MANSFIELD
TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2012

Prepared by:

Business Services Department

City of Mansfield, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2012

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION (unaudited)

Letter of Transmittal 4
GFOA Certificate of Achievement 9
Organizational Chart 10
Principal Officers 11

FINANCIAL SECTION

Independent Auditors' Report 12
Management's Discussion and Analysis (unaudited) 14
Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Assets 28
Statement of Activities 29
Fund Financial Statements:
Balance Sheet – Governmental Funds 30
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 32
Statement of Net Assets – Proprietary Funds 33
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds 34
Statement of Cash Flows – Proprietary Funds 35
Statement of Fiduciary Net Assets – Fiduciary Funds 36
Notes to Financial Statements 37
Required Supplementary Information (unaudited):
Schedules of Funding Progress 70
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 71
Notes to Required Supplementary Information – General Fund 72
Supplementary Information –Nonmajor Governmental Funds 73
Combining Balance Sheet – Nonmajor Governmental Funds 74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 75
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:
Debt Service Fund 76
Mansfield Parks Facilities Development Corporation Debt Service Fund 77
Statement of Changes in Assets and Liabilities - Agency Funds 78

Capital Assets Used in the Operation of Governmental Funds:
Comparative Schedules By Source 79
Schedule by Function and Activity 80
Schedule of Changes by Function and Activity 81
Balance Sheet – Mansfield Economic Development Corporation 83
Statement of Revenues, Expenditures, and Changes in Fund Balances – Mansfield Economic Development Corporation. 84
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Mansfield Economic Development Corporation to the Statement of Activities 85

STATISTICAL SECTION (unaudited)

Net Assets by Component 87
Changes in Net Assets of Governmental and Business-Type Activities 88
Governmental Activities Tax Revenue by Source 90
Fund Balances of Governmental Funds 91
Changes in Fund Balances of Governmental Funds 92
Assessed Value and Estimated Actual Value of Taxable Property 94
Property Tax Rates – Direct and Overlapping Governments 95
Principal Property Taxpayers 96
Property Tax Levies and Collections 97
Ratio of Outstanding Debt by Type 98
Ratios of General Bonded Debt Outstanding 99
Direct and Overlapping Governmental Activities Debt 100
Legal Debt Margin Information 101
Pledged-Revenue Coverage 102
Demographic and Economic Statistics 103
Principal Employers 104
Full-Time Equivalent City Government Employees by Function 105
Operating Indicators by Function 106

1200 E. Broad Street
Mansfield, Texas 76063
817-276-4200

January 31, 2013

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Mansfield, Texas (the City) for the fiscal year ended September 30, 2012.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by KPMG, LLP, a firm of licensed certified public accountants. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2012 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1890, is located in the southeastern portion of Tarrant County, with small areas of the City extending into Johnson and Ellis counties, and is considered to be one of the top growth areas in the Dallas/Fort Worth Metroplex. The City currently occupies a land area of 36.64 square miles and serves an approximate population of 57,494. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City is a home rule-city and operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, passing ordinances, adopting the budget, appointing committees, and for hiring the City's manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a nonpartisan, at-large basis. Council members serve three-year staggered terms so that at least two members are elected every year. The Mayor and each Council member, unless sooner removed under the provisions of the City Charter, hold office until a qualified successor is elected. Regular terms of office commence at the beginning of the first regular meeting of the Council in May or following the final election as provided in Section 4.05 (Charter Amendment of August 11, 1979).

This report includes all funds of the City. The City provides a full range of services. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets, traffic engineering, and infrastructure; planning and zoning; general administrative services; water treatment and distribution; sewer service; drainage enhancements and improvements; and recreational and cultural activities. In addition to general government activities, the Mansfield Park Facilities Development Corporation and the Mansfield Economic Development Corporation are required to be included in the City's reporting entity. For additional information, see note I.A. of the notes to financial statements.

The annual budget serves as the foundation for the City's financial planning, financial policies, and financial control. All agencies of the City are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review prior to September 1. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 15. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). However, the statutory authority or legal level of control for the authority of annual expenditures is appropriated at the fund level by the City Council. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council, if requested by the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 71 as part of the required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the combining and individual fund statements and schedules section, which starts on page 74.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The City currently enjoys a favorable economic environment and local indicators point to continued stability even though the national economy has been in severe economic recession over the past several years. The region has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate.

Industry

Mansfield has a large industrial area within the City with rail service and adequate water storage to meet fire protection and other demands. The City is not financially dependent upon any one industry or type of industry. See page 96 in the Statistical Section for further information on principal taxpayers. The City recognizes the value of industry to its economic base and continues to seek industry that will be beneficial to the City. Beginning in fiscal year (FY) 1997, the Mansfield Economic Development Corporation, funded by a 1/2 cent sales tax, provides funds for economic development, including financial incentives, infrastructure needs, and tax relief in the recruitment and retention of industry. Recent accomplishments in locating major businesses such as Methodist Hospital and Kline Tools are indicative of the accomplishments of the economic development program.

Transportation

The City is traversed east and west by U.S. Highway 287, and north and south by State Highway 360. The City has direct access to Interstate Highway 20 and Interstate Highway 30. Railroad freight service is provided by Union 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, one of the highest rated school districts in the Dallas/Fort Worth metropolitan area by the Texas Education Agency. The City has five high schools (Grades 9 and 12), six middle schools (Grades 7 and 8), six intermediate schools (Grades 5 and 6), and 22 elementary schools (Grades K - 4). Enrollment for the 2010/2011 school year was approximately 32,638, with a pupil-teacher ratio of one teacher to 25.7 students. Colleges within close proximity to the City are Tarrant and Dallas County Junior 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, and Texas Christian University, all of which are well known for their educational standards.

Medical Services

Full service medical service is provided by Methodist Health System, and limited-service care is provided by Vencor Hospital and Cook Children's Clinic. Other full-service hospitals in the immediate area include Medical Center of Arlington, Arlington Memorial Hospital, Hughley Memorial Medical Center, Harris Methodist Hospital, Cook Children's, and John Peter Smith Hospital.

Area Economic Condition

Mansfield, located in the Dallas/Fort Worth metroplex, and included as one of the 13 cities that comprise the Mid-Cities, continues to grow and develop. The overall outlook for Mansfield in the future is positive. The City is traversed by State Highway 360 and U.S. Highway 287.

The major benefits to the City of State Highway 360 are as follows: direct north and south access to the Dallas/Fort Worth International Airport in 20 minutes, the potential of expanding the City's commercial/industrial and residential developments along the corridor of State Highway 360, as well as the numerous industrial parks located within the close proximity of State Highway 360 and U.S. Highway 287 intersection. Construction of the frontage roads opened up 6.1 miles of frontage for industrial and commercial development properties.

Over the past several years, the City and the local economy have experienced increasing property values and sales tax. Current real estate values are trending upward, and the City is continuing to experience positive growth in residential, industrial, and commercial properties.

Long-Term Financial Planning

In 1999, management assembled a committee to develop a ten-year operating and capital plan that would be used as a guide, plan, or financial roadmap to assist in decision making of management as the City grew. The primary directives issued by the City Manager to the committee were as follows:

- Review population growth projections
- Identify potential high growth areas
- Specify major infrastructure improvements
- Analyze the financial impact of the improvements
- Develop a comprehensive strategic plan

Council adopted the plan in November 2000. Since the original adoption of the plan, the City has revised and adopted new plans to include additional economic variables, policy decisions, and other planning instruments that affect the overall financial plan of the City.

The strategic plan considers and includes the current and future revenue structure of the system based upon current market trends assuming an allowance for expenditures and sound conservative fiscal policies to protect, maintain, and improve the City's services.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2011. This was the 25th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2011. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Clayton W. Chandler
City Manager

Peter K. Phillis, CPA
Director of Business Services

Troy M. Destina
Assistant Director of Business Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

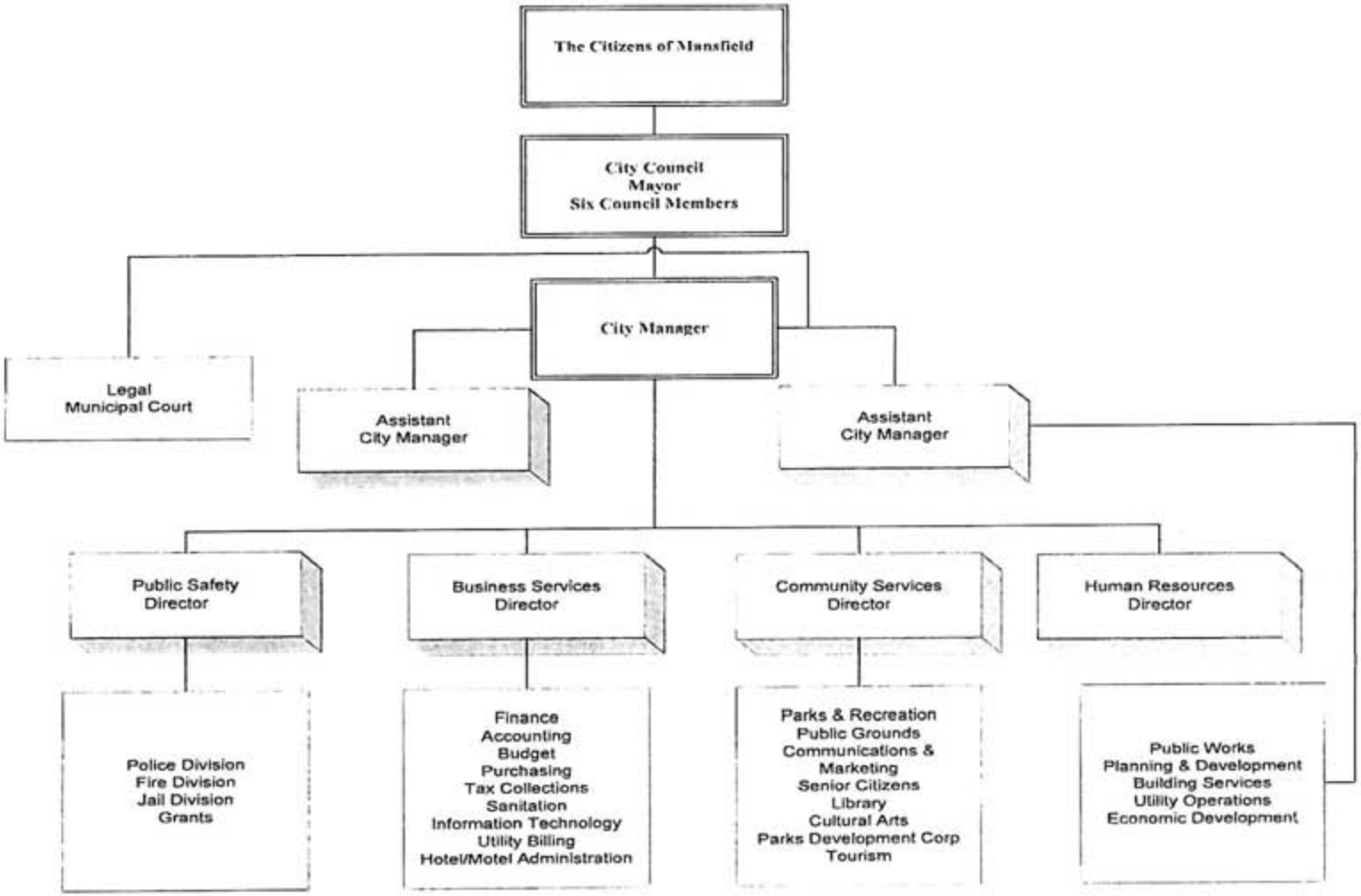
City of Mansfield Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director


The Citizens of Mansfield
City Council
Mayor
Six Council Members
City Manager
Legal
Municipal Court
Assistant
City Manager
Assistant
City Manager
Public Safety
Director
Business Services
Director
Community Services
Director
Human Resources
Director
Police Division
Fire Division
Jail Division
Grants
Finance
Accounting
Budget
Purchasing
Tax Collections
Sanitation
Information Technology
Utility Billing
Hotel/Motel Administration
Parks & Recreation
Public Grounds
Communications &
Marketing
Senior Citizens
Library
Cultural Arts
Parks Development Corp
Tourism
Public Works
Planning & Development
Building Services
Utility Operations
Economic Development

CITY OF MANSFIELD, TEXAS

PRINCIPAL OFFICERS

SEPTEMBER 30, 2012

MAYOR

David Cook

MAYOR PRO TEM

Larry Broseh

CITY COUNCIL

Stephen Lindsey
Darryl Haynes
Wendy Burgess
Cory Hoffman
Brent Newsom

CITY MANAGER

Clayton W. Chandler

ASSISTANT CITY MANAGER

Chris Burkett

DIRECTOR OF BUSINESS SERVICES

Peter K. Phillis, CPA

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mansfield, Texas (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 14 through 27, the budgetary comparison information on pages 71 through 72 and 76 through 77, and the schedules of funding progress on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, capital assets used in the operation of governmental funds schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and capital assets used in the operation of governmental funds schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual nonmajor fund financial statements and schedules and capital assets used in the operation of governmental funds schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

January 31, 2013

Management's Discussion and Analysis

As management of the City of Mansfield (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

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

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

- At of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $30.8 million. Approximately 32% of this $30.8 million is available for spending at the City's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the general fund was $9.9 million or 27% of total general fund expenditures.

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

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

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

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

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

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

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balance of spendable resources available at the end of the

fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the street construction fund, the building construction fund, and the TIRZ fund, all of which are considered to be major funds. Data from the other 5 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

Proprietary Funds

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

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

Fiduciary Funds

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

Notes to Financial Statements

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

Other Information

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

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

Government-Wide Financial Analysis

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

By far, the largest portion of the City's net assets (91%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's Net Assets

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

As of September 30, 2012, an additional portion of the City's net assets, $4,809,693 or 1.28%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $29,957,876, may be used to meet the government's ongoing obligations to citizens and creditors.

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

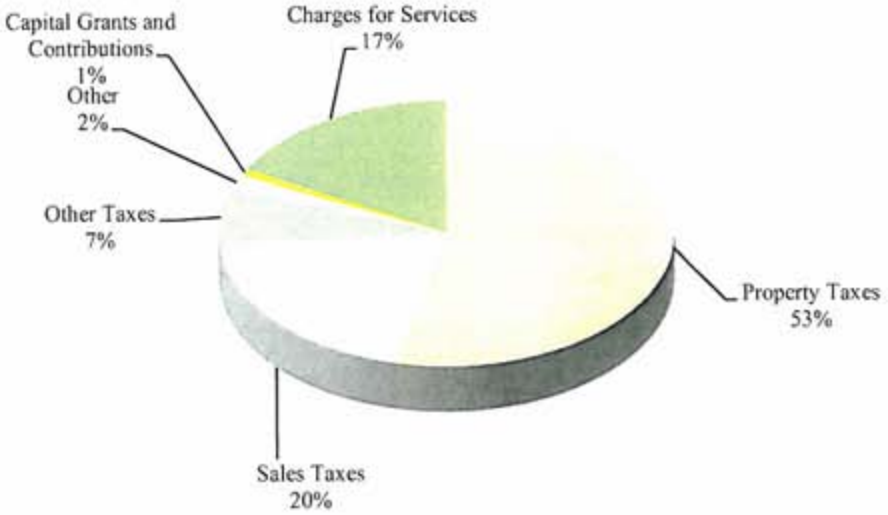
City's Changes in Net Assets

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

Governmental Activities

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

Governmental Activities - Revenues by Source

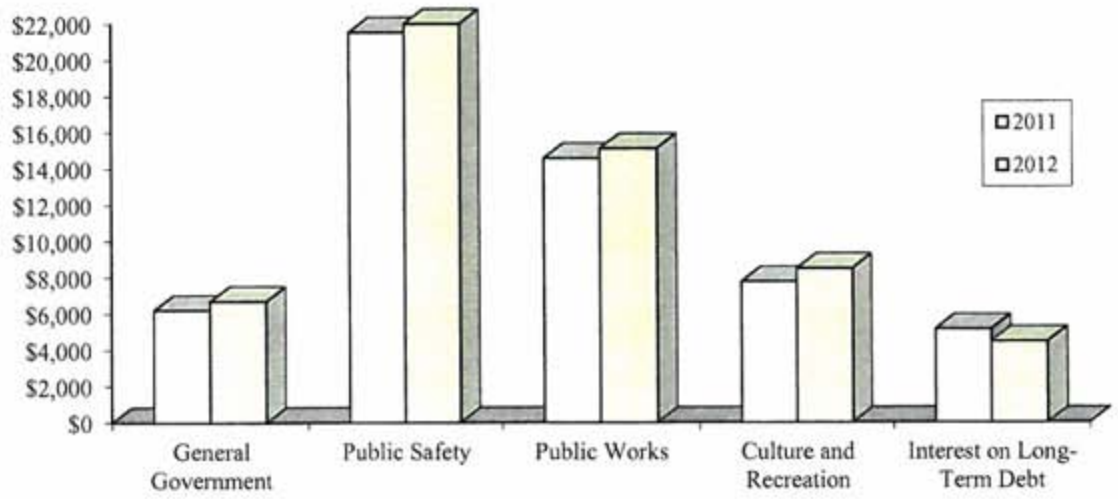


Expenses increased in fiscal year 2012 compared to expenses in fiscal year 2011 by 3.94% or $2.2 million. The expectation of a continued demand for certain services reprioritized funding in fiscal 2012 compared to prior year. The realignment of expenses reduced cultural and recreational services, increased infrastructure repairs, and added costs to public safety, which has been a priority of the administration in recent years. The increases occurred in public safety because it has greatest number of employees working for the City and in public works because of the need to repair some aging streets. The public works program of the City spends most of its money on street improvements, which are recognized over the course of time through depreciation expense after the improvements have been capitalized. In fiscal 2012, the City recognized $9.56 million in depreciation expense for street-related assets. Street improvements are expected to last twenty-five years with the appropriate level of maintenance and repair. This year, the City spent over $2.0 million in maintenance and repairs on its 245 plus miles of linear streets. Interest expense is another component of expenses that is affected by the development of the City. This year, the City spent $4.5 million in interest expense related to the borrowing of $105.4 million in governmental activities. This was 7.78% of the total expenses recognized for fiscal 2012. Interest expense is the cost the City incurs for borrowing money to make long-term improvements that are generally regarded as long-term assets of the City. This fiscal year, the Governmental activities added $1.03 million to the City net assets. Key elements of this increase are as follows:

City's Changes in Net Assets

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

Governmental Activities – Expenses (in thousands)



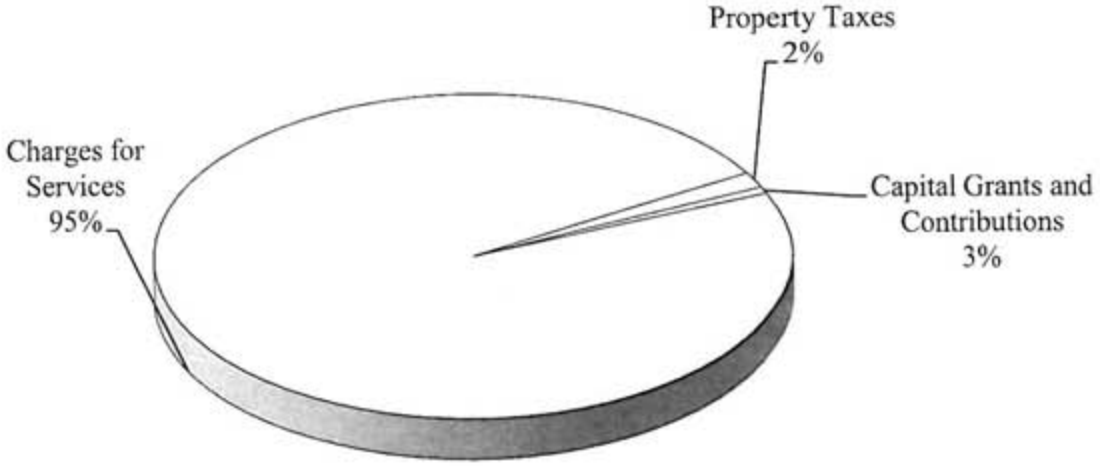
Business-Type Activities

Revenues and expenses for the City's business-type activities increased over the previous fiscal. Revenues of $36.6 million exceeded total expenses, $30.02 million, and equity transfers of, $(.4) million, by $6.2 million. This increased the net assets of the business-type activities from $134.6 million to $140.8 million by the end of fiscal year 2012. Comparatively, Business-Type Revenues exceeded prior year Business-Type Revenues by 2.89% or $1.03 million. Revenues for fiscal year 2012 were $36.6 million and revenues for fiscal year 2011 were $35.6 million. Expenses for fiscal year 2012 were $30.0 million before equity transfers of $(.4) million and expenses for fiscal year 2011 were $27.6 million before equity transfers of $.5 million. The increase in net assets is primarily the result of the activity of the City's Water & Sewer Fund as the financial results of the City's other Business-Type Funds, Law Enforcement Center Fund, and Drainage Utility Fund, for fiscal year 2012 were comparable to the results of fiscal year 2011.

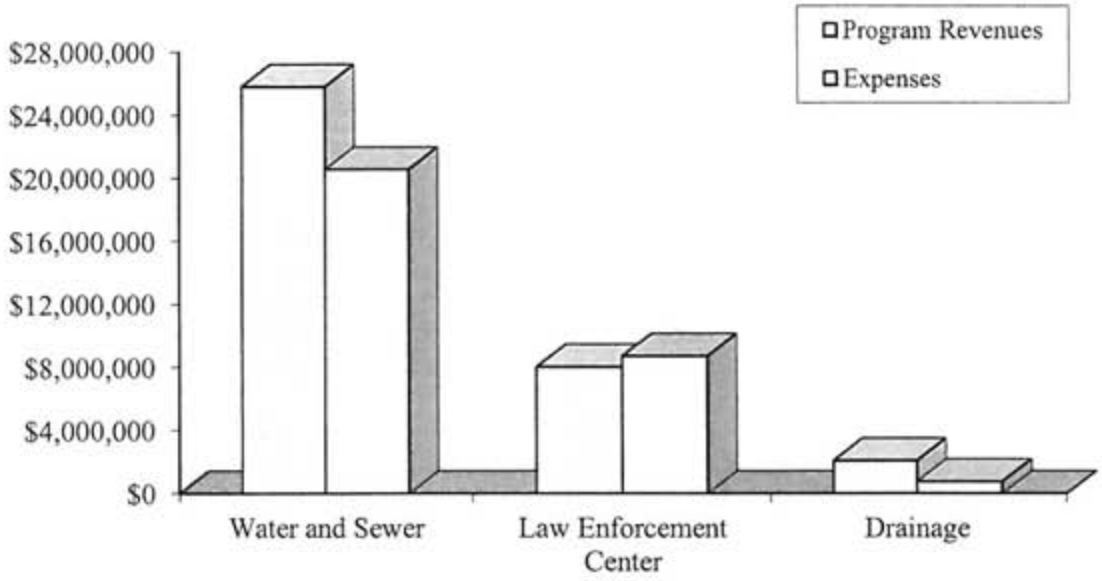
Capital contributions have been a revenue source for the Business-Type Activities. These capital contributions are from the public improvements donated by developers. The City requires developers to pay for the cost of public improvements or infrastructure needed to support their developments, and in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

The other significant revenue in the business-type activities is a property tax that is levied through the taxing authority of the City. The purpose of this levy is to pay debt for the construction costs of the City's Law Enforcement Center Fund. The City's Law Enforcement Center keeps the fees or Charges for Services generated from contracts the City has with other governmental agencies for the housing of inmates. These fees are recognized as Charges for Services in the Business-Type Activities and are used to pay for the cost of housing inmates in this Business-Type Activity.

Business-Type Activities – Revenues by Source



Business-Type Activities - Program Revenues and Expenses



Financial Analysis of the Government's Funds

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

Governmental Funds

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

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance of the general fund was $10,571,459. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 26.86% of total general fund expenditures.

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

- Actual revenues exceeded actual expenditures by $1,214,241, which was increased by the net effect of other financing uses of $324,501. Other financing uses paid for the cost of

operating the City's portion of the Law Enforcement Center. The City's Water and Sewer Utility operation made a payment in-lieu of taxes to the City for the use of the City's right of way. This amount was $662,552 and offset the total other financing uses of $(360,368) in fiscal year 2012.

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

- The City operating expenses increased because of the City's goal to maintain a quality workforce. Funds were spent to maintain the workforce and maintain the morale through the administration of compensation. The primary increases are in the City's Public Safety function as most of the employee group is in the City's Public Safety function. The City has maintained a conservative strategy in managing the human resources of the City. Overall, a few new personnel were added during fiscal year 2012 and personnel costs were managed and funded based on demand for services.

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

The street construction's fund balance decreased by $(704,919) during fiscal year 2012. This fund's fund balance decreased as a result of construction payments of $5,709,850 for the improvement of major streets and neighborhood streets in and throughout the City. Other activity within the street construction fund included additional revenues from development fees charged by the City for the impact or costs that new development has on primary streets within the City. This fee generated $785,564 in fiscal year 2012. The City's Economic Development Corporation also contributed $142,606 for land and infrastructure improvement during fiscal year 2012.

Proprietary Funds

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

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

- The City treats lake water and sells it to consumers for a fee. These fees have remained relatively constant over the past decade; but in 2006, the City restructured the Water and Sewer rates to comply with conservation requirements of the State of Texas. In 2009 and 2010, the City

subsequently raised rates to offset the decrease in capital assessment fees and the increased costs from the City's primary water supplier. The new rate design has not significantly affected or reduced consumption in the Water and Sewer Fund. Weather influences the system revenue. Weather extremes test the City's ability to produce water for consumption and it challenges the system's ability to finance the infrastructure to supply the water to meet the demand of the consumer. A wet year creates less demand for water, which creates less revenue to support the cost of financing the infrastructure, which is built to supply the demand for water in a dry year. Fiscal year 2012 was a normal year in terms of precipitation.

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

- Unrestricted net assets increased in the Water and Sewer Fund by $2,890,529. Operating expenses increased $1,589,133 over last year, excluding depreciation. Operating expenses are controlled through the direct administration of personnel costs and variable costs, which are directly caused by consumer's demand for the water. The City spent $3,355,981 for raw water in fiscal year 2012 compared to $2,839,570 in fiscal year 2011 and the City spent $3,817,163 to treat the City wastewater in fiscal 2012.

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

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

Budgetary Highlights

General Fund

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

Revenue results exceeded budgeted estimates by $2,192,519 for fiscal year ended 2012:

- Property Taxes fell below budgeted estimates by $318,594 because original assessed valuation estimates were lower than final valuations as the ad valorem roll was finalized by the appraisal district after the adoption of the City's budget.

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

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

- Licenses and permits exceeded budgeted estimates by $789,024. The budgeted building activity revenue was conservatively estimated in 2012. The City realized a slowdown in residential development resulting from the housing market recession that rippled through the U.S. economy during fiscal year 2009 and 2010. Building permits exceeded prior year activity slightly, but the City aggressively budgeted this estimate below actual because of the lasting impact of permanent costs being added to the City's overall operating cost and the lasting effect of the housing recovery.

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

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

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

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounts to $472,752,045 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

City's Capital Assets (net of depreciation)

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

Governmental Capital Assets

Roadway expansion and improvements remain a primary element of the City's public works program. In 2012, several major arterial thoroughfares in the City were widened to provide access to Mansfield's

developing retail centers. Mansfield has leveraged future tax revenue with general obligation bonds and anticipated the collection of roadway impact fees to pay for an expected $58 million in new street improvements over the next 10 years.

Street projects in fiscal year 2012:

- One of the streets that have seen extensive reworking and improvement is Calendar Road, which is in the northwest area of the City. The City is seeing some residential and commercial development occurring in its northwestern corridor, which has prompted some of these infrastructure improvements.
- Several small arterial streets are under construction and design throughout neighborhoods.
- In total, the City spent $5,709,850 in street improvements and related work during fiscal year 2012.

Most of the capital assets that were added to construction in progress or the asset base of the City during fiscal year 2012 were planned or budgeted expenditures during fiscal year 2012. The City plans its asset expansion with deliberate budgetary control and oversight as these costs are substantial and have a significant effect on the operational cost and ultimately performance of the City.

Business-Type Assets

The City's municipally owned and operated water and sewer system has maintained its superior rating by the Texas Commission on Environmental Quality. Approximately 20% of the City's more than $110 million water/sewer improvement tab is expected to be paid by impact fees over the next ten years. These fees are designed to reduce the system's initial costs in building and running water and sewer lines to the user. These impact fees must be used for capital purposes and are restricted as to use by law.

The City's drainage program, which consists of $18.5 million in improvements scheduled over the next 20 years, had some improvements this year, which were mostly related to soft costs coupled with improving and building detention basins. The City has spent over $7.6 million on the drainage improvements as of September 30, 2012 and has over $1,114,187 in the construction in progress stage.

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

Long-Term Debt

At the end of the current fiscal year, the City had total principal outstanding of $181,790,000. Of this amount, $95,290,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The City's Component Unit, Mansfield Economic Development Corporation, MEDC, has $12,450,000 in outstanding debt backed by a voter passed sales tax.

City's Outstanding Debt - Tax Obligations and Revenue Bonds

	Governmental Activities	Business-Type Activities	Component Unit MEDC	Total 2012
Security Instrument:				
Tax obligation bonds	$93,200,000	$2,090,000	$ -	$ 95,290,000
Sales tax revenue bonds	12,180,000	-	12,450,000	24,630,000
Revenue bonds	-	61,870,000	-	61,870,000
Total	$ 105,380,000	$ 63,960,000	$12,450,000	$181,790,000

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

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

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

The City Charter of the City and the statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 populations, limits the ad valorem tax rate to $2.50 per $100 assessed valuation. The City operates under a Home Rule Charter, which also imposes a limit of $2.50. The FY2011/2012 Property Tax Rate was $.71000 per $100 valuation with a tax margin of $1.79000 per $100 valuation based upon the maximum ad valorem tax rate noted above. Additional revenues up to $78,700,871 per year could be raised before reaching the maximum allowable tax base on the current year's appraised net taxable value of $4,396,696,698.

Economic Factors: Next Year's Budgets and Rates

The City Economy

- New residential construction is expected to add 480 units with approximately 172 single-family units in 2013. The City has seen a decline in building activity over the past several years; however, development is still occurring within the City. During the budget process for the 2013 fiscal year, the City maintained the building services-related revenue with expectations similar to that of 2012. The City's tax year is one year in arrears thus the housing starts in calendar year 2011 are for budget year or fiscal year 2013.

- The City's annual growth in property valuation has increased 11% annually on average for the past ten years. For fiscal years 2013 and 2014, the City's valuations are expected to increase 3% and 3%, respectively. Generally, the City has seen the effect of the residential marketplace, which has been offset by the inertia of new growth and the value of the new growth as it is measured in terms of the quality of life. This intangible trait has developed fairly recently over the last decade, which is now being tested and seems to be adding value to existing residential communities within the City causing some residential communities to stabilize rather quickly in the face of recent declines in existing property valuation during fiscal 2011. The City is also seeing the continued demand for commercial development because of the significant discretionary spend of the residents and the relatively stable economy within the City.

- In years past, sales tax revenue grew in excess of 10% annually; like property valuations, the City has adjusted its projections of anticipated sales tax receipts in 2013 and 2014. The expected budgeted sales tax receipts in 2013 are at 2012 actual estimates, with the expectation that this estimate may be attained or surpassed toward the end of 2013. Fiscal year 2014 is expected to remain relatively flat or equivalent to expectations in 2013.

- Retail developments and improvements continue into 2013 and 2014. The challenge has been the effect of the national economy and the ability of companies and businesses to obtain capital financing. The City is taking an aggressive position in continuing development in the City because

of the support for continued retail development and the community's expectation to support additional retail. The City is offering development incentives, i.e., partnering with developers to pay for public infrastructure to offset lending costs of developers because of the credit or lending industry. Development is expected to continue and new property valuations are expected from these developments.

- Median income continues to be an attractive asset for additional development and many in the development community are planning on capturing this income through commercial developments.

- The City benefits from its strategic location, which is approximately 20 miles from Fort Worth and 32 miles from Dallas.

- The City has developed stringent building code standards that require sustainable developments to assist in extending the asset life of the tax base into the future.

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

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

Requests for Information

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

City of Mansfield
Statement of Net Assets
As of September 30, 2012

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

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

City of Mansfield
Statement of Activities
For the Year Ended September 30, 2012

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

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

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

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

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

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

City of Mansfield, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

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

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

City of Mansfield, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2012

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

Net change in fund balances total governmental funds	$ 1,556,098
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(2,508,606)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	537,509
Lease revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenue in the funds.	(3,889)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	123,202
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the treatment of long-term debt and related items.	1,321,296
Changes in net assets of governmental activities	$ 1,025,610

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

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

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

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

City of Mansfield, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2012

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

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

City of Mansfield, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2012

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

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

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

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

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

I. Summary of Significant Accounting Policies

The financial statements of the City of Mansfield, Texas (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to November 30, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. The more significant accounting and reporting policies used by the City are described below.

A. Reporting Entity

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

Blended Component Units

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

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

Discretely Presented Component Unit

Mansfield Economic Development Corporation (MEDC) – In 1997, the voters passed an additional 1/2 cent sales tax to fund an aggressive economic development program and provide financial incentives, infrastructure needs, and tax relief in the recruitment and retention of industry. Although the City Council appoints all board members, none of the board members are currently City Council members. In addition, City management maintains significant continuing management responsibility with respect to MEDC financial matters. The City is financially accountable for the MEDC because the City Council approves the MEDC's budget, levies taxes, and must approve any debt issuances. The MEDC does not provide services entirely or almost entirely to the City and does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

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

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

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

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

Separate fund-based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, debt service fund, street construction fund, building construction fund, and TIRZ fund. The major enterprise funds are the water and sewer fund, the law enforcement center fund, and the drainage utility fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities,

revenues, or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds along with other qualitative factors. The nonmajor funds are combined in a separate column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

A significant amount of the City's revenues are derived from developer contributions. The effect of these transactions, recorded as revenue, in the City's water and sewer funds was significant. Developer's contributions of $239,100 are recorded as nonoperating revenue in the water and sewer

fund financial statements. These amounts represent revenues from nonexchange transactions during the fiscal year. For reporting non-exchange transactions for the governmental activities, in the government-wide financial statements on the accrual basis of accounting, the revenues are recorded as capital contributions program revenue, which totaled $539,094.

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

The government reports the following major governmental funds:

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

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

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

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

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

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

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the operation of the City's water and sewer system. Activities of the Fund include administration, operation, and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources

for, and the payment of, long-term debt principal and interest for general obligation, and revenue bonds. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

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

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

Additionally, the government reports the following fund type:

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments:

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

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

For fiscal year 2012, the City invested in direct obligations of the U.S. government, or its agencies and mutual funds as authorized by the City's investment policy. The City records interest revenue earned from investment activities in each respective fund and recognizes its investments on a fair value basis, which is based on quoted market prices.

2. Inventory:

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

3. Prepaid Items:

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

4. Capital Assets:

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

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

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

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with the interest earned on invested proceeds over the same period. The City capitalized $0 of interest during fiscal year 2012.

5. Compensated Absences:

Vested or accumulated vacation leave is accrued in the government-wide and proprietary fund financial statements when incurred. No liability is recorded for non-vesting, accumulating rights to receive sick pay benefits. Vacation is earned in varying amounts up to a maximum of fifteen (15) days for employees with ten (10) or more years of service. Unused vacation leave is carried forward from one year to the next without limit with regards to years of service. As of September 30, 2012, the liability for accrued vacation was $6,063,180. The amount applicable to the Proprietary Funds $933,338 and the MEDC $46,125 have been recorded in these funds, and the amount applicable to other funds $5,083,717 has been recorded in the government-wide financial statements.

6. Interfund Charges:

The City allocates to the Water and Sewer Fund, a percentage of the salaries and wages and related costs of personnel who perform administrative services for the fund but are paid through the General Fund. During the year ended September 30, 2012, the City allocated $147,980 to the Water and Sewer Fund for these services.

7. Property Tax:

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

the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period.

The statutes of the State of Texas do not prescribe a legal debt limit; however, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 in population limits the ad valorem tax rate to $2.50 per $100 assessed valuation. The City operates under a Home Rule Charter, which also imposes a limit of $2.50 per $100 assessed valuation. For the year ended September 30, 2012, the City had a tax margin of $1.79 per $100 assessed valuation based upon the maximum rates prescribed by law.

8. Long-Term Obligations:

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

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

9. Restricted Assets:

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

10. Use of Estimates:

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

11. Fund Balance Classification:

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

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

enabling legislation. The nonspendable classification includes amounts that are not in spendable form or required to be maintained intact. The unassigned fund balance classification represents fund balance that has not been classified to another category.

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

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

The detailed fund balance classifications are as follows:

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

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $108,175,085 difference are as follows:

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

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $(2,508,606) difference are as follows:

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

Another element of that reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The statement of activities reports contributions of capital assets. Conversely, the governmental funds do not report any contributions of capital assets. The $537,509 difference is as follows:

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

Another element of that reconciliation states that "revenues recognizing future lease payments on a straight-line basis in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the funds." The $(3,889) difference is as follows:

The statement of activities reports lease revenues to recognize future lease payments on a straight-line basis. However, governmental funds do not report lease revenues until they are available.	$(3,889)

Another element of that reconciliation states that "other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.
The $123,202 difference is as follows:

The governmental funds defer revenue related to uncollected receivables. However, in the statement of activities, this amount is recognized in the current period.	$123,202

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $1,321,296 difference are as follows:

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

III. Detailed Notes on All Funds

A. Deposits and Investments

As of September 30, 2012, the primary government had cash and cash equivalents of $29,226,056 and the following investments, which are recorded as cash equivalents (maturities of investments are measured in weighted average maturities or WAM)

Primary Government - Governmental Activities and Business-type Activities	Fair Value	WAM (Years)
Investment Type - Money Market Mutual Funds		
Total Fair Value and Weighted Average Maturity	$44,477,416	0.13

As of September 30, 2012, the Mansfield Economic Development Corporation had cash and cash equivalents of $8,297,092 and the following investments, which are recorded as cash equivalents (maturities of investments are measured in weighted average maturities or WAM)

Component Unit - Mansfield Economic Development Corporation	Fair Value	WAM (Years)
Investment Type - Money Market Mutual Funds		
Total Fair Value and Weighted Average Maturity	4,804,373	0.13

Interest Rate Risk –

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

Credit Risk –

The City is authorized to invest in U.S. government obligations and its agencies or instrumentalities, obligations of Texas and its agencies, fully insured or collateralized certificates of deposit, fully collateralized direct repurchase agreements, government pools and money market funds consisting of any of these securities listed, and obligations of states, cities, and other political subdivisions with a rating of "A" or its equivalent. As of September 30, 2012, the City's investment in the money market mutual funds was rated "AAA" by Standard and Poor's and "Aaa" by Moody's Investment Service.

Custodial Credit Risk Deposits –

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

Custodial Credit Risk Investments –

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

Concentration of Credit Risk Investments –

The City's investment policy does not place a limit on the amount the City may invest in a single issuer because the City's investment policy limits the City's authorized investments. These authorized investments include any security backed by the federal government, the State of Texas, or political subdivision with an investment grade rating of "A" or better. The City's investment policy authorizes mutual funds, "AAA" rated only registered with the Securities and Exchange Commission available alternatives to previously listed authorized securities. At September 30, 2012, the City's investments are held in Texas Class Money Market Mutual Fund and Bank of America Merrill Lynch Money Market Mutual Fund. These investments are 50.78% and 48.32% of the City's total investments. These money market mutual funds are invested in U.S. Treasury obligations, which are backed by the full faith and credit of the U.S. government.

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

Credit Risk –

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

Custodial Credit Risk Investments –

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

B. Receivables

Receivables at September 30, 2012 consisted of the following:

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

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

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

C. Capital assets

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

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

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

C. Capital assets continued

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

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

Construction Commitments

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

The MPFDC had outstanding commitments at September 30, 2012, under authorized construction contracts of approximately $87,000. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources. These outstanding commitments relate to the non-major funds.

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

The Drainage Utility Fund had outstanding commitments at September 30, 2012, under authorized construction contracts of approximately $499,000. These outstanding commitments will be financed by proceeds from prior bond issuances and other funding sources.

Discretely Presented Component Unit

Activity for the MEDC for the year ended September 30, 2012 was as follows:

Mansfield Economic Development Corporation:	Sept 30, 2011	Increases	Decreases	Sept 30, 2012
Capital assets, not being depreciated:				
Land	$7,807,082	$ -	$ -	$7,807,082
Construction in Progress	751,129	375,286	(142,605)	983,810
Total capital assets, not being depreciated	8,558,211	375,286	(142,605)	8,790,892
Capital assets, being depreciated:				
Other improvements	167,248	-	-	167,248
Machinery and equipment	72,312	-	-	72,312
Total capital assets, being depreciated	239,560	-	-	239,560
Less accumulated depreciation for:				
Other improvements	(50,904)	(3,988)	-	(54,892)
Machinery and equipment	(79,208)	-	-	(79,208)
Total accumulated depreciation	(130,112)	(3,988)	-	(134,100)
Total capital assets being depreciated, net	109,448	(3,988)	-	105,460
MEDC capital assets, net	$ 8,667,659	$371,298	$(142,605)	$ 8,896,352

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

D. Interfund Transfers

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

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

The General Fund received a transfer from the Water and Sewer Fund for a payment-in-lieu of taxes, $662,552, for services provided as part of the City's ordinary government.

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

E. Long-Term Debt

Governmental Activities -

General Obligation Bonds, Loans, and Certificates of Obligation

The general obligation bonds, loans, and certificates of obligation are serial and term debt collateralized by the full faith and credit of the City and are payable from property taxes. The debt matures annually in varying amounts through 2032, and interest is payable semiannually. Proceeds of general obligation bonds are recorded in the Capital Projects Funds and are restricted to the use for which they were approved in the bond elections. Certificates of obligation bonds and loan proceeds are recorded in the appropriate fund for which the debt was issued and approved by the City. The City Charter expressly prohibits the use of bond proceeds to fund operating expenditures.

In 2012, the City issued $5,855,000 in General Obligation Refunding Bonds, Series 2012, for the purpose of refunding $5,495,000 of the City's outstanding debt. The bonds of $5,855,000 plus premiums of $224,479, less discounts of $49,903 and less issuance costs of $130,761 were used to refund a portion of the City's outstanding debt.

The City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $403,815 and resulted in an economic gain of $705,169. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was $380,518 at September 30, 2012.

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

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

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

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

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

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

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

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

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

The City entered into a purchase agreement for the purchase of Public Safety equipment. This lease purchase agreement was entered into August 15, 2011. The amount of the equipment purchased was $372,856 and is to be repaid over a five-year period at an interest rate of 2.44% per year.

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

Special Sales Tax Revenue Bonds

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

In 2012, the City issued $4,995,000 in Sales Tax Revenue Refunding Bonds, Series 2012, for the purpose of refunding $4,690,000 of the City's outstanding debt. The bonds of $4,995,000 plus premiums of $41,008, less discounts of $25,825 and less issuance costs of $123,898 will be used to refund a portion of the City's outstanding debt.

The City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $196,285 and resulted in an economic gain of $486,138. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was $184,017 at September 30, 2012.

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

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

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

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

Changes in long-term liabilities

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

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

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

Business-Type Activities -

Water and Sewer Fund

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

Waterworks and Sewer System Refunding and Revenue Bonds

The City issued in the current fiscal year $2,320,000 in Water and Sewer System Revenue Refunding Bonds, Series 2012, for the purpose of refunding prior debt issuances. The Bonds of $2,320,000 plus premiums of $24,243 less discounts of $11,302 and less the issuance costs of $82,721 were used for refunding prior debt issuances. The City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $195,970 and resulted in an economic gain of $192,727. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was $183,722 at September 30, 2012.

In 2004, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $462,612. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was $126,167 at September 30, 2012.

In 2005, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $327,090. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was $92,676 at September 30, 2012.

In 2011, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $104,513 and resulted in an economic gain of $53,332. This deferred

amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. The deferred amount on refunding was $96,262 at September 30, 2012.

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

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

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

Fiscal Year	Principal	Interest	Total
2013	$3,700,000	$2,611,729	$6,311,729
2014	3,820,000	2,493,316	6,313,316
2015	3,960,000	2,364,720	6,324,720
2016	3,695,000	2,217,470	5,912,470
2017	3,825,000	2,073,826	5,898,826
2017-2021	16,745,000	8,119,488	24,864,488
2022-2026	14,175,000	4,415,718	18,590,718
2027-2030	6,485,000	651,863	7,136,863
TOTAL	$56,405,000	$24,948,130	$81,353,130

Law Enforcement Center

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

Refunding Bonds

In 2005, the City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $294,336. This deferred amount on refunding was being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt. There were no deferred or defeased amounts as of September 30, 2012.

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

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

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

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

Drainage Utility Fund

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

The City issued in the current fiscal year $3,740,000 in Municipal Drainage Utility System Revenue Refunding Bonds, Series 2012, for the purpose of refunding prior debt issuances. The Bonds of $3,740,000 plus premiums of $69,509 less discounts of $26,515 and less the issuance costs of $121,424 were used for refunding prior debt issuances. The City refunded debt at which time the reacquisition price exceeded the net carrying amount of the old debt by $285,920 and resulted in an economic gain of $333,855. This deferred amount on refunding is being netted against the new debt and amortized over the refunded debt's life using the straight-line method, since the refunded debt's life was shorter than the life of the new debt.

Drainage Utility Fund debt outstanding at September 30, 2012 comprises the following issues:

Date Issued	Interest Rates	Date Series Matures	Amount of Original Issue	Bonds Outstanding
2007	4.00% to 4.30%	2027	$2,200,000	$1,805,000
2012	2.00% to 3.13%	2024	3,740,000	3,660,000
TOTAL				$5,465,000

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

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

Changes in business-type activity debt

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

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

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

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

Discretely Presented Component Unit

Mansfield Economic Development Corporation

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

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

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

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

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

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

Changes in MEDC Debt

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

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

F. Restricted Assets

The restricted assets of the Business-type Activities as of September 30, 2012 included the following legal use restrictions.

Enterprise Fund	Revenue Bond Sinking and Reserve Fund	Bond Construction Fund	Inmate Trust Fund	Total
Water and Sewer Fund	$4,120,649	$14,940,574	$ -	$19,061,223
Law Enforcement Complex	106,761	10,482	65,802	183,045
Drainage Utility	92,259	695,751	-	788,010
TOTAL	$4,319,669	$15,646,807	$65,802	$20,032,278

The ordinance authorizing the issuance of Water and Sewer System revenue bonds requires that the City establish a sinking fund (Revenue Bond Sinking and Reserve Fund) in an amount not less than the average annual requirement for the payment of principal and interest on all the revenue bonds. At September 30, 2012, the sinking fund balance is sufficient to satisfy such bond ordinance requirements. The bond ordinance also contains provisions, which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and the pledged revenues are equal to or greater than 1.25 times the average annual debt service requirements after giving effect to the proposed additional bonds and any proposed rate increases. In addition, the bond ordinance requires that the annual gross revenues of the Water and Sewer System, less annual operation and maintenance expenses (excluding depreciation and amortization expense), be at least 1.10 times the annual principal and interest requirements of all the outstanding revenue bonds.

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

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

G. Retirement Plan

Plan Description:

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

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

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

	Plan Year 2011	Plan Year 2012
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions:

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rates go into effect. The annual pension cost for 2011, 2010, and 2009 was $3,869,129, $3,643,202, and $3,256,553, respectively, which was equal to the City's required and actual contributions. The required contributions were determined as part of the December 31, 2009 and 2008 actuarial valuations using the projected unit credit actuarial cost method.

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

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent
Remaining Amortization Period	28.1 years; closed period	27.1 years; closed period	26.1 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2011 (unaudited), the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2010	$64,912,070	$82,127,435	79.0%	$17,215,365	$25,789,618	66.8%
12/31/2011	$73,360,968	$89,180,462	82.3%	$15,820,064	$25,790,850	61.3%

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

H. Supplemental Death Benefits

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

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

Contributions:

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

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were $31,710, $42,684, and $40,809, respectively, which equaled the required contributions each year.

I. Other Post-Employment Benefits - OPEB

Plan Description

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

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

Measurement Focus and Basis of Accounting

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

Benefits

City employees will be provided the opportunity to elect employer-subsidized health programs until the age of 65. After the age of 65, the City will pay the following percentage of employer-subsidized premium as a lifetime-only benefit. At the time of the actuarial valuation, the City paid retired employee premiums of $864.96 for medical coverage and $44.42 for dental coverage. The City does not subsidize family health coverage. The years of service must be worked for the City, and other creditable years of service are excluded when determining the percentage:

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

At the time of the actuarial valuation, the City had 426 active plan members and only 37 retired plan members receiving benefits.

Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the plan upon retirement. Expenditures for postretirement healthcare and other benefits are recognized monthly and funded into the irrevocable trust. The City funds 100% of the ARC, which approximates the annual OPEB cost, and totaled $703,597 for the fiscal year ended September 30, 2012. The City also funded 100% of the ARC, which approximates the annual OPEB cost, and totaled $585,684 for each of the fiscal years ended September 30, 2011 and 2010. The retirees are responsible for funding approximately 2% of the healthcare and other benefit premiums.

Eligible retired employees participating in the City's Retiree Health Insurance Plan pay their premiums directly to the City. The City paid the ARC, including the employee portions of healthcare premiums directly to the Trust in the amount of $703,597 for fiscal year 2012.

Funding

The City makes an annual contribution to the plan approximately equal to the ARC. The City commissioned an updated actuarial valuation of the plan for October 1, 2011, in fiscal year 2012.

The funded status as of December 31, 2011 (unaudited), the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
09/30/2012	$2,284,937	$7,646,266	33%	$5,361,329	$25,173,254	21.3%
09/30/2009	$801,167	$4,944,949	16%	$4,143,782	$26,475,384	15.65%

Note: ARC of $703,597 for fiscal year 2012 as of September 30, 2012 is based on the current practice of funding the plan in a segregated GASB-qualified trust.

Actuarial Methods and Assumptions

Actuarial Cost Method - Projected Unit Credit
Actuarial Valuation Date - October 1, 2011
Discount Rate - 7%
Amortization method - 30 years, level dollar open amortization
Open amortization means a fresh start each year for the cumulative unrecognized amount.
Healthcare Cost Trends Rates – 10% initially graded downward 1.5% per year to 4.0% in year 5 and later.

Mortality - IRS 2008 Combined Static Mortality Table

Retirement Rate –

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

Withdrawal Rate –

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

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

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

J. Commitments and Contingencies

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

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

Audits of Grant Activities

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

K. Contracts with Other Governmental Entities and Other Contracts

Water Supply

Raw water is supplied to the City through a contract between the City and the Tarrant Regional Water District (TRWD). The basic contract, which was renegotiated and approved by the TRWD and the City Council on September 10, 1979, provides for a contract period to run for the life of the bonds, which were issued by the TRWD to provide water to the City and thereafter for the life of the TRWD facilities serving the City. Water is provided to the City from the TRWD Cedar Creek Lake and Richland-Tehuacanna Reservoir. Under the contract, the City has a take-or-pay gallon requirement based on the greater of 1.3 million gallons or the average daily consumption for the previous five-year period. The rate to be charged to the City for raw water is based upon the TRWD cost of debt service, operation and maintenance expenses, and any other miscellaneous expenses in

connection with its water supply facilities. These costs will be allocated on a proportionate share based upon actual water consumption of the City in relation to the actual use by the City of Fort Worth and the Trinity River Authority (TRA) after crediting the amount received by the TRWD from water sales to the City of Arlington and other customers. The current rate charged for raw water has been calculated to be $0.89599 per 1,000 gallons, with a total cost of $3,355,981 during fiscal year 2012. It is estimated that the raw water supply available to the City under the contract is adequate for the ultimate development of the City.

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

Sewer Treatment

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

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

The expense of operating TRA's Central System, including administrative overhead and amounts necessary to pay debt service, is paid monthly by the contracting parties based on a formula of dividing each contracting party's estimated contributing flow to the Central System for such year by the total estimated contributing flow by all contracting parties being served at the beginning of each such year, with a year-end adjustment based on actual metered contributing flow to the Central System by all contracting parties. For fiscal year 2012, the City's cost for sewer treatment under the contract was $3,817,163.

Law Enforcement Complex Housing Commitments

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

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

On November 1, 2001, the City and the City of Fort Worth, Texas, entered into an agreement under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, for the purpose of housing the City of Fort Worth's prisoners. This contract was renegotiated during fiscal year 2006, and a new agreement was reached between the City and the City of Fort Worth, Texas, commencing on October 1, 2006. The new agreement is an annual agreement that automatically renews for subsequent one-year terms, commencing on October 1 of each year and ending on September 30 of each year for nine (9) years after the Initial Term until September 30, 2016. There are various provisions in the contract defining both the purpose and nature of the duties of the City, and the City of Fort Worth, Texas, in housing the City of Fort Worth, Texas, prisoners. The general terms of the contract agree that the City will collect a monthly fee of $388,969 or $4,667,626 in the first year of the

contract. Each subsequent term of the contract, the annual amount will increase 4% per year. There are various provisions in the contract that define additional payments for housing prisoners over a specified cap and a reduction in payments if the population of the prisoners drops below a certain number. These provisions give notice to each party that a material change has occurred in the purpose and management of housing the City of Fort Worth, Texas, prisoners and that adjustments to the terms of the contract should be mutually agreed upon by both parties.

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

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

Mansfield National Golf Club

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

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

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

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

Sports Park – Big League Dreams

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

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

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

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

Water Park – Hawaiian Falls

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

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

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

L. Conduit Debt Obligations

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

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

M. Risk Management

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

N. Subsequent Events

Bond Issuances

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

O. New Accounting Pronouncements

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

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

GASB Statement Number 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and will be implemented by the City as required by GASB

during the fiscal year ending September 30, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City is currently evaluating the potential changes to the financial statements as a result of the implementation of this statement.

CITY OF MANSFIELD, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SEPTEMBER 30, 2012

Texas Municipal Retirement System
Schedule of Funding Progress - Unaudited

Actuarial Valuation Date, December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as Percentage of Covered Payroll (4)/(5)
2011	$73,360,398	$89,180,462	82.3%	$15,820,064	$25,790,850	61.3%
2010	64,912,070	82,127,435	79.0%	17,215,365	25,789,618	66.8%
2009	46,933,448	66,258,915	70.8%	19,325,467	26,475,384	73.0%

Note: The Texas State Legislature met in 2011 and passed Senate Bill 350, which restructured TMRS' internal account structure. Prior to passage, TMRS accounted for three different pools of assets – one for cities, one for active employees, and one for retirees. SB 350 allowed TMRS to combine each of these pools into a single pool for each participating City, The Benefit Accumulation Fund. This new fund structure more closely resembles the structure of the vast majority of public pension systems, and helps protect cities against the downside risk of adverse investment returns while providing future contribution rate stability. These changes were incorporated into the TMRS 2010 Actuarial Valuation and amounts reported in the City's CAFR for FY 2011 now include the additional assets and liabilities of the former pool used to account for retirees, which had the net effect of increasing the City's funded ratio while at the same time reducing the contribution rate for FY 2012.

Retiree Health Insurance Other Postemployment Benefits
Schedule of Funding Progress - Unaudited

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as Percentage of Covered Payroll (4)/(5)
Oct 1, 2011	$2,284,937	$7,646,266	30%	$5,361,329	$25,790,850	20.79%
Oct 1, 2009	801,167	4,944,949	16%	4,143,782	26,475,384	15.65%
Oct 1, 2008	352,062	4,249,532	8%	3,897,470	25,562,767	15.25%

Note: ARC of $703,594 for fiscal year 2012 as of September 30, 2012 is based on the current practice of funding the plan in a segregated GASB-qualified trust.

Required Supplementary Information

City of Mansfield, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes:				
Property	$ 19,994,504	$ 19,994,504	$ 19,675,910	$ (318,594)
Sales	7,296,050	7,296,050	7,799,735	503,685
Franchise	3,098,461	3,098,461	3,536,837	438,376
Mixed drink	118,000	118,000	101,389	(16,611)
Licenses and permits	933,912	933,912	1,722,936	789,024
Intergovernmental	149,997	149,997	307,549	157,552
Charges for services	2,563,112	2,563,112	2,896,301	333,189
Fines	1,352,261	1,352,261	1,593,739	241,478
Interest earnings	5,000	5,000	6,976	1,976
Contributions and donations	-	-	-	-
Miscellaneous	308,155	308,155	370,599	62,444
Total revenues	35,819,452	35,819,452	38,011,971	2,192,519
EXPENDITURES				
Current:				
General government:	5,944,406	5,944,406	5,991,511	(47,105)
Public safety	20,596,942	20,596,942	21,836,378	(1,239,436)
Public works	4,782,272	4,782,272	5,067,417	(285,145)
Culture and recreation	4,150,242	4,150,242	3,902,424	247,818
Total expenditures	35,473,862	35,473,862	36,797,730	(1,323,868)
Excess of expenditures over revenues	345,590	345,590	1,214,241	868,651
OTHER FINANCING SOURCES (USES)				
Transfers in	662,552	662,552	662,552	-
Transfers out	(1,008,142)	(1,008,142)	(360,368)	647,774
Sale of city property	-	-	22,317	22,317
Total other financing sources and uses	(345,590)	(345,590)	324,501	670,091
Net change in fund balances	(0)	(0)	1,538,742	1,538,742
Fund balances - beginning	9,032,717	9,032,717	9,032,717	-
Fund balances - ending	$ 9,032,717	$ 9,032,717	$ 10,571,459	$ 1,538,742

See accompanying notes to required supplementary information.

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 Agency, 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.

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. Agency Funds are used to account for assets held for other funds, governments, or individuals and are custodial in nature.

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 $2,192,519 and expenditures were more than budget by $1,323,868, which was offset by other financing sources (uses), which were less than budget by $670,091.

Supplementary Information

Nonmajor Governmental Funds

Special Revenue Fund

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

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.

- 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.
- 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.
- 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.
- 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.

Capital Projects Funds

Equipment Replacement Fund – This fund is used to account for the acquisition of vehicles, machinery, and equipment for use by City departments.

Parks Construction Fund – This fund is used to account for the construction of new parks within the City.

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

	Special Revenue			Debt Service	Capital Projects			
	Mansfield Parks Facility Development Corporation	Other Special Revenue Funds	Total	MPFDC Debt Service	Equipment Replacement	Parks Construction	Total	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	$ 6,052,334	$ 2,127,030	$ 8,179,364	$ 386,826	$ 29,899	$ 1,460,130	$ 1,490,029	$ 10,056,219
Accounts receivable, net	434,675	120,833	555,508	-	-	-	-	555,508
Inventory	-	61,228	61,228	-	-	-	-	61,228
Prepaid items	-	-	-	-	-	-	-	-
Total assets	$ 6,487,009	$ 2,309,091	$ 8,796,100	$ 386,826	$ 29,899	$ 1,460,130	$ 1,490,029	$ 10,672,955
LIABILITIES								
Accounts payable	$ 187,993	$ 27,816	$ 215,809	$ -	$ -	$ -	$ -	$ 215,809
Accrued liabilities	34,832	12,994	47,826	-	-	-	-	47,826
Retainage payable	-	-	-	-	-	-	-	-
Deferred revenue	56,285	-	56,285	-	-	-	-	56,285
Total liabilities	279,110	40,810	319,920	-	-	-	-	319,920
FUND BALANCES								
Nonspendable	-	61,228	61,228					61,228
Restricted	4,982,668	116,568	5,099,236	386,826	29,899	1,460,130	1,490,029	6,976,091
Committed	1,225,231	2,047,605	3,272,836	-	-	-	-	3,272,836
Assigned	-	42,880	42,880	-	-	-	-	42,880
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	6,207,899	2,268,281	8,476,180	386,826	29,899	1,460,130	1,490,029	10,353,035
Total liabilities and fund balances	$ 6,487,009	$ 2,309,091	$ 8,796,100	$ 386,826	$ 29,899	$ 1,460,130	$ 1,490,029	$ 10,672,955

City of Mansfield, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2012

	Special Revenue			Debt Service	Capital Projects			
	Mansfield Parks Facility Development Corporation	Other Special Revenue Funds	Total	MPFDC Debt Service	Equipment Replacement	Parks Construction	Total	Total Nonmajor Governmental Funds
REVENUE								
Taxes	$2,363,627	$ 508,044	$2,871,671	$1,536,241	$ -	$ -	$ -	$ 4,407,912
Development fees	315,250	165,852	481,102	-	-	-	-	481,102
Gas royalty	541,230	-	541,230	-	-	-	-	541,230
Recreational Fees	826,182	-	826,182	-	-	-	-	826,182
Fines and forfeitures	-	151,710	151,710	-	-	-	-	151,710
Investment earnings	4,732	756	5,488	-	-	1,293	1,293	6,781
Intergovernmental	-	-	-	-	79,915	-	79,915	79,915
Donations	37,562	16,867	54,429	-	-	-	-	54,429
Miscellaneous	50,165	4,670	54,835	-	92,144	-	92,144	146,979
Total revenues	4,138,748	847,899	4,986,647	1,536,241	172,059	1,293	173,352	6,696,240
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Culture and recreation	2,066,992	980,360	3,047,352	-	-	-	-	3,047,352
Public safety	-	88,783	88,783	-	4,300	-	4,300	93,083
Debt service:								
Principal retirement	-	-	-	1,090,000	-	-	-	1,090,000
Interest	-	-	-	476,576	-	-	-	476,576
Fiscal charges				196,285				196,285
Bond issuance cost	-	-	-	128,893	-	-	-	128,893
Capital outlay:								
Land	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-
Improvements (not buildings)	301,750	17,919	319,669	-	-	-	-	319,669
Equipment	250,397	-	250,397	-	510,617	-	510,617	761,014
Parks	280,287	-	280,287	-	-	-	-	280,287
Total expenditures	2,899,426	1,087,062	3,986,488	1,891,754	514,917	-	514,917	6,393,159
Excess (deficiency) of revenues over (under) expenditures	1,239,322	(239,163)	1,000,159	(355,513)	(342,858)	1,293	(341,565)	303,081
OTHER FINANCING SOURCES (USES)								
Transfers in:								
General fund	-	-	-	-	51,399	-	51,399	51,399
MPFDC	-	-	-	-	-	-	-	-
Transfers out:								
Debt service	-	-	-	-	(33,649)	-	(33,649)	(33,649)
General fund	-	-	-	-	-	-	-	-
Sale of city property	11,822	-	11,822	-	3,174	-	3,174	14,996
Refunding Bonds Issued	-	-	-	4,995,000	-	-	-	4,995,000
Bonds issued	-	-	-	-	-	-	-	-
Premiums on bonds issued	-	-	-	41,008	-	-	-	41,008
Discounts on bonds issued	-	-	-	(25,826)	-	-	-	(25,826)
Payment to refunding bond escrow agent				(4,690,000)				(4,690,000)
Total other financing sources	11,822	-	11,822	320,182	20,924	-	20,924	352,928
Net change in fund balances	1,251,144	(239,163)	1,011,981	(35,331)	(321,934)	1,293	(320,641)	656,009
Fund balances - beginning	4,956,755	2,507,444	7,464,199	422,157	351,833	1,458,837	1,810,670	9,697,026
Fund balances - ending	$6,207,899	$2,268,281	$8,476,180	$ 386,826	$ 29,899	$1,460,130	$1,490,029	10,353,035

Required Supplementary Information

City of Mansfield, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Property taxes	$ 11,388,630	$ 11,388,630	$ 10,644,739	$ (743,891)
Investment earnings	-	-	144	144
Miscellaneous	-	-	23,217	23,217
Total revenues	11,388,630	11,388,630	10,668,100	(720,530)
EXPENDITURES				
Debt service:				
Principal	7,150,000	7,150,000	6,860,000	290,000
Interest	4,219,630	4,219,630	4,091,786	127,844
Fiscal charges	19,000	19,000	403,815	(384,815)
Issuance costs	-	-	143,106	(143,106)
Total expenditures	11,388,630	11,388,630	11,498,707	(110,077)
Excess (deficiency) of revenues over (under) expenditures	-	-	(830,607)	(830,607)
OTHER FINANCES SOURCES (USES)				
Refunding bonds issued	-	-	5,855,000	(5,855,000)
Premium on bonds issued	-	-	224,479	(224,479)
Discounts on bonds issued	-	-	(49,904)	49,904
Payment to refunded bond escrow agent	-	-	(5,495,000)	5,495,000
Transfer In	-	-	62,610	(62,610)
Total other financing sources (uses)	-	-	597,185	(597,185)
Net changes in fund balance	-	-	(233,422)	(233,422)
Fund balances - beginning	902,381	902,381	902,381	-
Fund balances - ending	$ 902,381	$ 902,381	$ 668,959	$ (233,422)

Required Supplementary Information

City of Mansfield, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual
Mansfield Parks Facilities Development Corporation Debt Service Fund
For the Year Ended September 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Sales taxes	$ 1,596,955	$ 1,596,955	$ 1,536,241	$ (60,714)
Investment earnings	-	-	-	-
Other financing source	-	-	-	-
Total revenues	1,596,955	1,596,955	1,536,241	(60,714)
EXPENDITURES				
Debt service:				
Principal	970,000	970,000	1,090,000	120,000
Interest and fiscal charges	626,955	626,955	476,576	(150,379)
Fiscal charges	-	-	196,285	196,285
Issuance costs	-	-	128,893	128,893
Total expenditures	1,596,955	1,596,955	1,891,754	(294,799)
Excess (deficiency) of revenues over (under) expenditures	-	-	(355,513)	(355,513)
OTHER FINANCES SOURCES (USES)				
Refunding bonds issued	-	-	4,995,000	(4,995,000)
Premium on bonds issued	-	-	41,008	(41,008)
Discounts on bonds issued	-	-	(25,826)	25,826
Payment to refunded bond escrow agent	-	-	(4,690,000)	4,690,000
Transfer In	-	-	-	-
Total other financing sources (uses)	-	-	320,182	(320,182)
Net changes in fund balance	-	-	(35,331)	(35,331)
Fund balances - beginning	422,157	422,157	422,157	-
Fund balances - ending	$ 422,157	$ 422,157	$ 386,826	$ (35,331)

City of Mansfield, Texas
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended September 30, 2012

	Beginning	Additions	Deletions	Ending
ASSETS				
Cash and cash equivalents	$ 322,683	$ 9,724,480	$ 9,605,986	$ 441,177
Total Assets	$ 322,683	$ 9,724,480	$ 9,605,986	$ 441,177
LIABILITIES				
Insurance Payable	$ 322,683	$ 9,724,480	$ 9,605,986	$ 441,177
Total Liabilities	$ 322,683	$ 9,724,480	$ 9,605,986	$ 441,177

City of Mansfield, Texas
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
September 30, 2012

Governmental funds capital assets:		
Land	$	92,748,243
Buildings		62,036,506
Other Improvements		15,359,926
Vehicles, Machinery, and Equipment		19,708,034
Infrastructure		274,207,665
Construction In Progress		7,316,444
Total Capital Assets	$	471,376,818

Investments in governmental funds capital assets by source:		
General Obligation Bonds	$	202,368,149
Intergovernmental Revenues		3,439,102
Current Revenue		12,762,926
Special Revenues		8,247,448
Developer Revenue		1,729,823
Contributions		242,829,370
Total Investment In Capital Assets	$	471,376,818

City of Mansfield, Texas
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2012

	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:							
Administration				$ 125,377			$ 125,377
City secretary/legal				87,625			87,625
Personnel				23,627			23,627
Finance				9,754			9,754
Accounting/budget/purchasing				22,948			22,948
Tax assessing				12,806			12,806
Information services				528,450			528,450
Planning and development				122,285		7,000	129,285
Engineering				81,002			81,002
Code enforcement				93,957			93,957
Building inspection				50,073			50,073
General government buildings	8,079,306	62,031,206	33,471	392,466		-	70,536,449
Total general government	8,079,306	62,031,206	33,471	1,550,370	-	7,000	71,701,353
Public safety:							
Police			46,159	8,089,244		59,193	8,194,596
Fire			8,851	6,118,688		-	6,127,539
Municipal court	282,234			150,701		-	432,935
Animal control			83,291	182,277			265,568
Total public safety	282,234	-	138,301	14,540,910	-	59,193	15,020,638
Culture and recreation							
Parks and recreation	1,813,185	5,300	15,172,078	1,243,621		680,762	18,914,946
Senior citizens			3,000	79,434			82,434
Library	410,001			825,459			1,235,460
Land maintenance				195,166			195,166
Building maintenance			13,076	58,106			71,182
Total culture and recreation	2,223,186	5,300	15,188,154	2,401,786	-	680,762	20,499,188
Public works:							
Streets	82,163,517			1,214,968	274,207,665	6,569,489	364,155,639
Total public works	82,163,517	-	-	1,214,968	274,207,665	6,569,489	364,155,639
Total governmental funds capital assets	$ 92,748,243	$ 62,036,506	$ 15,359,926	$ 19,708,034	$ 274,207,665	$ 7,316,444	$ 471,376,818

City of Mansfield, Texas
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function And Activity
For the fiscal year ended September 30, 2012

Function and Activity	Governmental Funds Capital Assets, September 30, 2011	Additions	Deductions	Governmental Funds Capital Assets, September 30, 2012
General government				
Administration	$ 630,260	$ -	$ -	$ 630,260
City secretary/legal	87,625	-	-	87,625
Personnel	23,627	-	-	23,627
Finance	9,754	-	-	9,754
Accounting/budget/purchasing	22,948	-	-	22,948
Tax assessing	12,806	-	-	12,806
Information services	528,450	-	-	528,450
Planning and development	122,285	7,000	-	129,285
Engineering	81,002	-	-	81,002
Code enforcement	93,957	-	-	93,957
Building inspection	50,073	-	-	50,073
General government buildings	19,033,860	2,985,934	-	22,019,794
Total general government	20,696,647	2,992,934	-	23,689,581
Public safety:				
Police	7,751,494	239,764	209,875	7,781,383
Fire	13,413,596	245,653	-	13,659,249
Municipal court	132,782	17,919	-	150,701
Animal control	703,225	-	-	703,225
Total public safety	22,001,097	503,336	209,875	22,294,558
Culture and recreation				
Parks and recreation	56,001,805	866,091	67,007	56,800,889
Senior citizens	82,434	-	-	82,434
Library	3,549,989	-	-	3,549,989
Land maintenance	247,527	-	-	247,527
Building maintenance	810,454	-	-	810,454
Total culture and recreation	60,692,209	866,091	67,007	61,491,293
Public works:				
Streets	357,586,260	6,315,126	-	363,901,386
Total public works	357,586,260	6,315,126	-	363,901,386
Total governmental funds capital assets	$ 460,976,213	$ 10,677,487	$ 276,882	$ 471,376,818

MANSFIELD ECONOMIC DEVELOPMENT CORPORATION

City of Mansfield
Balance Sheet
Mansfield Economic Development Corporation
As of September 30, 2012

ASSETS		
Cash and investments	$	6,565,744
Receivables (net of allowance for uncollectibles)		305,538
Restricted cash and investments		6,535,721
Prepaids		-
Total assets	$	13,407,003
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	494,685
Accrued liabilities		15,016
Total liabilities		509,701
Fund balances:		
Nonspendable		-
Restricted		6,535,721
Committed		-
Unassigned		6,361,581
Total fund balances		12,897,302
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		8,896,352
Issuance costs when debt is first issued. The amount is deferred and amortized in the treatment of long-term debt and related items.		280,590
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		(12,395,740)
Net assets of governmental activities	$	9,678,504

City of Mansfield, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Mansfield Economic Development Corporation
For the Year Ended September 30, 2012

REVENUES		
Sales taxes	$	3,899,868
Gas royalty income		37,566
Interest		3,255
Miscellaneous		64,887
Total revenues		4,005,576
EXPENDITURES		
Current:		
Administration		735,628
Projects		1,774,257
Debt service:		
Principal		545,000
Interest		613,954
Issuance costs		109,489
Total expenditures		3,778,328
Excess of revenues over expenditures		227,248
OTHER FINANCING SOURCES (USES)		
Bonds issued		3,090,000
Premiums on bonds issued		11,495
Discounts on bonds issued		(43,818)
Total other financing sources		3,057,677
Net change in fund balance		3,284,925
Fund balance - beginning		9,612,377
Fund balance - ending	$	12,897,302

City of Mansfield, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
Mansfield Economic Development Corporation
to the Statement of Activities
For the Year Ended September 30, 2012

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

Net change in fund balances MEDC	$	3,284,925
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		228,693
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the treatment of long-term debt and related items.		(2,423,361)
Changes in net assets of governmental activities	$	1,090,257

CITY OF MANSFIELD, TEXAS

STATISTICAL SECTION

SEPTEMBER 30, 2012

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Financial Trends Page 87 - 93
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity Page 94 - 97
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales tax revenues.

Debt Capacity Page 98 - 102
These schedules present information to help the reader asses the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information Page 103 - 105
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information Page 106 - 107
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services that the City provides and the activities it performs.

City of Mansfield, Texas
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	$ 183,586	$ 197,666	$ 204,332	$ 210,596	$ 217,381	$ 226,079	$ 226,416	$ 224,555	$ 225,083	$ 225,017
Restricted	446	635	403	446	993	1,815	721	1,037	619	490
Unrestricted	6,409	7,071	7,959	8,298	8,657	4,064	6,806	7,269	7,953	9,275
Total governmental activities net assets	$ 190,441	$ 205,372	$ 212,694	$ 219,340	$ 227,031	$ 231,958	$ 233,943	$ 232,861	$ 233,655	$ 234,782
Business-type activities:										
Invested in capital assets, net of related debt	$ 67,013	$ 76,316	$ 83,989	$ 91,581	$ 97,214	$ 103,077	$ 107,442	$ 111,276	$ 112,164	$ 115,837
Restricted	3,273	3,186	3,202	3,593	3,906	3,792	4,280	4,246	4,331	4,320
Unrestricted	1,542	2,955	5,056	6,795	7,511	7,996	9,049	10,625	17,657	20,683
Total business-type activities net assets	$ 71,828	$ 82,457	$ 92,247	$ 101,969	$ 108,631	$ 114,865	$ 120,771	$ 126,147	$ 134,152	$ 140,840
Primary government:										
Invested in capital assets, net of related debt	$ 250,599	$ 273,982	$ 288,321	$ 302,177	$ 314,595	$ 329,156	$ 333,858	$ 335,831	$ 337,247	$ 340,854
Restricted	3,719	3,821	3,605	4,039	4,899	5,607	5,001	5,283	4,950	4,810
Unrestricted	7,951	10,026	13,015	15,093	16,168	12,060	15,855	17,894	25,610	29,958
Total primary government net assets	$ 262,269	$ 287,829	$ 304,941	$ 321,309	$ 335,662	$ 346,823	$ 354,714	$ 359,008	$ 367,807	$ 375,622

City of Mansfield, Texas
Changes in Net Assets of Governmental & Business Type Activities
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	$ 5,721	$ 6,412	$ 7,491	$ 8,216	$ 9,073	$ 9,630	$ 6,574	$ 6,142	$ 6,196	$ 6,686
Public safety	9,123	10,383	12,279	14,708	17,452	18,513	20,227	20,515	21,539	22,640
Public works	8,725	10,215	10,857	11,282	12,010	12,303	15,054	14,027	14,579	15,115
Culture and recreation	2,886	4,245	3,823	4,660	5,366	6,628	7,898	8,195	7,762	8,488
Interest on long-term debt	3,240	3,481	3,805	4,180	4,543	5,176	5,424	5,318	5,138	4,461
Total governmental activities expenses	$ 29,695	$ 34,736	$ 38,255	$ 43,046	$ 48,444	$ 52,250	$ 55,177	$ 54,197	$ 55,214	$ 57,390
Business-type activities:										
Water	7,532	7,721	8,800	10,158	11,408	11,140	12,019	11,567	13,112	14,441
Sewer	1,874	1,913	2,337	3,155	3,335	3,360	3,950	4,216	5,246	6,112
Law enforcement center	5,515	5,727	5,809	6,273	7,478	7,484	8,241	8,018	8,373	8,712
Drainage	261	632	571	761	886	846	941	870	863	752
Total business-type activities expenses	15,182	15,993	17,517	20,347	23,107	22,830	25,151	24,671	27,594	30,017
Total primary government expenses	$ 44,877	$ 50,729	$ 55,772	$ 63,393	$ 71,551	$ 75,080	$ 80,328	$ 78,868	$ 82,808	$ 87,407
Program revenues										
Governmental activities:										
Charges for services:										
General government	$ 3,922	$ 4,438	$ 4,694	$ 4,167	$ 4,241	$ 4,819	$ 4,593	$ 3,659	$ 4,263	$ 4,627
Public safety	1,238	1,374	1,131	620	1,368	1,317	1,593	1,747	2,325	2,394
Public works	1,761	1,237	1,265	1,961	2,856	1,529	974	708	1,061	1,610
Culture and recreation	282	369	522	677	1,877	1,619	939	844	779	1,188
Operating grants and contributions	290	160	42	71	339	653	432	613	365	442
Capital grants and contributions	12,514	9,601	7,370	7,871	5,690	4,066	3,495	771	1,125	539
Total governmental activities program revenues	20,007	17,179	15,024	15,367	16,371	14,003	12,026	8,342	9,918	10,800
Business-type activities:										
Charges for services:										
Water	11,991	12,321	13,768	14,799	12,357	14,060	15,137	14,821	18,144	17,437
Sewer	3,233	3,724	4,059	4,901	5,702	5,045	5,918	6,288	8,250	8,220
Law enforcement center	4,855	4,757	4,937	6,024	7,724	7,261	7,346	6,483	6,697	8,025
Drainage	318	865	900	1,114	1,031	1,075	1,209	1,203	1,352	2,079
Operating grants and contributions	-	-	-	-	-	126	92	-		
Capital grants and contributions	3,389	3,231	2,465	2,426	2,405	1,140	1,910	417	549	239
Total business-type activities program revenues	23,786	24,898	26,129	29,264	29,219	28,707	31,612	29,212	34,992	36,000
Total primary government program revenues	$ 43,793	$ 42,077	$ 41,153	$ 44,631	$ 45,590	$ 42,710	$ 43,638	$ 37,554	$ 44,910	$ 46,800
Net (expense) revenue										
Governmental activities	$ (9,688)	$ (17,557)	$ (23,231)	$ (27,679)	$ (32,073)	$ (38,247)	$ (43,151)	$ (45,855)	$ (45,296)	$ (46,590)
Business-type activities	8,604	8,905	8,612	8,917	6,112	5,877	6,461	4,541	7,398	5,983
Total primary government net expense	$ (1,084)	$ (8,652)	$ (14,619)	$ (18,762)	$ (25,961)	$ (32,370)	$ (36,690)	$ (41,314)	$ (37,898)	$ (40,607)

General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	$ 14,149	$ 16,854	$ 19,350	$ 21,334	$ 23,972	$ 26,606	$ 29,004	$ 30,366	$ 30,514	$ 30,823
Sales taxes	5,155	5,866	7,095	7,840	9,259	10,582	10,638	10,718	10,894	11,699
Franchise taxes	1,864	2,058	2,157	2,467	2,669	2,849	3,048	3,158	3,514	3,537
Mixed drink taxes	22	33	41	59	74	105	126	118	120	101
Hotel/motel taxes	57	61	80	87	102	253	387	290	419	508
Unrestricted investment earnings	330	307	1,008	1,801	2,353	1,298	148	2	4	16
Gas royalty income	-	-	-	-	109	347	861	379	1,249	541
Gain on sale of capital assets	87	7,731	822	76	(23)	(10)	11	-	34	36
Transfers	(1,112)	(422)	-	662	1,249	1,144	913	(259)	(558)	354
Total governmental activities	$ 20,552	$ 32,488	$ 30,553	$ 34,326	$ 39,764	$ 43,174	$ 45,136	$ 44,772	$ 46,190	$ 47,615
Business-type activities:										
Property taxes	514	514	512	503	503	494	578	568	571	571
Unrestricted investment earnings	273	184	666	953	1,296	525	120	7	4	24
Gain on sale of capital assets	-	-	-	10	-		7	-		
Special item-debt forgiveness	-	604	-	-	-					
Transfers	1,112	422	-	(662)	(1,249)	(662)	(1,260)	259	495	(354)
Total business-type activities	1,899	1,724	1,178	804	550	357	(555)	834	1,070	241
Total primary government	$ 22,451	$ 34,212	$ 31,731	$ 35,130	$ 40,314	$ 43,531	$ 44,581	$ 45,606	$ 47,260	$ 47,856
Change in Net Assets:										
Governmental activities	$ 10,864	$ 14,931	$ 7,322	$ 6,647	$ 7,691	$ 4,927	$ 1,985	$ (1,083)	$ 894	$ 1,025
Business-type activities	10,503	10,629	9,790	9,721	6,662	6,234	5,906	5,375	8,468	6,224
Total primary government	$ 21,367	$ 25,560	$ 17,112	$ 16,368	$ 14,353	$ 11,161	$ 7,891	$ 4,292	$ 9,362	$ 7,249

In 2009, Certain expenses were reclassified from general government to public works.

City of Mansfield, Texas
Governmental Activities Tax Revenue By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Mixed Drink Tax	Hotel/Motel Tax	Total
2003	$ 14,149	$ 5,155	$ 1,864	$ 22	$ 57	$ 21,247
2004	16,854	5,866	2,058	33	61	24,872
2005	19,350	7,095	2,157	41	80	28,723
2006	21,334	7,840	2,467	59	87	31,787
2007	23,972	9,259	2,669	74	102	36,076
2008	26,606	10,582	2,849	105	253	40,395
2009	29,004	10,638	3,048	126	387	43,203
2010	30,366	10,718	3,158	118	290	44,650
2011	30,514	10,894	3,514	120	419	45,461
2012	30,823	11,699	3,537	101	508	46,668

City of Mansfield, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010*	2011*	2012*
General fund:										
Reserved	$ 3	$ 11	$ 6	$ 38	$ 39	$ 49	$ 8	$ -	$ -	$ -
Unreserved	6,416	7,069	8,054	8,473	9,665	4,329	7,179	-	-	-
Nonspendable								6	5	34
Assigned								-	-	650
Unassigned								7,977	9,027	9,887
Total general fund	$ 6,419	$ 7,080	$ 8,060	$ 8,511	$ 9,704	$ 4,378	$ 7,187	$ 7,983	$ 9,032	$ 10,571
All other governmental funds:										
Reserved	$ 16,345	$ 16,047	$ 28,455	$ 24,672	$ 15,134	$ 18,783	$ 22,441	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	208	215	290	326	948	1,857	2,315	-	-	-
Nonspendable								61	61	61
Restricted								15,789	16,789	16,838
Committed								2,891	3,224	3,273
Assigned								110	124	43
Total all other governmental funds	$ 16,553	$ 16,262	$ 28,745	$ 24,998	$ 16,082	$ 20,640	$ 24,756	$ 18,851	$ 20,198	$ 20,215

* The City implemented GASB 54 in Fiscal Year 2010.

City of Mansfield, Texas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	$21,268	$24,800	$28,657	$31,601	$36,179	$40,297	$43,208	$44,650	$45,343	$46,546
Licenses and permits	2,303	2,852	3,048	2,356	2,074	1,598	1,118	1,750	2,830	2,264
Intergovernmental	118	153	111	143	109	517	23	350	220	387
Charges for services	1,888	1,859	1,906	2,025	2,614	2,150	2,750	3,075	3,165	3,723
Fines	857	931	861	960	1,036	968	1,046	1,261	1,561	1,746
Interest	330	307	1,008	1,801	2,353	1,298	148	2	4	16
Contributions and donations	448	1,034	118	376	443	2,153	432	777	57	54
Impact fees	1,243	892	926	1,728	3,738	2,226	1,305	971	1,509	1,267
Miscellaneous	795	602	792	898	920	2,582	2,717	422	327	1,365
Total revenues	$29,250	$33,430	$37,427	$41,888	$49,466	$53,789	$52,747	$53,258	$55,016	$57,368
Expenditures										
General government	5,359	5,860	6,957	7,517	8,157	9,061	6,013	5,504	5,519	5,991
Public safety	8,419	9,515	11,310	13,634	15,822	17,672	19,159	19,370	20,513	21,836
Public works	1,640	2,555	2,811	2,628	2,868	2,644	5,559	4,858	4,724	5,161
Culture and recreation	2,440	3,742	3,184	4,024	4,560	5,432	6,118	6,303	6,206	6,941
Capital outlay	7,936	23,412	15,462	20,453	27,080	24,157	13,572	9,552	6,141	10,138
Debt Service:										
Principal	3,329	3,880	4,975	5,245	6,040	5,770	6,165	6,930	7,200	7,950
Interest	3,316	3,380	3,642	4,185	4,502	5,161	5,343	5,474	5,057	4,581
Fiscal charges	366	547	305	-	-		-	14	16	600
Bond issuance cost	315	520	412	552	257	414	365	2	288	415
Total expenditures	33,120	53,411	49,058	58,238	69,286	70,311	62,294	58,007	55,664	63,613
Excess of revenues over (under) expenditures	(3,870)	(19,981)	(11,631)	(16,350)	(19,820)	(16,522)	(9,547)	(4,749)	(648)	(6,245)

Transfers-in	2,416	3,058	3,534	3,839	1,977	9,450	1,016	925	1,223	777
Transfers-out	(3,528)	(3,480)	(3,534)	(3,177)	(729)	(8,307)	(103)	(1,185)	(1,781)	(423)
Sale of city property	-	7,973	7,601	77	-	2	11	-	34	37
Operating Lease	-	-	-	-	-	-	-	-	373	-
Refunding bonds issued	9,215	18,025	9,050	-	-		10,400	-	9,730	10,850
Bonds issued	8,550	12,420	17,095	12,345	10,735	14,645	15,435	-	3,090	6,490
Premium on bonds issued	440	967	498	130	265	101	218	-	185	367
Discounts on bonds issued	(198)	(277)	(235)	(160)	(127)	(164)	(220)	-	(58)	(112)
Payment to refunded bond escrow agent	(7,548)	(18,335)	(8,915)	-	-		(10,385)	-	(9,749)	(10,185)
Total other financing sources (uses)	9,347	20,351	25,094	13,054	12,121	15,727	16,372	(260)	3,047	7,801
Net change in fund balances	$ 5,477	$ 370	$ 13,463	$ (3,296)	$ (7,699)	$ (795)	$ 6,825	$ (5,009)	$ 2,399	$ 1,556
Debt service as a percentage of non-capital expenditures	29.1%	27.8%	27.8%	26.4%	25.6%	24.6%	24.4%	25.6%	25.4%	25.3%

City of Mansfield, Texas
General Governmental Tax Revenue By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel/Motel Tax	Mixed Drink	Total
2003	14,169	5,155	1864	57	23	21,268
2004	16,782	5,866	2058	61	33	24,800
2005	19,284	7,095	2157	80	41	28,657
2006	21,148	7,840	2467	87	59	31,601
2007	24,074	9,259	2669	102	75	36,179
2008	26,507	10,582	2,850	253	105	40,297
2009	29,100	10,639	3,048	295	126	43,208
2010	30,365	10,718	3,159	290	118	44,650
2011	30,514	10,894	3,515	300	120	45,343
2012	30,700	11,700	3,537	508	101	46,546

City of Mansfield, Texas
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended September 30	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2003	2,113,315,391	287,263,215	397,494,575	2,003,084,031	0.71
2004	2,456,766,762	301,618,686	414,732,527	2,343,652,921	0.71
2005	2,770,756,998	334,918,437	423,292,720	2,682,382,715	0.71
2006	3,161,952,079	386,563,292	506,507,735	3,042,007,636	0.69
2007	3,363,128,663	340,732,813	397,195,436	3,306,666,040	0.69
2008	3,728,211,159	451,982,835	349,439,672	3,830,754,322	0.69
2009	4,085,602,544	403,228,962	390,079,518	4,098,751,988	0.71
2010	4,096,767,192	502,804,565	489,765,181	4,109,806,576	0.71
2011	3,922,110,419	500,107,757	395,212,412	4,027,005,764	0.71
2012	4,366,636,631	510,514,153	480,454,086	4,396,696,698	0.71

Source: Tarrant Appraisal District, Johnson Appriasal District, and Ellis County Appraisal District

City of Mansfield, Texas
Property Tax Rates
Direct and Overlapping[1] Governments
Last Ten Fiscal Years

	City of Mansfield, Texas			Overlapping Rates							
				Counties[1]			School District				Total
Fiscal Year	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	Direct and Overlapping Rates
2003	0.388	0.322	0.710	0.852	0.088	0.940	1.367	0.315	1.682	0.372	3.704
2004	0.397	0.313	0.710	0.883	0.087	0.969	1.367	0.315	1.682	0.372	3.733
2005	0.414	0.296	0.710	0.882	0.089	0.971	1.377	0.340	1.717	0.375	3.772
2006	0.404	0.286	0.690	0.883	0.090	0.974	1.407	0.365	1.772	0.375	3.810
2007	0.399	0.291	0.690	0.855	0.138	0.993	1.288	0.400	1.688	0.375	3.745
2008	0.410	0.280	0.690	0.834	0.150	0.984	1.040	0.410	1.450	0.402	3.526
2009	0.486	0.224	0.710	0.865	0.113	0.978	1.040	0.410	1.450	0.386	3.524
2010	0.444	0.266	0.710	0.841	0.112	0.953	1.040	0.456	1.496	0.386	3.545
2011	0.457	0.253	0.710	0.843	0.109	0.952	1.040	0.456	1.496	0.397	3.555
2012	0.454	0.256	0.710	0.816	0.161	0.977	1.040	0.500	1.540	0.397	3.624

[1] Overlapping rates are those of local and county governments that apply to property owners within the City of Mansfield, Texas. Not all overlapping rates apply to all City of Mansfield, Texas property owners (e.g., the rates for the special districts and counties apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district and county. The City of Mansfield, Texas is located within three separate counties, Tarrant, Johnson, and Ellis.

Source:
Tarrant County Apprasial District
Ellis County Apprasial District
Johnson County Appraisal District

City of Mansfield, Texas
Principal Property Taxpayers
As of September 30, 2012

	2012			2003		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Mouser Electronics	$ 72,817,679	1	1.62%			
Mid-America Apartments LP	46,700,000	2	1.04%			
XTO Energy Inc	36,821,910	3	0.82%			
Mansfield KDC III LP Etal	33,442,997	4	0.74%			
Oncor Electric Delivery	31,909,012	5	0.71%	21,242,872	2	1.25%
Walmart Stores Inc	29,085,490	6	0.65%	24,976,058	1	1.47%
Kroger Texas LP	26,145,902	7	0.58%			
Broadstone at Lowe's Farm LLC	23,450,000	8	0.52%			
Klein Tools	23,229,209	9	0.52%			
Apartment Reit Towne Crossing	21,900,000	10	0.49%			
Simeus Foods International	-		-	15,159,142	5	0.89%
Southwestern Bell	-		-	10,292,536	7	0.60%
Walnut Creek Management Co.	-		-	8,005,769	9	0.47%
Pier 1 Imports	-		-	16,134,928	4	0.95%
Lowe's	-		-	10,506,479	6	0.62%
Home Depot	-		-	7,957,133	10	0.47%
Solvay Polymers	-		-	16,137,777	3	0.95%
GEM Microelectronic	-		-	9,780,321	8	0.57%
Total	$ 345,502,199		7.69%	$ 140,193,015		8.25%

Source: Tarrant Appraisal District

City of Mansfield, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections for Prior Years (1)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	14,222	14,214	99.9%	524	14,738	103.6%
2004	16,640	16,688	100.3%	434	17,122	102.9%
2005	19,045	19,058	100.1%	445	19,503	102.4%
2006	20,973	20,846	99.4%	479	21,325	101.7%
2007	22,816	22,959	100.6%	430	23,389	102.5%
2008	26,425	25,870	97.9%	387	26,257	99.4%
2009	29,289	29,100	99.35%	294	29,394	100.4%
2010	30,541	30,159	98.75%	298	30,457	99.7%
2011	30,380	30,093	99.06%	112	30,205	99.4%
2012	31,049	30,709	98.90%	-	30,709	98.9%

(1) - Implemented fiscal year 2012, reporting delinquent taxes collected by levy year.

City of Mansfield, Texas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

	Governmental Activities		Business-Type Activities				
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	General Obligation Bonds	Total Primary Government	Percentage of Personal Income[1]	Per Capita
2003	62,490	3,810	31,430	4,390	102,120	13.34%	2,890
2004	65,995	8,535	38,030	4,135	116,695	10.58%	2,571
2005	78,540	8,245	38,550	3,855	129,190	8.66%	2,550
2006	82,190	11,695	35,515	3,565	132,965	8.30%	2,446
2007	85,200	13,380	40,555	3,255	142,390	8.32%	2,452
2008	91,825	15,630	37,030	3,715	148,200	8.70%	2,565
2009	102,235	14,780	60,545	3,350	180,910	10.62%	3,089
2010	96,195	13,890	60,000	2,960	173,045	9.96%	2,936
2011	93,210	12,965	65,455	2,535	174,165	10.03%	2,955
2012	93,200	12,180	61,870	2,090	169,340	10.00%	2,945

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
[1] See the schedule of demographic and economic statistics on page for personal income and population data.

City of Mansfield, Texas
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2003	62,490	832	61,658	3.08%	1,745
2004	65,995	935	65,060	2.78%	1,433
2005	78,540	780	77,760	2.90%	1,535
2006	82,190	733	81,457	2.68%	1,498
2007	85,200	1,363	83,837	2.54%	1,496
2008	91,825	2,307	89,518	2.43%	1,567
2009	102,235	1,064	101,171	2.47%	1,742
2010	96,195	1,207	94,988	2.31%	1,611
2011	93,210	902	92,308	2.29%	1,566
2012	93,200	669	92,531	2.10%	1,609

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Mansfield, Texas
Direct and Overlapping Governmental Activities Debt
As of September 30, 2012
(amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Mansfield Independent School District	$ 724,279,963	47.13%	$341,353,147
Midlothian Independent School District	234,173,926	0.60%	1,405,044
Johnson County	12,519,579	1.93%	241,628
Ellis County	56,541,262	0.18%	101,774
Tarrant County	317,725,000	3.31%	10,516,698
Tarrant County Hospital District	26,285,000	3.31%	870,034
Tarrant County College District	22,705,000	3.31%	751,536
Subtotal, overlapping debt			355,239,859
City of Mansfield, Texas direct debt			104,770,988
Total direct and overlapping debt			$460,010,847

Sources:
FSC Disclosure Services (Division of First Southwest)

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Mansfield, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

City of Mansfield, Texas
Legal Debt Margin Information
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Annual Debt Limit	$ 30,046,260	$ 35,154,794	$ 40,235,741	$ 45,630,115	$ 49,599,991	$ 61,481,280	$ 61,481,280	$ 61,647,099	$ 60,405,087	$ 65,950,450
Total net debt payment applicable to limit	7,158,974	7,775,730	9,080,640	9,933,090	11,045,973	11,461,010	12,074,192	12,971,729	12,825,195	13,101,663
Legal debt margin	$ 22,887,286	$ 27,379,064	$ 31,155,101	$ 35,697,025	$ 38,554,018	$ 50,020,270	$ 49,407,088	$ 48,675,370	$ 47,579,892	$ 52,848,787
Total net debt applicable to the limit as a percentage of debt limit	23.83%	22.12%	22.57%	21.77%	22.27%	18.64%	19.64%	17.83%	21.23%	19.87%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	$	4,396,696,698
Debt limit ($1.50 of assessed value)		65,950,450
Annual Debt Payments applicable to limit:		
General obligation bonds		13,101,663
Annual legal debt margin	$	52,848,787

The City Charter of the City of Mansfield, Texas 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 population limits the ad valorem tax rate to $2.50 per $100 of assessed valuation. The Attorney General of the State of Texas has further defined the debt limit of applicable cities to be a $1.50 per $100 of assessed valuation.

City of Mansfield, Texas
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

	Water and Sewer Revenue Bonds						Drainage Revenue Bonds					
		Less:	Net	Debt Service				Less:	Net	Debt Service		
Fiscal Year	Charges and Other	Operating Expenses	Available Revenue	Principal	Interest	Coverage	Charges and Other	Operating Expenses	Available Revenue	Principal	Interest	Coverage
2003	15,496,138	6,094,287	9,401,851	2,331,108	1,580,470	2.40	-	-	-	-	-	-
2004	16,198,675	6,625,678	9,572,997	2,375,000	1,533,546	2.45	894,834	468,008	426,826	-	161,377	2.64
2005	18,370,541	7,940,712	10,429,829	2,670,000	1,478,072	2.51	1,022,939	357,017	665,922	185,000	203,133	1.72
2006	20,536,694	10,038,359	10,498,335	2,850,000	1,252,033	2.56	1,114,103	534,478	579,625	185,000	199,433	1.51
2007	19,188,996	10,837,689	8,351,307	2,970,000	1,343,718	1.94	1,186,718	543,033	643,685	190,000	260,747	1.43
2008	19,105,084	10,461,808	8,643,276	3,255,000	1,292,141	1.90	1,200,862	462,402	738,460	270,000	281,721	1.34
2009	21,151,621	11,916,708	9,234,913	2,395,000	2,195,165	2.01	1,317,815	561,370	756,445	275,000	273,753	1.38
2010	21,158,866	11,543,411	9,615,455	2,845,000	2,680,830	1.74	1,202,606	491,966	710,640	285,000	264,753	1.29
2011	26,398,502	12,445,314	13,953,188	3,600,000	2,711,369	2.21	1,354,035	484,436	869,599	295,000	254,890	1.58
2012	25,681,367	14,034,447	11,646,920	3,600,000	2,705,582	1.85	1,260,527	503,105	757,422	385,000	138,398	1.45

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.
Charges and other includes investment earnings. Operating expenses do not include interest or depreciation.
The first series of drainage bonds were issued in fiscal year 2004. There were no drainage bonds outstanding prior to fiscal year 2004.

City of Mansfield, Texas
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population[1]	Personal Income (amounts expressed in thousands)	Per Capita Personal Income[2]	Median Age[2]	School Enrollment[3]	Unemployment Rate[4]
2003	36,100	782,485	21,675	32.20	20,091	5.8
2004	40,050	972,840	24,291	32.30	23,300	4.8
2005	45,000	1,325,961	29,466	32.30	23,300	4.5
2006	49,000	1,443,825	29,466	32.30	27,500	3.8
2007	51,300	1,520,433	29,638	31.80	27,940	3.9
2008	53,200	1,576,745	29,638	31.80	29,324	4.4
2009	55,950	1,481,466	26,478	31.80	31,680	7.2
2010	56,368	1,492,534	26,478	31.80	31,226	7.1
2011	56,850	1,505,296	26,478	31.80	32,638	6.5
2012	57,494	1,704,065	29,639	32.06	32,577	6.0

[1]Estimated Population - City's Planning Department
[2]Mansfield Economic Development Corporation
[3]Mansfield Independent School District
[4]Texas Workforce Commission

City of Mansfield, Texas
Principal Employers
Current Year and Ten Years Ago

	2012			2003		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mansfield Independent School District	4,192	1	17.92%	1,207	1	5.16%
Mouser Electronics	1,050	2	4.49%	275	5	1.18%
Methodist Mansfield	735	3	3.14%	-		0.00%
Klein Tools	585	4	2.50%	-		0.00%
City of Mansfield, Texas	505	5	2.16%	372	4	1.59%
Walmart	400	6	1.71%	400	2	1.71%
Target	250	7	1.07%	-		0.00%
Lifetime Fitness	200	8	0.86%	-		0.00%
SJ Louis Construction Co	200	9	0.86%	-		0.00%
Walnut Creek Country Club	190	10	0.81%	140	9	0.60%
Vencor Hospital				150	7	0.64%
Simeus Foods				375	3	1.60%
Solvay Engineering				200	6	0.86%
Trintiy Forge				143	8	0.61%
RMD				125	10	0.53%
	8,307		35.52%	3,387		14.48%

Sources:
The Texas Workforce Commission Website provided the total labor force numbers for September 2009 (23,389) information.
Official Statement for General Obligation Bonds, Series 2012.
Official Statement for General Obligation Bonds, Series 2003.

City of Mansfield, Texas
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	20	22	22	23	24	30	30	30	30	31
Public Safety:										
Police	76	79	88	100	104	115	114	114	113	115
Fire	55	56	64	71	77	81	81	81	81	83
Public Works	42	51	53	49	51	52	56	56	58	57
Culture and Recreation	49	50	52	57	59	62	56	56	56	55
Water and Sewer	40	43	51	52	52	52	52	52	52	52
Law Enforcement Center	88	96	82	97	107	113	113	113	114	109
Drainage Utility	2	3	5	5	7	3	3	3	3	3
Total	372	400	417	454	480	508	505	505	507	505

Source: City Budget Office

City of Mansfield, Texas
Operating Indicators by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Physical arrests	1,589	2,155	2,327	2,582	1,860	2,385	2,821	3,050	3,050	2,236
Accidents	503	626	675	710	819	852	751	825	837	837
Traffic violations	9,560	9,720	9,902	10,497	8,868	7,886	8,280	7,638	9,579	10,537
Fire:										
Number of calls answered	3,966	4,361	4,341	5,717	6,919	7,848	7,121	7,103	7,084	7,110
Inspections	391	520	1,107	1,218	1,340	1,254	1,886	1,998	2,305	2,850
Public Works:										
Street resurfacing (miles)	3	4	4	4	3	2.5	2	2.1	2.0	2.2
Asphalt overlays (square feet)	35,630	38,800	41,719	42,971	42,971	42,971	42,971	42,971	42,971	42,971
Culture and recreation:										
Sports association participants	9,000	10,250	12,000	14,000	14,700	14,700	13,800	9,086	7,235	7,445
MAC rentals	480	540	540	576	600	600	540	660	660	660
Water:										
New connections	1,188	1,416	1,560	755	550	469	400	300	255	343
Water main breaks	29	52	50	101	87	80	87	39	76	61
Average daily consumption (thousands of gallons)	5,501	5,765	7,773	9,388	8,185	9,771	9,937	8,987	11,793	11,944
Sewer:										
Average daily sewage treatment (thousands of gallons)	3,558	3,799	4,668	5,161	5,262	5,179	5,529	5,717	5,167	5,984
Public Safety:										
Police:										
Stations	1	1	2	2	2	2	2	2	2	2
Patrol units	35	38	44	49	56	54	54	55	52	44
Fire stations	2	2	3	3	3	3	4	4	4	4

Public Works:										
Streets miles maintained	240	240	240	240	245	245	245	245	243	242
Miles of water and sewer lines	348	404	485	493	511	539	539	559	534	553
Calls for service	3,933	4,410	4,630	4,815	4,725	3,880	4,200	3,885	5,710	4,700
Culture and recreation:										
Parks acreage	244	238	244	603	603	738	755	738	760	738
Parks	10	10	11	12	12	12	12	12	13	13
Tennis courts	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	225	234	242	266	266	268	268	296	287	292
Fire hydrants*	115	1,801	1,859	1,967	2,097	2,201	2,201	2,207	2,207	2,207
Maximum daily capacity (thousands of gallons)	20,000	20,000	30,000	30,000	45,000	57,000	57,000	57,000	57,000	57,000
Sewer:										
Sanitary sewer mains (miles)	197	205	212	239	280	282	286	296	257	261
Sewer lines repairs	145	180	162	162	199	83	54	43	23	23
Maximum daily treatment capacity (thousands of gallons)	165,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000
Law Enforcement Center: @										
Average Daily Inmate Population	-	-	-	-	-	-	-	225	213	192
Average Daily Meals Served	-	-	-	-	-	-	-	675	639	576
Drainage Utility: #										
Vegetation Control (acres)	-	-	-	-	-	-	-	-	-	56
Ditch & Channel Maintenance (miles)	-	-	-	-	-	-	-	-	-	11
Box Culverts Cleaned (feet)	-	-	-	-	-	-	-	-	-	10,072

Source: City Budget Office
(-) indicates that the information was not available.
*Updated 2008 GIS system.
@ - Implemented Fiscal Year 2010.
# - Implemented Fiscal Year 2012.

MANSFIELD
TEXAS