H. Leases, Subscription-Based Information Technology Arrangements (SBITA), and Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)

1. Leases - City as Lessee

For fiscal year 2025, the City had three active leases. The leases have payments that range from \$3,974 to \$31,850 and interest rates that range from 0.3160% to 3.2380%. As of September 30, 2025, the total combined value of the lease liability is \$40,650, the total combined value of the short-term lease liability is \$34,810. As of September 30, 2025, the combined value of the right to use lease asset was \$141,331 with accumulated amortization of \$121,963. The leases do not have any variable or other payments not included in the lease liability.

| Governmental Activities: | | | | |
|------------------------------------|--------------------|--------------------|--------------------|---------------------|
| Right-to-use lease assets | Oct 1, 2024 | Additions | Reductions | Sep 30, 2025 |
| Equipment | \$ 304,852 | \$ - | \$ (182,313) | \$ 122,539 |
| Less accumulated amortization for: | | | | |
| Equipment | (193,024) | (40,847) | 121,544 | (112,327) |
| Governmental Leases, Net | \$ 111,828 | \$ (40,847) | \$ (60,769) | \$ 10,212 |

| Business-Type Activities: | | | | |
|------------------------------------|--------------------|------------------|--------------------|---------------------|
| Right-to-use lease assets | Oct 1, 2024 | Additions | Reductions | Sep 30, 2025 |
| Equipment | \$ 43,927 | \$ - | \$ (25,135) | \$ 18,792 |
| Less accumulated amortization for: | | | | |
| Equipment | (22,633) | - | 12,997 | (9,636) |
| Business-Type Leases, Net | \$ 21,294 | \$ - | \$ (12,138) | \$ 9,156 |

| Component Unit Activities: | | | | |
|------------------------------------|--------------------|-------------------|-------------------|---------------------|
| Right-to-use lease assets | Oct 1, 2024 | Additions | Reductions | Sep 30, 2025 |
| Equipment | \$ 6,284 | \$ - | \$ (6,284) | \$ - |
| Less accumulated amortization for: | | | | |
| Equipment | (4,189) | (2,095) | 6,284 | - |
| Component Unit Leases, Net | \$ 2,095 | \$ (2,095) | \$ - | \$ - |

Principal and Interest Requirements to Maturity:

| Fiscal Year | Governmental Activities - Leases | | |
|--------------------|-----------------------------------------|-----------------|----------------------|
| | Principal | Interest | Total Payment |
| 2026 | \$ 31,026 | \$ 824 | \$ 31,850 |
| Total | \$ 31,026 | \$ 824 | \$ 31,850 |

| Fiscal Year | Business-Type Activities - Leases | | |
|--------------------|------------------------------------------|-----------------|----------------------|
| | Principal | Interest | Total Payment |
| 2026 | \$ 3,784 | \$ 190 | \$ 3,974 |
| 2027 | 3,872 | 102 | 3,974 |
| 2028 | 1,968 | 17 | 1,985 |
| | \$ 9,624 | \$ 309 | \$ 9,933 |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

H. Leases, Subscription-Based Information Technology Arrangements (SBITA), and Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) (continued)

2. Leases - City as Lessor

For fiscal year 2025, the City had three active leases. The leases have receipts that range from \$9,000 to \$500,000 and interest rates that range from 0.5290% to 4.3170%. As of September 30, 2025, the combined value of the lease receivable is \$203,930, the total combined short-term receivable is \$40,396, and the combined value of the deferred inflow of resources is \$185,411. The leases do not have any variable or other receipts not included in the lease receivable. The City recognized \$71,405 in lease revenue in charges for services and other services during the fiscal year.

| Governmental Activities | October 1, 2024 | Additions | Reductions | September 30, 2025 |
|--------------------------------|----------------------------|------------------|--------------------|-------------------------------|
| Lease Receivable | | | | |
| Land | \$ 84,317 | \$ - | \$ (45,782) | \$ 38,535 |
| Infrastructure | 167,178 | - | (1,783) | 165,395 |
| Total | \$ 251,495 | \$ - | \$ (47,565) | \$ 203,930 |

| Business-Type Activities | October 1, 2024 | Additions | Reductions | September 30, 2025 |
|---------------------------------|----------------------------|------------------|--------------------|-------------------------------|
| Lease Receivable | | | | |
| Infrastructure | \$ 22,098 | \$ - | \$ (22,098) | \$ - |
| Total | \$ 22,098 | \$ - | \$ (22,098) | \$ - |

| Governmental Activities | October 1, 2024 | Additions | Reductions | September 30, 2025 |
|-------------------------------------|----------------------------|------------------|--------------------|-------------------------------|
| Deferred Inflow of Resources | | | | |
| Land | \$ 82,301 | \$ - | \$ (44,891) | \$ 37,410 |
| Infrastructure | 153,114 | - | (5,464) | 147,650 |
| Total | \$ 235,415 | \$ - | \$ (50,355) | \$ 185,060 |

| Business-Type Activities | October 1, 2024 | Additions | Reductions | September 30, 2025 |
|-------------------------------------|----------------------------|------------------|--------------------|-------------------------------|
| Deferred Inflow of Resources | | | | |
| Infrastructure | \$ 24,582 | \$ - | \$ (21,070) | \$ 3,512 |
| Total | \$ 24,582 | \$ - | \$ (21,070) | \$ 3,512 |

Principal and Interest Requirements to Maturity:

| Fiscal Year | Governmental Activities | | |
|--------------------|--------------------------------|-------------------|-------------------|
| | Principal | Interest | Total |
| 2026 | \$ 40,396 | \$ 7,333 | \$ 47,729 |
| 2027 | 1,940 | 7,060 | 9,000 |
| 2028 | 2,024 | 6,976 | 9,000 |
| 2029 | 2,111 | 6,889 | 9,000 |
| 2030 | 2,202 | 6,798 | 9,000 |
| 2031 - 2035 | 14,363 | 32,437 | 46,800 |
| 2036 - 2040 | 22,831 | 28,649 | 51,480 |
| 2041 - 2045 | 33,801 | 22,827 | 56,628 |
| 2046 - 2050 | 47,913 | 14,378 | 62,291 |
| 2051 - 2055 | 36,349 | 3,182 | 39,531 |
| Total | \$ 203,930 | \$ 136,529 | \$ 340,459 |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

H. Leases, Subscription-Based Information Technology Arrangements (SBITA), and Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) (continued)

3. Public-Private and Public-Public Partnerships and Availability Payment Arrangements:

The City has made four public-private partnership arrangements to transfer the right to operate or use city owned land for the Hawaiian Falls Waterpark, Fieldhouse, StarCenter, and Mansfield National Golf. The City retains ownership of the underlying PPP assets. The terms and conditions of these agreements varies, some are fixed, periodic payments over the arrangement term, which ranges between 17-30 years. Some PPP agreements have additional variable payments based on a percentage of their gross revenue, the percentage varies from 5% to 15%. For fiscal year 2025, the City collected no variable payments not previously recorded as a receivable and recognized \$797,010 in PPP revenue under the charges for services line. The City collected \$712,522 related to interest payments recorded in the interest earnings line. For additional information, refer to the disclosures below.

| <u>Governmental Activities</u> | <u>Discount rates</u> | <u>October 1, 2024</u> | <u>Additions</u> | <u>Reductions</u> | <u>September 30, 2025</u> |
|--------------------------------|-----------------------|----------------------------|------------------|---------------------|-------------------------------|
| PPP Receivable | | | | | |
| Land | 4.116% - 4.297% | \$ 17,296,174 | \$ - | \$ (317,778) | \$ 16,978,396 |
| Total | | <u>\$ 17,296,174</u> | <u>\$ -</u> | <u>\$ (317,778)</u> | <u>\$ 16,978,396</u> |

| <u>Governmental Activities</u> | <u>Discount rates</u> | <u>October 1, 2024</u> | <u>Additions</u> | <u>Reductions</u> | <u>September 30, 2025</u> |
|--------------------------------------|-----------------------|----------------------------|------------------|---------------------|-------------------------------|
| Deferred Inflows of Resources | | | | | |
| Land | 4.116% - 4.297% | \$ 17,667,395 | \$ - | \$ (797,010) | \$ 16,870,385 |
| Total | | <u>\$ 17,667,395</u> | <u>\$ -</u> | <u>\$ (797,010)</u> | <u>\$ 16,870,385</u> |

Principal and Interest requirements to maturity are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|---------------------|----------------------|
| 2026 | \$ 480,390 | \$ 711,193 | \$ 1,191,583 |
| 2027 | 500,798 | 690,785 | 1,191,583 |
| 2028 | 522,074 | 669,509 | 1,191,583 |
| 2029 | 544,254 | 647,329 | 1,191,583 |
| 2030 | 567,377 | 624,206 | 1,191,583 |
| 2031 - 2035 | 3,283,800 | 2,723,950 | 6,007,750 |
| 2036 - 2040 | 4,278,828 | 1,954,505 | 6,233,333 |
| 2041 - 2045 | 4,196,216 | 974,618 | 5,170,834 |
| 2046 - 2050 | 2,590,127 | 209,873 | 2,800,000 |
| 2051 | 14,532 | 52 | 14,584 |
| Total | <u>\$ 16,978,396</u> | <u>\$ 9,206,020</u> | <u>\$ 26,184,416</u> |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

H. Leases, Subscription-Based Information Technology Arrangements (SBITA), and Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) (continued)

4. Subscription-Based Information Technology Arrangements (SBITA)

The City has obtained software through long-term subscription arrangements consisting of financial, HR, cloud workspace, water meter/billing, CAD/Mapping, police assistance, and library software. The terms and conditions for these arrangements varies, some are fixed, periodic payments over the arrangement term, which ranges between 1-5 years. For additional information, refer to the disclosures below.

| Governmental Activities | | | | |
|-----------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Right-to-Use Subscription Assets | Oct 1, 2024 | Additions | Reductions | Sep 30, 2025 |
| Software | \$ 5,531,940 | \$ 41,379 | \$ (1,132,887) | \$ 4,440,432 |
| Less accumulated amortization | (1,925,764) | (1,021,654) | 471,259 | (2,476,159) |
| Total | <u>\$ 3,606,176</u> | <u>\$ (980,275)</u> | <u>\$ (661,628)</u> | <u>\$ 1,964,273</u> |

| Business-Type Activities | | | | |
|-----------------------------------------|--------------------|---------------------|-------------------|---------------------|
| Right-to-Use Subscription Assets | Oct 1, 2024 | Additions | Reductions | Sep 30, 2025 |
| Software | \$ 785,187 | \$ - | \$ - | \$ 785,187 |
| Less accumulated amortization | (168,466) | (157,039) | - | (325,505) |
| Total | <u>\$ 616,721</u> | <u>\$ (157,039)</u> | <u>\$ -</u> | <u>\$ 459,682</u> |

| MEDC Activities | | | | |
|-----------------------------------------|--------------------|--------------------|-------------------|---------------------|
| Right-to-Use Subscription Assets | Oct 1, 2024 | Additions | Reductions | Sep 30, 2025 |
| Software | \$ 30,305 | \$ - | \$ - | \$ 30,305 |
| Less accumulated amortization | (10,102) | (10,102) | - | (20,204) |
| Total | <u>\$ 20,203</u> | <u>\$ (10,102)</u> | <u>\$ -</u> | <u>\$ 10,101</u> |

| Fiscal Year | Governmental Activities - SBITAs | | |
|--------------------|-----------------------------------------|------------------|----------------------|
| | Principal | Interest | Total Payment |
| 2026 | \$ 808,423 | \$ 39,078 | \$ 847,501 |
| 2027 | 356,076 | 13,841 | 369,917 |
| 2028 | 150,036 | 5,004 | 155,040 |
| 2029 | 21,195 | 589 | 21,784 |
| 2030 | 3,550 | 85 | 3,635 |
| Total | <u>\$ 1,339,280</u> | <u>\$ 58,597</u> | <u>\$ 1,397,877</u> |

| Fiscal Year | Business-type Activities - SBITAs | | |
|--------------------|------------------------------------------|------------------|----------------------|
| | Principal | Interest | Total Payment |
| 2026 | \$ 126,162 | \$ 10,229 | \$ 136,391 |
| 2027 | 135,413 | 6,577 | 141,990 |
| 2028 | 76,659 | 2,645 | 79,304 |
| Total | <u>\$ 338,234</u> | <u>\$ 19,451</u> | <u>\$ 357,685</u> |

| Fiscal Year | MEDC Activities - SBITAs | | |
|--------------------|---------------------------------|-----------------|----------------------|
| | Principal | Interest | Total Payment |
| 2026 | \$ 9,653 | \$ 347 | \$ 10,000 |
| Total | <u>\$ 9,653</u> | <u>\$ 347</u> | <u>\$ 10,000</u> |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

I. Pension Retirement Plan

Texas Municipal Retirement System

Plan Description and Provisions

The City, including the Mansfield Economic Development Corporation (MEDC), a discretely presented component unit, 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 the 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 annual comprehensive financial report that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit 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 actuarially equivalent 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. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions. A summary of plan provisions for the City are as follows:

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

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|------------------------------------------------------------------|---------------------|
| Inactive employees or beneficiaries currently receiving benefits | 326 |
| Inactive employees entitled to but not yet receiving benefits | 256 |
| Active employees | <u>525</u> |
| Total | <u><u>1,107</u></u> |

CITY OF MANSFIELD, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

I. Pension Retirement Plan (continued)

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, 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 consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.0% of their annual compensation during the fiscal year. The contribution rates for the City were 17.69% and 18.29% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended of September 30, 2025 were \$9,749,916 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period: | 21 years (longest amortization ladder) |
| Asset Valuation Method | 10 Year Smoothed Market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.60% to 11.85% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. |
| Mortality | <u>Post-retirement:</u> 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). <u>Pre-retirement:</u> PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |
| Other Information: | Adopted 70% non-retroactive repeating COLA. |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

I. Pension Retirement Plan (continued)

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 real rates of return for each major asset class are summarized in the following table.

| Asset Class | Strategic Target Allocation Index | Long-term Expected Real Rate of Return (Arithmetic) |
|-----------------------|--------------------------------------|-----------------------------------------------------------|
| Global private equity | 35.0% | 7.1% |
| Core fixed income | 6.0% | 5.0% |
| Non-core fixed income | 6.0% | 6.8% |
| Hedge funds | 5.0% | 6.4% |
| Private equity | 13.0% | 8.5% |
| Private debt | 13.0% | 8.2% |
| Real estate | 12.0% | 6.7% |
| Infrastructure | 6.0% | 6.0% |
| Other private markets | 4.0% | 7.3% |
| Total | 100.0% | |

Discount Rate

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

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a)-(b) |
|----------------------------------------------------------------|--------------------------------|------------------------------------|---------------------------------------------|
| Balance at December 31, 2023 | \$ 257,028,621 | \$ 218,009,606 | \$ 39,019,015 |
| Changes for the year: | | | |
| Service cost | 9,589,648 | - | 9,589,648 |
| Interest | 17,295,603 | - | 17,295,603 |
| Change in benefit terms | - | - | - |
| Difference between expected and actual experience | 2,581,811 | - | 2,581,811 |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 8,849,289 | (8,849,289) |
| Contributions - employee | - | 3,501,697 | (3,501,697) |
| Net investment income | - | 22,686,560 | (22,686,560) |
| Benefits payments, including refunds of employee contributions | (11,184,577) | (11,184,577) | - |
| Administrative expense | - | (145,277) | 145,277 |
| Other changes | - | (3,398) | 3,398 |
| Net changes | 18,282,485 | 23,704,294 | (5,421,809) |
| Balance at December 31, 2024 | \$ 275,311,106 | \$ 241,713,900 | \$ 33,597,206 |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

I. Pension Retirement Plan (continued)

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

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

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|--------------------------------------------|-----------------------------------------------------|----------------------------------|-----------------------------------------------------|
| City's Net Pension Liability/(Asset) | \$ 75,201,600 | \$ 33,597,206 | \$ (325,749) |
| Pension Plan Fiduciary Net Position | | | |

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmr.com.

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

For the year ended September 30, 2025, the City recognized expense of \$11,407,309.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences in expected and actual experience | \$ 8,029,131 | \$ (99,531) |
| Change in assumptions | 649 | (317,695) |
| Difference in projected and actual earnings on pension plan investments | - | (2,649,524) |
| Contributions subsequent to measurement date | 7,547,338 | - |
| | <u>\$ 15,577,118</u> | <u>\$ (3,066,750)</u> |

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 in the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year | Net Deferred Outflows/(Inflows) of Resources |
|--------------------|-------------------------------------------------------------|
| 2026 | \$ 2,679,380 |
| 2027 | 4,906,198 |
| 2028 | (1,858,070) |
| 2029 | (805,134) |
| 2030 | 40,656 |
| | <u>\$ 4,963,030</u> |

CITY OF MANSFIELD, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

J. Other Post- Employment Benefits (OPEB)

The City offers two other postemployment benefit (OPEB) plans; the Retiree Health Care Plan and the TMRS-Supplemental Death Benefits Fund as discussed below.

1. TMRS Supplemental Death Benefits

Benefit Plan Description

The City participates in the single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No 75.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (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 OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (*i.e.* no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2024 was as follows:

| | |
|---------------------------------------------------------------|-------------------|
| Inactive employees currently receiving benefits | 255 |
| Inactive employees entitled to but not yet receiving benefits | 65 |
| Active employees | <u>525</u> |
| Total | <u><u>845</u></u> |

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. For fiscal year 2025, the City's total contribution rate was 0.23% for the months in 2024 and 0.19% for the months in 2025. The City's retiree portion of the contribution rate was 0.07% for the months in 2024 and 0.07% for the months in 2025. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan 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. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.08% based on the Bond Buyer "20-Bond GO Index" rate is used as of the measurement date of December 31, 2024.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

J. Other Post- Employment Benefits (OPEB) (continued)

1. TMRS Supplemental Death Benefits (continued)

Actuarial Assumptions

The City's total OPEB liability was measured at December 31, 2024, and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

| | |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.6% to 11.85% per year, including inflation |
| Discount rate* | 4.08% |
| Retirees' share of benefit-related costs | \$0 |
| Administrative Expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. |
| Mortality rates – service retirees | 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |
| Mortality rates- disabled retirees | 2019 Municipal Retirees of Texas Mortality Table with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. |

* The discount rate was based on the Bond Buyer "20-Bond GO Index" rate as of December 31, 2024

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the Total OPEB Liability - SDBF

| | Total OPEB Liability |
|----------------------------------------------------------------|---------------------------------|
| Balance at December 31, 2023 | \$ 1,341,118 |
| Service cost | 50,024 |
| Interest | 50,843 |
| Difference between expected and actual experience | (15,793) |
| Changes in assumptions or other inputs | (76,114) |
| Benefits payments, including refunds of employee contributions | (35,017) |
| Net changes | (26,057) |
| Balance at December 31, 2024 | \$ 1,315,061 |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

J. Other Post- Employment Benefits (OPEB) (continued)

1. TMRS Supplemental Death Benefits (continued)

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

| | <u>1% Decrease in Discount Rate (3.08%)</u> | <u>Current Discount Rate (4.08%)</u> | <u>1% Increase in Discount Rate (5.08%)</u> |
|-----------------------------|-----------------------------------------------------|------------------------------------------|-----------------------------------------------------|
| City's Total OPEB Liability | \$ 1,583,366 | \$ 1,315,061 | \$ 1,107,668 |

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$64,041. As of September 30, 2025, the City reported deferred outflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-----------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences in expected and actual experience | \$ 31,894 | \$ (72,512) |
| Change in assumptions | 214,994 | (467,018) |
| Contributions subsequent to measurement date | 49,262 | - |
| | <u>\$ 296,150</u> | <u>\$ (539,530)</u> |

The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending September 30, 2026. Amounts currently reported as deferred outflows and deferred inflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows.

| <u>Fiscal Year</u> | <u>Net Deferred Outflows/ (Inflows) of Resources</u> |
|--------------------|------------------------------------------------------------------|
| 2026 | \$ (47,461) |
| 2027 | (55,914) |
| 2028 | (60,751) |
| 2029 | (92,565) |
| 2023 | (29,374) |
| Thereafter | (6,577) |
| | <u>\$ (292,642)</u> |

CITY OF MANSFIELD, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

J. Other Post- Employment Benefits (OPEB) (continued)

2. Retiree Health Care Plan

Plan Description

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

The plan does not issue a stand-alone financial report. For inquiries relating to the plan, please contact: The City of Mansfield, Financial Services Department, 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.

Benefit Plan Description

City employees will be provided the opportunity to elect employer-subsidized health programs until the age of 65. Employees and their dependents who retire before the age of 65 with ten years of service and less than 20 years of service are eligible to receive full health insurance coverage until the employee turns 65 at the same cost of an active employee. Employees and their dependents who retire with 20 years of service are eligible to receive full health insurance coverage until they turn 65; while their dependents are eligible for full health insurance coverage they must pay the same cost as an active employee for full insurance coverage of their dependents. The City amended this plan in fiscal year 2021 resulting in a decrease in the net OPEB liability at year end and resulting in a deferred inflow of resources - plan benefit changes. The change requires all retirees and their spouses on the health insurance plan, upon turning 65, must obtain medical coverage through Medicare. The City provides a monthly allowance to offset the cost of Medicare for retirees and their spouses over the age of 65.

Membership in the plan as of the measurement date of June 30, 2025 was as follows:

| | |
|--------------------------------------|-------------------|
| Inactive employees (retired post-65) | 81 |
| Inactive employees (retired pre-65) | 104 |
| Active employees | <u>498</u> |
| Total | <u><u>683</u></u> |

Contributions

Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the Plan upon retirement. Eligible retired employees participating in the City’s Retiree Health Insurance Plan pay their premiums directly to the City. Expenditures for post-retirement healthcare and other benefits are recognized monthly and funded into the irrevocable trust. The City funds 100% of the actuarially determined contribution (ADC), which approximates the annual OPEB cost, and totaled \$1,000,000 for the fiscal year ended September 30, 2025.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

J. Other Post- Employment Benefits (OPEB) (continued)

2. Retiree Health Care Plan (continued)

Net OPEB Liability

The City’s net OPEB liability (NOL) was measured as of June 30, 2025 and the total OPEB liability (TOL) used to calculate the NOL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Net OPEB Liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions:

| | |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial method | Entry Age Normal |
| Discount rate | 7.0% per annum. The plan is funded in an irrevocable trust maintained by the plan sponsor. The City has, on average, made contributions the last five years that, if continued in this fashion with the average contributions increased by 2% in each future year, the plan will always be sufficiently funded to pay benefits due. |
| Inflation | 2.5% per annum |
| Mortality | PRI-2012 Total Dataset Mortality Table with Improvement Scale MP-2021 |
| Marriage Assumptions | 3-year spouse age difference with females assumed 3 years younger than males. 25% of participants eligible for future post-employment benefits are assumed to have an eligible spouse electing to receive plan benefits. For retired members, we have used actual marital status, as provided, and assumed all such spouses are receiving plan benefits. |
| Health-care cost trend rates | 7% in year 1 graded downward ½% per year to 4.5% in year 6 & later |
| Post-65 premium reductions | It is assumed that employer-subsidized premiums will be reduced by two thirds after age 65 due to Medicare eligibility. |
| Assumed utilization | 75% of eligible future retirees are assumed to elect plan benefits |
| Changes in assumptions | The mortality table improvement scale has been changed from MP-2020 to MP-2021. |
| Salary rate | 3% per annum |

Retirement Rates – for employees eligible for retirement, assumed rates are as follows:

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

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

J. Other Post- Employment Benefits (OPEB) (continued)

2. Retiree Health Care Plan (continued)

Withdrawal (turnover) rates – Graduated rates (see table below for sample rates):

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

There were no changes in assumptions.

The plan’s policy in regard to the allocation of invested assets is established by the City Council. The target asset allocation policy is 50% equity investments, 45% fixed income investments, and 5% cash. The long-term expected rate of return on plan investments used in the valuation was determined using a building-block method in which the City’s best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighing the City’s expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The City’s best estimates of geometric real rates of return for each major asset class included in the plan’s target asset allocation as of June 30, 2025 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Geometric Real Rate of Return</u> |
|--------------------|--------------------------|------------------------------------------|
| Equities | 50.0% | 3.6% |
| Fixed income | 45.0% | 0.9% |
| Cash | 5.0% | 0.0% |
| Inflation | N/A | 2.5% |
| Total | 100.0% | 7.0% |

The actual rate of return, net of expenses paid from the trust, was 11.16% for the current fiscal year.

Changes in the Net OPEB Liability

| | <u>Net OPEB Liability</u> |
|---------------------------------------------------|---------------------------|
| Balance at June 30, 2024 | \$ 18,600,356 |
| Service cost | 454,655 |
| Interest | 3,157,271 |
| Difference between expected and actual experience | 2,370,653 |
| Employer contributions | (5,040,774) |
| Expected return on net position | <u>(1,907,746)</u> |
| Net changes | (965,941) |
| Balance at June 30, 2025 | <u>\$ 17,634,415</u> |

The Plan’s fiduciary net position was 64.3% of the Total OPEB liability as of June 30, 2025.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

J. Other Post- Employment Benefits (OPEB) (continued)

2. Retiree Health Care Plan (continued)

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.0%, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.00%) or 1- percentage-point higher (8.00%) than the current rate:

| | <u>1 % Decrease in Discount Rate (6.00%)</u> | <u>Discount Rate (7.00%)</u> | <u>1% Increase in Discount Rate (8.00%)</u> |
|--------------------|--------------------------------------------------|------------------------------|-------------------------------------------------|
| Net OPEB Liability | \$ 24,077,957 | \$ 17,634,415 | \$ 12,375,601 |

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

| | <u>1 % Decrease in Trend Rate</u> | <u>Trend Rate</u> | <u>1% Increase in Trend Rate</u> |
|--------------------|---------------------------------------|-------------------|--------------------------------------|
| Net OPEB Liability | \$ 12,371,379 | \$ 17,634,415 | \$ 24,011,849 |

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

For the year ended September 30, 2025, the City recognized an OPEB expense of \$4,537,231.

At September 30, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-----------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience | \$ 3,133,325 | \$ - |
| Net difference between projected and actual investment earnings | 927,505 | (1,428,143) |
| | <u>\$ 4,060,830</u> | <u>\$ (1,428,143)</u> |

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

J. Other Post- Employment Benefits (OPEB) (continued)

2. Retiree Health Care Plan (continued)

Contributions of \$1,000,000 reported as deferred outflows of resources related to OPEB result from contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Fiscal Year</u> | <u>Net Deferred Outflows/ (Inflows) of Resources</u> |
|--------------------|------------------------------------------------------------------|
| 2026 | \$ 2,228,061 |
| 2027 | 777,762 |
| 2028 | (127,800) |
| 2029 | (245,336) |
| | <u>\$ 2,632,687</u> |

The City recognized combined OPEB expense for the City's two OPEB plans of \$4,601,272.

Allocation of OPEB Items

The City allocates OPEB items between governmental activities, business-type activities, and the discretely presented component on the basis of TMRS contributions. For the governmental activities, the net OPEB liability is liquidated by the general fund and MPFDC. For the business-type activities, the net OPEB liability is liquidated by the Water & Sewer fund and the drainage fund.

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. Deferred Compensation Plans

The City offers all of its employees a defined contribution, deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). There are three plan options administered by Empower Retirement, Nationwide Retirement Solutions, and ICMA Retirement Trust. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries; therefore, it is not reported in the financial statements of the City.

The plans, available to all full-time City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Benefit provisions are contained in the plan document and were established and can be amended by the action of City Council. The City does not contribute to any of the plans.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

M. Commitments and Contingencies

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

Audits of Grant Activities

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

N. Contracts with Other Governmental Entities and Other Contracts

Water Supply

Raw water is supplied to the City through a contract between the City and the Tarrant Regional Water District (TRWD). The basic contract, which was renegotiated and approved by the TRWD and the City Council on September 10, 1979, provides for a contract period to run for the life of the bonds, which were issued by the TRWD to provide water to the City and thereafter for the life of the TRWD facilities serving the City. Water is provided to the City from the TRWD Cedar Creek Lake and Richland-Tehuacanna Reservoir. Under the contract, the City has a take-or-pay gallon requirement based on the greater of 1.3 million gallons or the average daily consumption for the previous five-year period. The rate to be charged to the City for raw water is based upon the TRWD cost of debt service, operation and maintenance expenses, and any other miscellaneous expenses in connection with its water supply facilities. These costs will be allocated on a proportionate share based upon actual water consumption of the City in relation to the actual use by the City of Fort Worth and the Trinity River Authority (TRA) after crediting the amount received by the TRWD from water sales to the City of Arlington and other customers. The current rate charged for raw water has been calculated to be \$1.40014 per 1,000 gallons, with a total cost of \$6,335,959 during fiscal year 2025. 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 2025, the City's cost for sewer treatment under the contract was \$11,233,941.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

N. Contracts with Other Governmental Entities and Other Contracts (continued)

Mansfield Economic Development Corporation Commitments

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

In continuance of the City's economic development program, the Corporation has made additional commitments to incentivize industry over the next several years. These commitments are generally contingent upon the industry's capital investments and creation of new jobs or other criteria determined by the Corporation. The arrangements vary in amounts and allow for reimbursements for capital costs or expansion costs incurred by the industries. These commitments require stringent performance commitments by the respective industries to qualify for the incentives. The Corporation has made commitments to be administered over the next 12 years in an amount up to \$76.5 million, subject to certain conditions being met. To date, \$19.9 million has been paid. 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.

O. Tax Abatements

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

For the fiscal year ended September 30, 2025, the City of Mansfield, Texas abated property and sales taxes totaling \$1,793,457 under this program, including the following tax abatement agreements:

A 100% property tax abatement to a tool manufacturer for building a manufacturing center in the industrial district. The abatement amounted to \$450,632.

An 80% sales tax abatement to a home builder for materials purchased within the City of Mansfield, Texas. The abatement amounted to \$45,931.

An 80% sales tax abatement to a home builder for materials purchased within the City of Mansfield, Texas. The abatement amounted to \$37,392.

A 50% property tax abatement to a developer for constructing a multi-family facility within the City of Mansfield, Texas. The abatement amounted to \$21,285.

A 50% property tax abatement to a developer for a residential development within the City of Mansfield, Texas. The abatement amounted to \$720,562.

A 35% property tax abatement to a developer for a residential development within the City of Mansfield, Texas. The abatement amounted to \$517,655.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

P. 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.

During FY 2025, the City was self-insured for Employee Benefits. Group medical benefits were administered by a third-party insurance provider. The City offers two plans with payroll deductions set aside to cover the monthly claims in addition to a health savings account (HSA). The liabilities for insurance claims reported are based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims. The estimated claims incurred but not reported as of September 30, 2025, totaled \$1,312,000, which are recorded as a short-term liability in the General Fund accounts payable. Changes in the liability for the past three years:

| <u>Claim Year</u> | <u>Liability Beginning of Year</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Liability End of Year</u> |
|-------------------|--------------------------------------------|-----------------------------------------------------------------|---------------------------|--------------------------------------|
| 2023 | \$ 1,084,000 | \$ 16,844,414 | \$ 16,454,414 | \$ 1,474,000 |
| 2024 | 1,474,000 | 16,666,730 | 16,537,730 | 1,603,000 |
| 2025 | 1,603,000 | 19,291,681 | 19,000,681 | 1,312,000 |

Q. New Accounting Pronouncements to be implemented after fiscal year 2025

In April 2025, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025 and all reporting periods thereafter.

In September 2025, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025 and all reporting periods thereafter.

GASB issued Statement No. 105, *Subsequent Events*, in December 2025. The primary objective of this Statement is to improve financial reporting requirements for subsequent events by clarifying definitions, the evaluation period, and related disclosure requirements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter.

The City is in the process of evaluating the impact of these statements on its financial statements.

CITY OF MANSFIELD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

II. Detailed Notes on All Funds (continued)

R. Restatement of beginning balances

During fiscal year 2025, the City reevaluated the presentation of its Internal Service Fund (ISF) activity and determined that the ISF should be reported within the proprietary fund financial statements. This represents an error correction under GASB Statement No. 100, *Accounting Changes and Error Corrections*, which requires that such changes be reflected through a restatement to beginning balances of the current period rather than a retroactive restatement of prior periods. The effect of the change within the financial reporting entity is summarized in the table below.

During the City’s evaluation of major fund criteria for the fiscal year ending September 30, 2025, TIRZ #2 met the quantitative thresholds for major fund reporting. TIRZ #2 was previously reported as a non-major governmental fund. The effect of the change within the financial reporting entity is summarized in the table below.

| | Reporting Units Affected by Restatements of Beginning Balances | | | |
|---------------------------------------------------|-----------------------------------------------------------------------|---------------------------|-------------------------------------|------------------------------|
| | Government-wide | Governmental Funds | | Proprietary Funds |
| | Governmental Activities | TIRZ #2 | Non-major Governmental Funds | Internal Service Fund |
| September 30, 2024, as Previously Reported | \$ 454,090,651 | \$ - | \$ 9,842,080 | \$ - |
| Change in reporting unit - nonmajor to major fund | - | (5,460,606) | 5,460,606 | - |
| Error correction - internal service fund | 1,287,743 | - | - | 1,287,743 |
| September 30, 2024, as Restated | <u>\$ 455,378,394</u> | <u>\$ (5,460,606)</u> | <u>\$ 15,302,686</u> | <u>\$ 1,287,743</u> |

REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED

SEPTEMBER 30, 2025

Texas Municipal Retirement System

**TEXAS REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Measurement Years**

| | Measurement Year December 31, | | | | |
|--------------------------------------------------------------------------|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Total Pension Liability | | | | | |
| Service cost | \$ 9,589,648 | \$ 9,189,372 | \$ 8,207,004 | \$ 7,528,793 | \$ 7,964,424 |
| Interest (on the total pension liability) | 17,295,603 | 16,103,615 | 14,798,609 | 13,577,606 | 12,756,277 |
| Difference between expected and actual experience | 2,581,811 | 3,239,776 | 5,003,181 | 4,765,650 | (485,321) |
| Change of assumptions | - | (495,677) | - | - | - |
| Benefit payments, including refunds of employee contributions | (11,184,577) | (9,971,714) | (8,361,400) | (7,883,029) | (7,816,442) |
| Net Change in Total Pension Liability | 18,282,485 | 18,065,372 | 19,647,394 | 17,989,020 | 12,418,938 |
| Total Pension Liability - Beginning | 257,028,621 | 238,963,249 | 219,315,855 | 201,326,835 | 188,907,897 |
| Total Pension Liability - Ending (a) | \$ 275,311,106 | \$ 257,028,621 | \$ 238,963,249 | \$ 219,315,855 | \$ 201,326,835 |
| Plan Fiduciary Net Position | | | | | |
| Contributions - employer | \$ 8,849,289 | \$ 8,242,073 | \$ 7,003,075 | \$ 6,531,736 | \$ 6,668,580 |
| Contributions - employee | 3,501,697 | 3,438,291 | 3,086,998 | 2,848,732 | 3,033,241 |
| Net investment income | 22,686,560 | 22,488,065 | (15,157,547) | 23,782,546 | 12,741,845 |
| Benefit payments, including refunds of employee contributions | (11,184,577) | (9,971,714) | (8,361,400) | (7,883,029) | (7,816,442) |
| Administrative expense | (145,277) | (142,810) | (130,983) | (109,895) | (82,344) |
| Other | (3,398) | (998) | 156,302 | 753 | (3,213) |
| Net Change in Plan Fiduciary Net Position | 23,704,294 | 24,052,907 | (13,403,555) | 25,170,843 | 14,541,667 |
| Plan Fiduciary Net Position - Beginning | 218,009,606 | 193,956,699 | 207,360,254 | 182,189,411 | 167,647,744 |
| Plan Fiduciary Net Position - Ending (b) | \$ 241,713,900 | \$ 218,009,606 | \$ 193,956,699 | \$ 207,360,254 | \$ 182,189,411 |
| Net Pension Liability/(Asset) - Ending (a) - (b) | \$ 33,597,206 | \$ 39,019,015 | \$ 45,006,550 | \$ 11,955,601 | \$ 19,137,424 |
| Plan Fiduciary Net Position as a Percentage of | | | | | |
| Total Pension Liability | 87.80% | 84.82% | 81.17% | 94.55% | 90.49% |
| Covered-employee Payroll | \$ 50,024,245 | \$ 49,114,761 | \$ 44,099,968 | \$ 40,696,177 | \$ 43,332,012 |
| Net Pension Liability as a Percentage of Covered-employee Payroll | 67.16% | 79.44% | 102.06% | 29.38% | 44.16% |

**TEXAS REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Measurement Years**

| | Measurement Year December 31, | | | | |
|--------------------------------------------------------------------------|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Total Pension Liability | | | | | |
| Service cost | \$ 6,740,954 | \$ 6,781,902 | \$ 6,423,859 | \$ 6,096,131 | \$ 5,544,166 |
| Interest (on the total pension liability) | 11,894,334 | 10,919,655 | 10,061,815 | 9,139,426 | 8,685,074 |
| Difference between expected and actual experience | 250,026 | 2,214,327 | 863,204 | 1,967,131 | 162,133 |
| Change of assumptions | 78,667 | - | - | - | (670,018) |
| Benefit payments, including refunds of employee contributions | (5,795,914) | (5,115,537) | (4,522,769) | (2,880,319) | (2,461,495) |
| Net Change in Total Pension Liability | 13,168,067 | 14,800,347 | 12,826,109 | 14,322,369 | 11,259,860 |
| Total Pension Liability - Beginning | 175,739,830 | 160,939,483 | 148,113,374 | 133,791,005 | 122,531,145 |
| Total Pension Liability - Ending (a) | \$ 188,907,897 | \$ 175,739,830 | \$ 160,939,483 | \$ 148,113,374 | \$ 133,791,005 |
| Plan Fiduciary Net Position | | | | | |
| Contributions - employer | \$ 5,636,312 | \$ 5,679,463 | \$ 5,249,682 | \$ 4,818,294 | \$ 4,630,258 |
| Contributions - employee | 2,639,076 | 2,661,060 | 2,513,528 | 2,385,294 | 2,236,839 |
| Net investment income | 22,158,465 | (4,327,905) | 17,197,200 | 7,585,611 | 158,951 |
| Benefit payments, including refunds of employee contributions | (5,795,914) | (5,115,537) | (4,522,769) | (2,880,319) | (2,461,495) |
| Administrative expense | (125,039) | (83,556) | (89,055) | (85,612) | (96,800) |
| Other | (3,756) | (4,365) | (4,513) | (4,613) | (4,781) |
| Net Change in Plan Fiduciary Net Position | 24,509,144 | (1,190,840) | 20,344,073 | 11,818,655 | 4,462,972 |
| Plan Fiduciary Net Position - Beginning | 143,138,600 | 144,329,440 | 123,985,367 | 112,166,712 | 107,703,740 |
| Plan Fiduciary Net Position - Ending (b) | \$ 167,647,744 | \$ 143,138,600 | \$ 144,329,440 | \$ 123,985,367 | \$ 112,166,712 |
| Net Pension Liability/(Asset) - Ending (a) - (b) | \$ 21,260,153 | \$ 32,601,230 | \$ 16,610,043 | \$ 24,128,007 | \$ 21,624,293 |
| Plan Fiduciary Net Position as a Percentage of | | | | | |
| Total Pension Liability | 88.75% | 81.45% | 89.68% | 83.71% | 83.84% |
| Covered-employee Payroll | \$ 37,701,084 | \$ 38,015,147 | \$ 35,907,541 | \$ 34,075,932 | \$ 31,954,849 |
| Net Pension Liability as a Percentage of Covered-employee Payroll | 56.39% | 85.76% | 46.26% | 70.81% | 67.67% |

CITY OF MANSFIELD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 9,749,916 | \$ 8,947,109 | \$ 8,074,011 | \$ 7,087,887 | \$ 6,495,583 |
| Contributions in relation to the actuarially determined contribution | <u>9,749,916</u> | <u>8,947,109</u> | <u>8,074,011</u> | <u>7,087,887</u> | <u>6,495,583</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | |
| Covered-employee payroll | \$ 53,469,686 | \$ 50,578,787 | \$ 48,143,372 | \$ 44,116,485 | \$ 40,588,706 |
| | | | | | |
| Contributions as a percentage of covered-employee payroll | 18.23% | 17.69% | 16.77% | 16.07% | 16.00% |
| | | | | | |
| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Actuarially determined contribution | \$ 6,393,535 | \$ 5,672,743 | \$ 5,648,240 | \$ 5,155,157 | \$ 5,048,183 |
| Contributions in relation to the actuarially determined contribution | <u>6,393,535</u> | <u>5,672,743</u> | <u>5,648,240</u> | <u>5,155,157</u> | <u>5,048,183</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | |
| Covered-employee payroll | \$ 41,396,691 | \$ 37,574,173 | \$ 37,541,117 | \$ 35,161,865 | \$ 35,121,057 |
| | | | | | |
| Contributions as a percentage of covered-employee payroll | 15.44% | 15.10% | 15.05% | 14.66% | 14.37% |

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rate:

| | |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period: | 21 years |
| Asset Valuation Method | 10 Year Smoothed Market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.60% to 11.85% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. |
| Mortality | <u>Post-retirement:</u> 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). <u>Pre-retirement:</u> PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |

Other Information: Adopted 70% non-retroactive repeating COLA.

REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED

SEPTEMBER 30, 2025

Texas Municipal Retirement System – Supplemental Death Benefits

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - SDBF

Last Eight Measurement Years

| | Measurement Year December 31, | | | |
|----------------------------------------------------------------------|--------------------------------------|---------------------|---------------------|---------------------|
| | 2024 | 2023 | 2022 | 2021 |
| Total OPEB Liability - SDBF | | | | |
| Service cost | \$ 50,024 | \$ 49,115 | \$ 92,610 | \$ 81,392 |
| Interest (on the Total OPEB liability - SDBF) | 50,843 | 48,740 | 33,215 | 33,306 |
| Difference between expected and actual experience | (15,793) | 10,595 | (9,464) | (17,046) |
| Change of assumptions or other inputs | (76,114) | 70,959 | (665,898) | 60,000 |
| Benefit payments* | (35,017) | (34,380) | (26,460) | (20,348) |
| Net Change in Total OPEB Liability | (26,057) | 145,029 | (575,997) | 137,304 |
| Total OPEB Liability - Beginning | 1,341,118 | 1,196,089 | 1,772,086 | 1,634,782 |
| Total OPEB Liability - Ending | <u>\$ 1,315,061</u> | <u>\$ 1,341,118</u> | <u>\$ 1,196,089</u> | <u>\$ 1,772,086</u> |
| | | | | |
| Covered Payroll | \$ 50,024,245 | \$ 49,114,761 | \$ 44,099,969 | \$ 40,696,177 |
| | | | | |
| Total OPEB Liability- SDBF as a Percentage of Covered Payroll | 2.63% | 2.73% | 2.71% | 4.35% |

Note: GASB 75 requires 10 years of data to be provided in this schedule. As of September 30, 2025, only 8 years are included and additional years will be added as the information becomes available.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS – SDBF

Last Eight Measurement Years

| | Measurement Year December 31, | | | |
|----------------------------------------------------------------------|--------------------------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2018 | 2017 |
| Total OPEB Liability - SDBF | | | | |
| Service cost | \$ 77,998 | \$ 49,011 | \$ 57,023 | \$ 46,680 |
| Interest (on the Total OPEB liability) | 36,029 | 44,513 | 34,935 | 33,578 |
| Difference between expected and actual experience | 14,866 | (203,949) | 145,354 | - |
| Change of assumptions or other inputs | 239,091 | 214,351 | (81,348) | 89,076 |
| Benefit payments* | (8,666) | (7,540) | (7,603) | (7,182) |
| Net Change in Total OPEB Liability | 359,318 | 96,386 | 148,361 | 162,152 |
| Total OPEB Liability - Beginning | 1,275,464 | 1,179,078 | 1,030,717 | 868,565 |
| Total OPEB Liability - Ending | \$ 1,634,782 | \$ 1,275,464 | \$ 1,179,078 | \$ 1,030,717 |
| | | | | |
| Covered Payroll | \$ 43,332,012 | \$ 37,701,084 | \$ 38,015,147 | \$ 35,907,541 |
| | | | | |
| Total OPEB Liability- SDBF as a Percentage of Covered Payroll | 3.77% | 3.38% | 3.10% | 2.87% |

Note: GASB 75 requires 10 years of data to be provided in this schedule. As of September 30, 2025, only 8 years are included and additional years will be added as the information becomes available.

CITY OF MANSFIELD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF CONTRIBUTIONS
Last Eight Fiscal Years

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|----------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 37,429 | \$ 35,405 | \$ 33,700 | \$ 26,470 |
| Contributions in relation to the actuarially determined contribution | <u>37,429</u> | <u>35,405</u> | <u>33,700</u> | <u>26,470</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 53,469,686 | \$ 50,578,787 | \$ 48,143,372 | \$ 44,116,485 |
| Contributions as a percentage of covered payroll | 0.07% | 0.07% | 0.07% | 0.06% |

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 20,294 | \$ 8,279 | \$ 7,508 | \$ 7,032 |
| Contributions in relation to the actuarially determined contribution | <u>20,294</u> | <u>8,279</u> | <u>7,508</u> | <u>7,032</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 40,588,706 | \$ 41,396,691 | \$ 37,541,117 | \$ 35,161,865 |
| Contributions as a percentage of covered payroll | 0.05% | 0.02% | 0.02% | 0.02% |

Note: GASB 75 requires 10 years of data to be provided in this schedule. As of September 30, 2025, only 8 years are included and additional years will be added as the information becomes available.

CITY OF MANSFIELD, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Summary of Actuarial Assumptions:

Inflation: 2.5%
 Salary Increases: 3.60% to 11.85% including inflation
 Discount Rate: 4.08%*
 Retirees' Share of Benefit-Related Costs: \$0
 Administrative Expenses: All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
 Mortality Rates – Service Retirees: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
 Mortality Rates – Disabled Retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Other Information:

Notes: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

Note: The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

| | Discount Rate - SDBF | | | |
|---------------|-------------------------------------|------------------------------|------------------------------|------------------------------|
| | Last Eight Measurement Years | | | |
| | December 31, 2024 | December 31, 2023 | December 31, 2022 | December 31, 2021 |
| Discount Rate | 4.08% | 3.77% | 4.05% | 1.84% |
| | December 31, 2020 | December 31, 2019 | December 31, 2018 | December 31, 2017 |
| Discount Rate | 2.00% | 2.75% | 3.71% | 3.31% |



REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED

JUNE 30, 2025

Retiree Health Insurance Plan – Trust

**REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY
Last Eight Measurement Years**

| | June 30, 2025 | June 30, 2024 | June 30, 2023 | June 30, 2022 |
|----------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$ 454,655 | \$ 430,914 | \$ 415,131 | \$ 210,638 |
| Interest (on the Total OPEB liability) | 3,157,271 | 3,122,321 | 2,869,583 | 2,665,007 |
| Difference between expected and actual experience | 3,597,315 | 974,275 | 3,803,463 | 2,217,915 |
| Changes in assumptions | - | - | - | - |
| Plan benefit changes | - | - | - | - |
| Benefit payments | <u>(4,040,774)</u> | <u>(3,657,997)</u> | <u>(3,407,679)</u> | <u>(2,888,666)</u> |
| Net Change | 3,168,467 | 869,513 | 3,680,498 | 2,204,894 |
| Total OPEB Liability - Beginning | <u>46,188,328</u> | <u>45,318,815</u> | <u>41,638,317</u> | <u>39,433,423</u> |
| Total OPEB Liability - Ending (a) | <u>\$ 49,356,795</u> | <u>\$ 46,188,328</u> | <u>\$ 45,318,815</u> | <u>\$ 41,638,317</u> |
| Plan Fiduciary Net Position | | | | |
| City contributions | \$ 5,040,774 | \$ 4,657,997 | \$ 4,407,679 | \$ 3,638,666 |
| Net investment income | 3,252,425 | 2,542,953 | 1,535,083 | (2,742,617) |
| Benefit payments | (4,040,774) | (3,657,997) | (3,407,679) | (2,888,666) |
| Administrative Expense | <u>(118,017)</u> | <u>(105,243)</u> | <u>(96,506)</u> | <u>(101,358)</u> |
| Net Change in Plan Fiduciary Net Position | 4,134,408 | 3,437,710 | 2,438,577 | (2,093,975) |
| Plan Fiduciary Net Position - Beginning | <u>27,587,972</u> | <u>24,150,262</u> | <u>21,711,685</u> | <u>23,805,660</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 31,722,380</u> | <u>\$ 27,587,972</u> | <u>\$ 24,150,262</u> | <u>\$ 21,711,685</u> |
| Net OPEB Liability (a-b) | \$ 17,634,415 | \$ 18,600,356 | \$ 21,168,553 | \$ 19,926,632 |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 64.27% | 59.73% | 53.29% | 52.14% |
| Covered Employee Payroll | \$ 52,712,148 | \$ 49,568,659 | \$ 46,639,904 | \$ 43,487,708 |
| Net OPEB Liability as a Percentage of Covered Employee Payroll | 33.45% | 37.52% | 45.39% | 45.82% |

Note: GASB 75 requires 10 years of data to be provided in this schedule. As of June 30, 2025, only 8 years are included and additional years will be added as the information becomes available.

Note: The City amended this plan in fiscal year 2021 resulting in a decrease in the net OPEB liability at year end and resulting in a deferred inflow of resources - plan benefit changes. The change requires all retirees and their spouses on the health insurance plan, upon turning 65, must obtain medical coverage through Medicare. The City provides a monthly allowance to offset the cost of Medicare for retirees and their spouses over the age of 65.

REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY
Last Eight Measurement Years

| | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|----------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$ 587,134 | \$ 607,995 | \$ 568,220 | \$ 532,526 |
| Interest (on the Total OPEB liability) | 4,485,797 | 4,048,664 | 3,333,223 | 3,214,381 |
| Difference between expected and actual experience | 816,245 | 5,583,748 | 8,760,461 | (1,436,903) |
| Changes in assumptions | - | (1,186,827) | - | - |
| Plan benefit changes | (29,284,676) | - | - | - |
| Benefit payments | (2,588,413) | (2,628,940) | (2,441,311) | (353,235) |
| Net Change | (25,983,913) | 6,424,640 | 10,220,593 | 1,956,769 |
| Total OPEB Liability - Beginning | <u>65,417,336</u> | <u>58,992,696</u> | <u>48,772,103</u> | <u>46,815,334</u> |
| Total OPEB Liability - Ending (a) | <u>\$ 39,433,423</u> | <u>\$ 65,417,336</u> | <u>\$ 58,992,696</u> | <u>\$ 48,772,103</u> |
| Plan Fiduciary Net Position | | | | |
| City contributions | \$ 4,998,413 | \$ 2,628,940 | \$ 7,261,311 | \$ 1,848,035 |
| Net investment income | 3,828,049 | 764,088 | 959,456 | 571,467 |
| Benefit payments | (2,588,413) | (2,628,940) | (2,441,311) | (353,235) |
| Administrative Expense | (92,803) | (80,301) | (66,652) | (56,673) |
| Net Change in Plan Fiduciary Net Position | 6,145,246 | 683,787 | 5,712,804 | 2,009,594 |
| Plan Fiduciary Net Position - Beginning | <u>17,660,414</u> | <u>16,976,627</u> | <u>11,263,823</u> | <u>9,254,229</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 23,805,660</u> | <u>\$ 17,660,414</u> | <u>\$ 16,976,627</u> | <u>\$ 11,263,823</u> |
| Net OPEB Liability (a-b) | \$ 15,627,763 | \$ 47,756,922 | \$ 42,016,069 | \$ 37,508,280 |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 60.37% | 27.00% | 28.78% | 23.09% |
| Covered Employee Payroll | \$ 41,363,692 | \$ 40,045,739 | \$ 37,717,964 | \$ 36,940,838 |
| Net OPEB Liability as a Percentage of Covered Employee Payroll | 37.78% | 119.26% | 111.40% | 101.54% |

Note: GASB 75 requires 10 years of data to be provided in this schedule. As of June 30, 2025, only 8 years are included and additional years will be added as the information becomes available.

Note: The City amended this plan in fiscal year 2021 resulting in a decrease in the net OPEB liability at year end and resulting in a deferred inflow of resources - plan benefit changes. The change requires all retirees and their spouses on the health insurance plan, upon turning 65, must obtain medical coverage through Medicare. The City provides a monthly allowance to offset the cost of Medicare for retirees and their spouses over the age of 65.

CITY OF MANSFIELD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED
SCHEDULE OF CONTRIBUTIONS
Last Eight Fiscal Years

| | <u>June 30, 2025</u> | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|--------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Actuarially determined contribution | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 750,000 |
| Contributions paid by the City into the trust | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> | <u>750,000</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 52,712,148 | \$ 49,568,659 | \$ 46,639,904 | \$ 43,487,708 |
| Contributions as a percentage of covered payroll | 1.90% | 2.02% | 2.14% | 1.72% |

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|--------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Actuarially determined contribution | \$ 2,410,000 | \$ - | \$ 4,820,000 | \$ 1,494,800 |
| Contributions paid by the City into the trust | <u>2,410,000</u> | <u>-</u> | <u>4,820,000</u> | <u>1,494,800</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 41,363,692 | \$ 40,045,739 | \$ 37,717,964 | \$ 36,940,838 |
| Contributions as a percentage of covered payroll | 5.83% | 0.00% | 12.78% | 4.05% |

CITY OF MANSFIELD, TEXAS

NOTES REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED

The NOL in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions:

| | |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial method | Entry Age Normal |
| Discount rate | 7.0% per annum. The plan is funded in an irrevocable trust maintained by the plan sponsor. The City has, on average, made contributions the last five years that, if continued in this fashion, the plan will always be sufficiently funded to pay benefits due. |
| Inflation | 2.5% per annum |
| Mortality | Pri-2012 Total Dataset Mortality Table with Improvement Scale MP-2021. |
| Marriage Assumptions | 3-year spouse age difference with females assumed 3 years younger than males. 25% of participants eligible for future post-employment benefits are assumed to have an eligible spouse electing to receive plan benefits. For retired members, we have used actual marital status, as provided, and assumed all such spouses are receiving plan benefits. |
| Health-care cost trend rates | 7% in year 1 graded downward ½% per year to 4.5% in year 6 & later |
| Post-65 premium reductions | The City requires retirees and their spouses (if applicable) to enroll in a Medicare plan and the City will reimburse 100% of the premium costs. |
| Assumed utilization | 75% of eligible future retirees are assumed to elect plan benefits |

CITY OF MANSFIELD, TEXAS

NOTES REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED (continued)

Retirement Rate

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

Withdrawal Rate

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

Other Information:

Notes Assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Required Supplementary Information - Unaudited

**City of Mansfield, Texas
Schedule of Investment Returns - OPEB
Last Eight Measurement Years**

| <u>Plan Year</u> | <u>Annual Money - Weighted Rate of Return</u> |
|------------------|---------------------------------------------------|
| 2018 | 5.10% |
| 2019 | 6.50% |
| 2020 | 4.00% |
| 2021 | 19.80% |
| 2022 | -11.80% |
| 2023 | 6.48% |
| 2024 | 9.89% |
| 2025 | 11.16% |

The information in this schedule has been determined as of the measurement date (June 30) of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision, only periods for which such information is available are presented.

CITY OF MANSFIELD, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –

BUDGET TO ACTUAL – GENERAL FUND

For the Year Ended September 30, 2025

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|------------------------------------------------------|----------------------|----------------------|----------------------|-------------------------------|
| | Original Budget | Final Budget | | |
| Revenues | | | | |
| Taxes: | | | | |
| Property | \$ 56,549,839 | \$ 56,549,839 | \$ 51,523,178 | \$ (5,026,661) |
| Sales | 20,600,448 | 20,600,448 | 21,721,674 | 1,121,226 |
| Franchise | 4,218,192 | 4,218,192 | 4,545,041 | 326,849 |
| Mixed drink | 345,000 | 345,000 | 365,262 | 20,262 |
| Licenses and permits | 2,903,888 | 2,903,888 | 3,810,959 | 907,071 |
| Charges for services | 7,409,128 | 7,409,128 | 9,674,961 | 2,265,833 |
| Fines and forfeitures | 903,500 | 903,500 | 1,425,473 | 521,973 |
| Investment earnings | 300,000 | 300,000 | 928,329 | 628,329 |
| Contributions and grants | 350,000 | 350,000 | 1,038,333 | 688,333 |
| Miscellaneous | 928,927 | 928,927 | 2,698,373 | 1,769,446 |
| Total Revenues | 94,508,922 | 94,508,922 | 97,731,583 | 3,222,661 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 31,776,179 | 30,977,596 | 29,483,349 | 1,494,247 |
| Public safety | 48,890,428 | 49,689,011 | 52,212,479 | (2,523,468) |
| Public works | 8,350,346 | 8,350,346 | 7,816,888 | 533,458 |
| Culture and recreation | 6,464,262 | 6,464,262 | 5,672,086 | 792,176 |
| Debt service: | | | | |
| Principal retirement | - | - | 858,091 | (858,091) |
| Interest and fiscal charges | 1,546,756 | 1,546,756 | 1,337,676 | 209,080 |
| Bond issuance costs | - | - | 33,231 | (33,231) |
| Capital outlay | - | - | 2,908,372 | (2,908,372) |
| Total Expenditures | 97,027,971 | 97,027,971 | 100,322,172 | (3,294,201) |
| Excess (deficiency) of revenues over expenditures | (2,519,049) | (2,519,049) | (2,590,589) | (71,540) |
| Other Financing Sources (Uses) | | | | |
| Issuance of bonds | - | - | 3,633,211 | 3,633,211 |
| Issuance of refunding bonds | - | - | 41,379 | 41,379 |
| Premium/(Discount) on issuance of bonds | - | - | 410,365 | 410,365 |
| Sale of general capital assets | 20,000 | 20,000 | 847,467 | 827,467 |
| Transfers in | 6,816,061 | 6,816,061 | - | (6,816,061) |
| Transfers out | (4,317,012) | (4,317,012) | (1,453,690) | 2,863,322 |
| Total Other Financing Sources (Uses) | 2,519,049 | 2,519,049 | 3,478,732 | 959,683 |
| Net change in fund balances | - | - | 888,143 | 888,143 |
| Fund Balances Beginning | 37,448,312 | 37,448,312 | 37,448,312 | - |
| Fund Balances Ending | \$ 37,448,312 | \$ 37,448,312 | \$ 38,336,455 | \$ 888,143 |

See accompanying notes to required supplementary information.

CITY OF MANSFIELD, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – GENERAL FUND
SEPTEMBER 30, 2025**

Stewardship, compliance, and accountability

Budgetary information

As set forth in the City Charter, the City Council adopts an annual budget prepared in accordance with GAAP. The City Manager may transfer part or all of any unencumbered appropriation balance among programs within a specific fund; however, any revisions that alter the total expenditures of the fund must be approved by the City Council. The City, for management purposes, adopts budgets for all funds except Special Revenue, Trust, and Capital Projects, which the use of these funds is legally restricted for a designated purpose. Legal budgets are adopted for the General Fund and the Debt Service Funds; the legal level of control is the fund level.

The City is prohibited from deficit spending as defined by the City’s Charter. The City’s General Fund fund balance as of September 30, 2025, is \$38,336,455.

The Capital Projects are funded through the issuance of general obligation debt authorized for a specific purpose. Trust Funds are restricted by legal authorization, which created the trust.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned; the purpose of any such appropriation shall be deemed abandoned if three (3) years pass without any disbursement from or encumbrance of the appropriation. Revenues in the general fund were more than budget by \$3,222,661 and expenditures were more than budget by \$(3,294,201), while other financing sources (uses), net, were more than budget by \$959,683.

CITY OF MANSFIELD, TEXAS
SUPPLEMENTARY INFORMATION

Non-major Governmental Funds

Special Revenue Funds

- Hotel/Motel Tax Fund – This fund is used to account for Hotel/Motel tax revenues that are restricted to expenditure for the promotion of tourism, historical preservation, and the performing arts in the City.
- Grants Fund – This fund is used to account for contributions or gifts of cash or other assets from another government to be used or expended for a specific purpose, activity, or facility.
- American Rescue Plan Act - This fund is used to account for the Coronavirus State and Local Fiscal Recovery Funds program grant.
- South Pointe PID – This fund is used to account for the public improvement assessments of the South Pointe Public Improvement District.
- Starlin PID – This fund is used to account for the public improvement assessments of the Starlin Public Improvement District.
- Staybolt PID – This fund is used to account for the public improvement assessments of the Staybolt Public Improvement District.

Other Special Revenue Funds

- Special Revenue Funds are used to account for specific revenues that are legally restricted to be expended for particular purposes. The following funds are combined into a single column for reporting purposes.
- COPS Grant Fund – This fund is used to account for the purchase of equipment used to reduce crime and improve public safety.
- Police Fund – This fund is used to account for contributions or drug forfeitures that are restricted to expenditure for police drug enforcement or the operations of the specific activity receiving the donation.
- Mansfield Municipal Court Fund – This fund is used to account for revenues that are restricted to promote child safety awareness in the community and to provide a safe and secure courtroom environment for all court participants.
- Tree Mitigation Fund – This fund is used to account for revenues that are restricted to expenditure for the preservation of trees and tree replacement in the City.
- Library Fund – This fund is used to account for contributions or gifts from individuals to be used or expended for Library operations, primarily for the purchase of books.
- Animal Control – This fund is used to account for contributions to be used for special medical needs and spaying/neutering assistance for adoptable animals.

Debt Service Fund

- Mansfield Parks Facility Development Corporation Debt Service – This fund is used to account for the principal and interest payments on the MPFDC outstanding bonds.

CITY OF MANSFIELD, TEXAS

SUPPLEMENTARY INFORMATION (continued)

Non-major Governmental Funds

Capital Projects Funds

- TIRZ #1 Fund – This fund is used to account for the development, construction, improvements, and acquisition of land within a boundary that encompasses 3,100 acres of mixed-use property.
- TIRZ #3 Fund - This fund is used to account for the development, construction, and improvements in the City's Starlin Ranch area.
- TIRZ #4 Fund – This fund is used to account for the development, construction, improvements, and acquisition of land within a boundary that encompasses 359.4 acres of mixed-use property.
- Equipment Replacement Fund – This fund is used to account for the acquisition of vehicles, machinery, and equipment for use by City departments.
- Public Art - This fund is used to account for public art in accordance with the City's Public Art Master Plan.
- Parks Construction Fund – This fund is used to account for the construction of new parks within the City.
- Mansfield Public Facility Corporation - This fund is used to account for financial resources used in the financing, refinancing, acquisition, and construction of "public facilities".

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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BRACEWELL

August __, 2026

\$ _____
CITY OF MANSFIELD, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2026

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

CITY OF MANSFIELD, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026, dated July 1, 2026, in the principal amount of \$ _____.

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

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have also examined executed Certificate No. T-1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance.

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

BASED ON SUCH EXAMINATION AND IN RELIANCE ON SUCH REPRESENTATIONS, CERTIFICATIONS, AND ASSUMPTIONS, IT IS OUR OPINION THAT:

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

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

We express no opinion as to the amount or timing of interest on the Certificates or, except as stated above, to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Certificates. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations or certifications of the Issuer or other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Certificates could become includable in gross

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income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

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

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August __, 2026

\$ _____
CITY OF MANSFIELD, TEXAS
GENERAL OBLIGATION BONDS
SERIES 2026

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

CITY OF MANSFIELD, TEXAS, GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2026, July 1, 2026, 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 ordinance adopted by the City Council of the Issuer authorizing their issuance (the “Ordinance”).

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds and the Refunded Obligations (as defined herein), on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance.

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

BASED ON SUCH EXAMINATION AND IN RELIANCE ON SUCH REPRESENTATIONS, CERTIFICATIONS, AND ASSUMPTIONS, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;

(B) A continuing ad valorem tax upon all taxable property within the City of Mansfield, Texas, necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations; and

(C) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

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

We express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations or certifications of the Issuer or other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

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