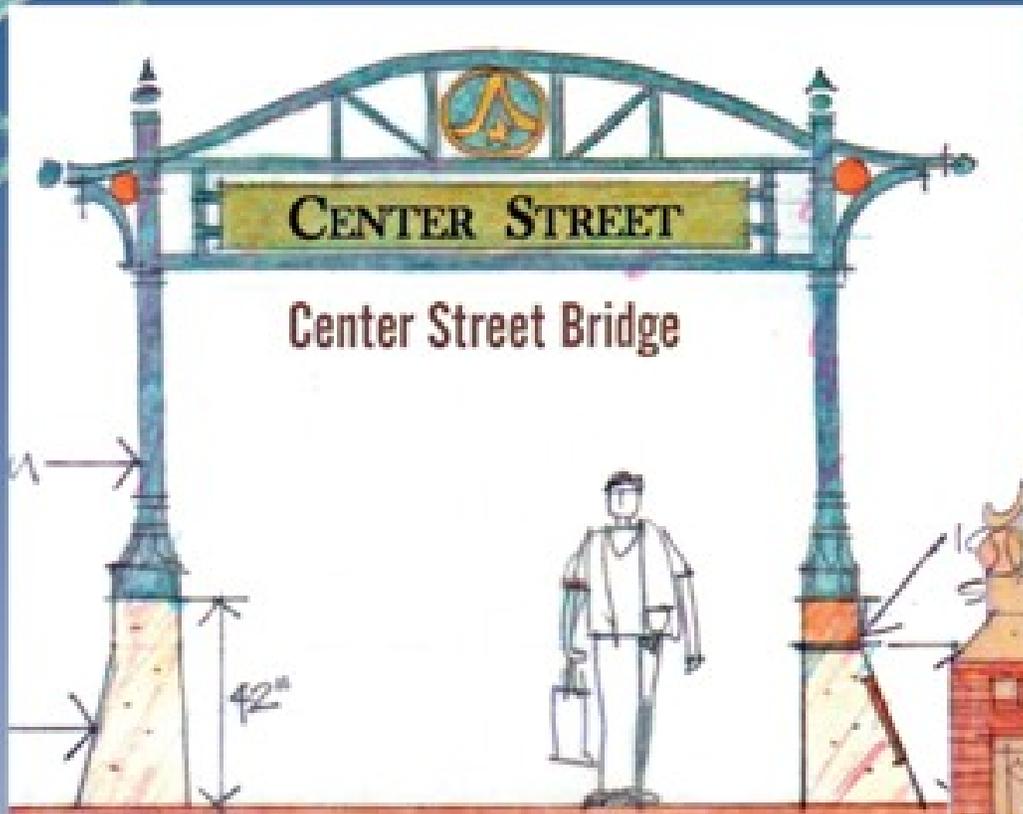
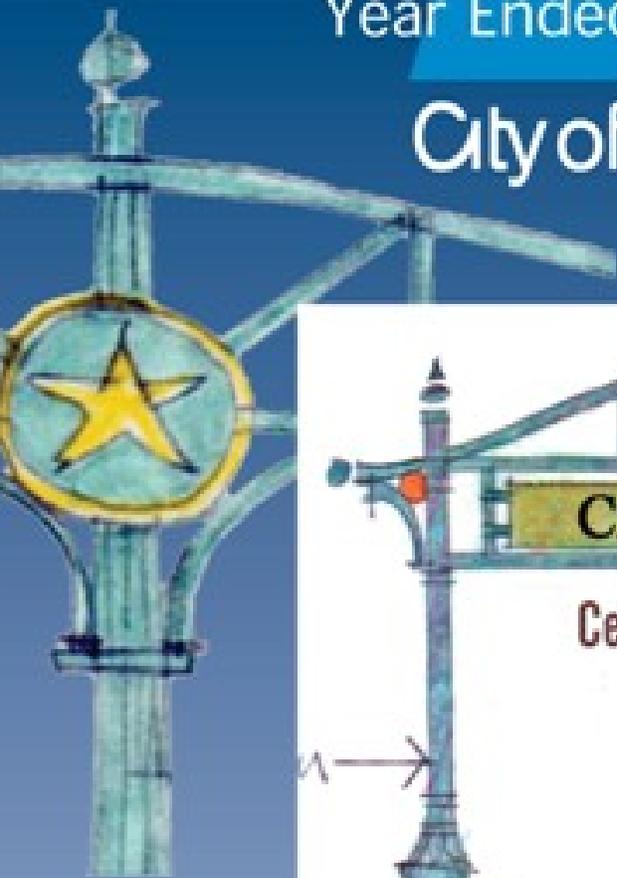


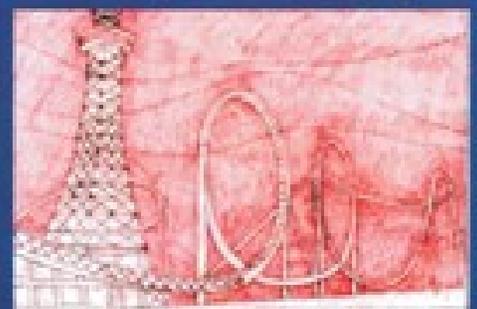
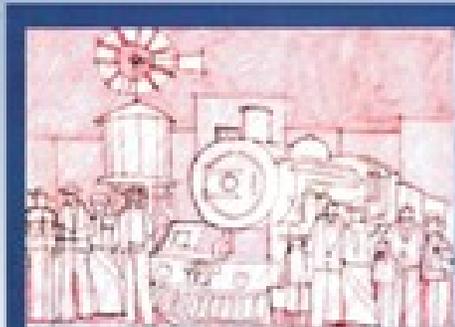
Comprehensive Annual Financial Report

Year Ended September 30, 2005

City of Arlington Texas



Build and **D**iversify the **C**ity's **E**conomy



CITY OF ARLINGTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2005

Prepared by the following members
of the Finance Department:

David Balsamo
Honora Bracken
Deloise Edwards
Daryl Holder
Kristi Janes
Deven Mercer
Cynthia Moss
Chuck Springer
Paulette Uzee
Joan Wilson
Sherry Wright



**CITY OF ARLINGTON, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
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February 17, 2006

To The Honorable Mayor Cluck,
Members of the City Council,
City Manager,
And Citizens of the City of Arlington, Texas

The Comprehensive Annual Financial Report (the Report) of the City of Arlington, Texas (the City) for the fiscal year ended September 30, 2005, is submitted for your information and review. State Law requires that every local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement.

Management assumes full responsibility for the accuracy, completeness and reliability of the presented data, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

As a recipient of federal, state and local awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management, the internal audit staff of the City and the City's auditors.

Deloitte & Touche LLP have issued an unqualified ("clean") opinion on the City of Arlington's financial statements for the year ended September 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, incorporated in 1884, is located at the center of the Dallas - Fort Worth Metroplex, equidistant between Dallas and Fort Worth and is 8 miles south of the Dallas / Fort Worth International Airport. As a result of its unique location, Arlington enjoys strong commercial/industrial and population growth. The City currently has a land area of 98.7 square miles and an estimated population of 361,300. The City is empowered to levy a property tax on both real and personal property within its boundaries, as well as a sales and use tax on the sale of items at retail within the City.

The City operates under the council-manager form of government as established by its Charter. There is a nine member City Council (the "Council") vested with local legislative power. Currently three Council members and the Mayor are elected "at Large" and five Council members are elected

for terms of two years, with an election being held each year for approximately half the seats. The Council elects a Mayor Pro Tem from among its members.

The City Manager, appointed by the City Council, is the administrative head of the municipal government and carries out the policies of the City Council. With the assistance of three Deputy City Managers, he coordinates the functions of the various municipal agencies and departments responsible for the delivery of services to residents.

The City Council also appoints members to certain boards, commissions, and authorities, as it deems necessary for the operation of the City.

The City provides a full range of municipal services including police and fire protection; water and wastewater utility services; the construction and maintenance of highways, streets and infrastructure; recreational activities and cultural events.

The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of Arlington, as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

Blended component units, although legally separate entities, are in substance part of the primary government's operations and are included as part of the primary government. Accordingly, financial statements of the Arlington Property Finance Authority, Inc., Thrift Savings Plan, Disability Income Plan, and Part-Time Deferred Income Trust are "blended" with those of the City. Discretely presented component units are reported separately in the financial statements to emphasize that they are legally separate from the primary government. The Arlington Sports Facilities Development Authority, Inc., Arlington Housing Authority, Arlington Housing Finance Corporation, Arlington Industrial Development Corporation, and Arlington Convention and Visitors Bureau, Inc. are reported as discretely presented component units.

The City Council is required to adopt a final budget no later than the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, certain special revenue funds, debt service fund, and proprietary funds are included in the annual appropriated budget. Project-length budgets are prepared for capital project funds. The level of budgetary control is at the departmental level within each fund. The government also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances are treated as a reservation of fund balance.

Local Economy

Major companies located within the City's boundaries include General Motors, Bell Helicopter, National SemiConductor and Siemens Dematic Postal Automation. The City also has one of the area's largest planned industrial developments, the Great Southwest Industrial District, a 2800 acre industrial park located largely in Arlington. Approximately 1500 firms are located in the Great Southwest Industrial District over 900 of which are within the City.

The City is outperforming other area cities in terms of employment. Unemployment in Arlington is 4.9 percent compared to Dallas at 5.9 percent and Fort Worth at 5.5 percent. Arlington's current unemployment rate of 4.9 percent is relatively unchanged from 4.8 percent ten years ago. During

this ten year period, unemployment reached a low of 3.3 percent in September 1999 and a high of 6.2 percent in September 2003.

The City has been experiencing job growth as well. Over the last year, the City has added 3,400 new jobs, an increase of 1.8 percent. Residential real estate sales are up 2 percent from last year and the median price for homes is up 6 percent.

The City, however, continues to face challenges due to the fact that the fastest growing demographic is low to moderate income households. These households typically spend less than other, more affluent households, putting downward pressure on sales tax growth. Additionally, for the last few quarters, the City has been experiencing a decline in the number of building permits for new residential construction as well as a decline in the value of those permits.

The following chart shows the value and number of building permits issued by category for each of the past three years.

Classification	2005		2004		2003	
	Value (000's)	Number	Value (000's)	Number	Value (000's)	Number
Residential	\$197,496	3,112	\$261,212	3,910	\$253,307	4,296
Duplex	1,306	10	2,568	21	2,802	22
Apartments	11,425	15	36,303	60	18,170	16
Commercial	56,896	167	34,617	218	72,186	243
Institutional	23,622	44	39,470	53	34,234	70
Alterations and Additions	31,168	589	57,079	654	73,140	560
Signs	2,593	1,175	2,737	1,431	2,227	1,168
Miscellaneous	<u>8,720</u>	<u>596</u>	<u>9,711</u>	<u>471</u>	<u>24,347</u>	<u>526</u>
Total	<u>\$333,226</u>	<u>5,708</u>	<u>\$443,697</u>	<u>6,818</u>	<u>\$480,413</u>	<u>6,901</u>

Long-term Financial Planning

As part of the budgeting process, the City prepares a multi-year financial forecast. Over the past few years, the forecast has revealed significant deficits. This has occurred in large part due to recurring revenues that have not grown at a pace equal to support the growth in recurring expenditures. By reducing and aligning expenditures to better fit revenue growth, the current forecast projects smaller deficits. These projections assume the continuation of existing services, competitive pay and benefits for the City's workforce and moderate growth in primary revenue sources. And while a budget deficit is projected each year for the next four years, it is an improving picture. The City expects to continue to improve the outlook with ongoing focus on improving service delivery, building the economic base and expanding neighborhood and community partnerships.

Relevant Financial Policies

In the election held February 5, 2005, the citizens voted in favor of a ceiling on the property tax rates for those aged 65 and over and for the disabled. The resulting reduction in property tax revenue has been accounted for in the City's financial forecasts.

General Fund balance designated for working capital meets the criteria established by the financial

policy adopted by Council at one-twelfth of budgeted expenses as does General Fund balance designated for subsequent years' expenditures which is set at 3% of budgeted expenses.

Major Initiatives

In February of 2005, the City entered into an agreement with Republic Waste Services of Texas, LTD. to lease and operate the City's Landfill for a 20 year term with one 20 year renewal. The City received several forms of compensation under the agreement, including an initial one-time payment of \$15 million, an annual usage fee of \$1.7 million, and a royalty fee of \$3.25 per ton on all disposals which is expected to generate \$1.9 million annually. The City retains gas and mineral rights on the site.

In July of 2005, documents were signed for the Dallas Cowboys Complex Development Project, an economic development initiative of the City of Arlington in partnership with the Dallas Cowboys Football Club, Inc. The Dallas Cowboys Complex will be a multi-functional enclosed facility with a retractable roof and seating for approximately 75,000. Construction is scheduled to start in 2006 with the Cowboys' first home game to be played in 2009. The City has agreed to pay half, up to \$325 million, to build the complex. In November 2004, voters approved an increase in the City's sales tax of ½ cent, a 2 percent increase in the hotel occupancy tax and a five percent short-term motor vehicle rental tax. On July 15, 2005 the City issued \$297,990,000 Dallas Cowboy Complex Special Tax Revenue Bonds pledging the ½ cent sales tax, 2% hotel occupancy tax and five percent car rental tax along with base rental revenue and five percent of the naming rights revenue. The proceeds of this bond sale, along with interest earnings and excess revenues, will provide the City's funding for the project. A portion of the Dallas Cowboys funding of the project will come from the planned City issuance of admissions and parking tax revenue obligations. These obligations will be backed by a ten percent admissions tax and a \$3.00 per vehicle parking tax on all events at the complex along with a guaranty of the tenant. The admissions and parking taxes were also approved buy voters at the November 2004 election. Property acquisition, necessary to begin site preparation, was approximately three months ahead of schedule at September 2005. At that date, 62 of the 168 parcels located in the core project area had been acquired.

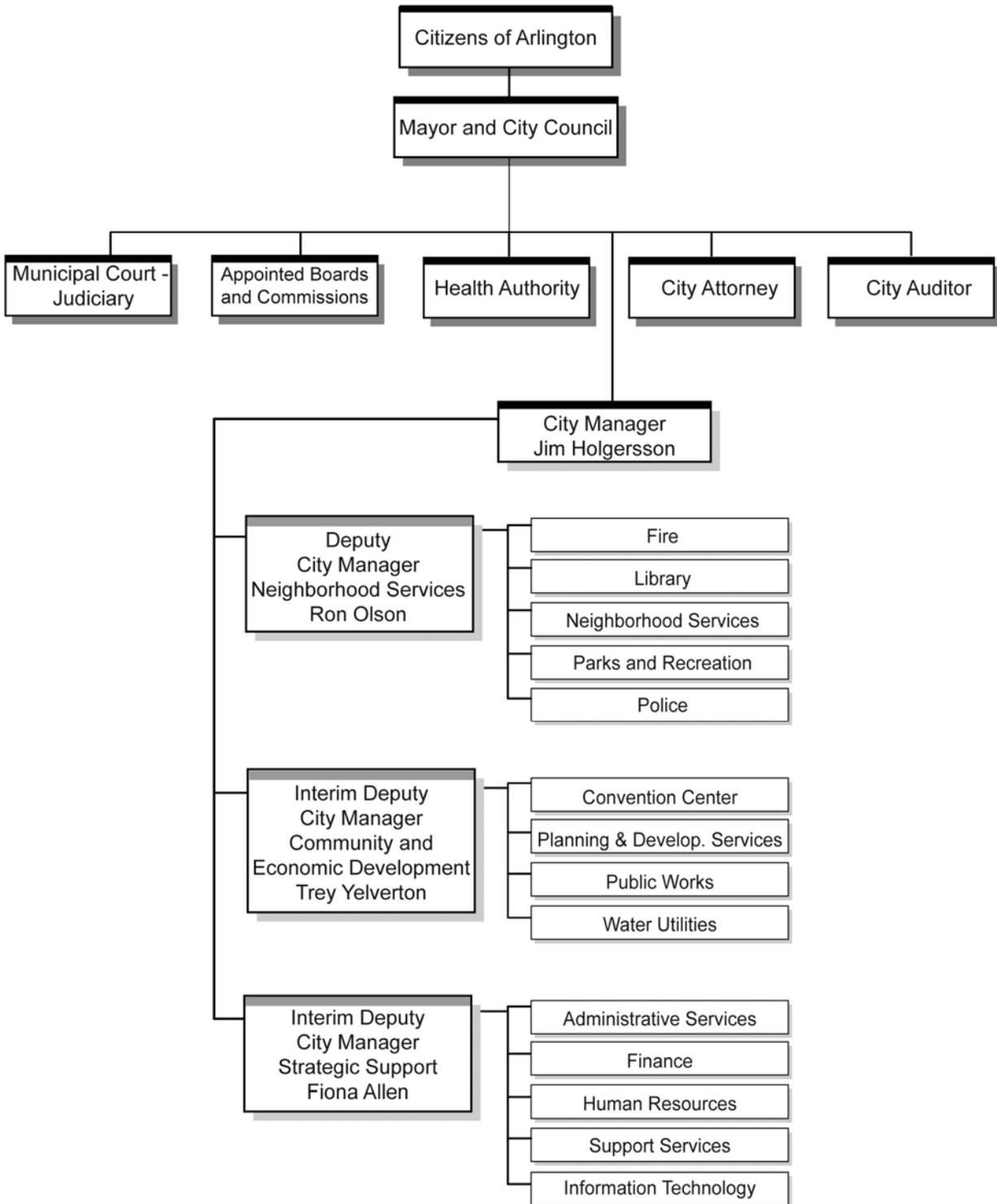
Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. I would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner and City Management for its continued support and assistance.

Respectfully submitted,


Donna Swarb, CPA
Chief Financial Officer

CITY OF ARLINGTON ORGANIZATIONAL CHART



City of Arlington, Texas

City Council

Robert Cluck

Mayor

Term expires May 2007

Ron Wright, District 7 At Large

Mayor Pro Tem

Term expires May 2006

Joe Bruner, District 1

Deputy Mayor Pro Tem

Term expires May 2006

Sheri Capehart, District 2

Term expires May 2006

Robert Rivera, District 3

Term expires May 2007

Kathryn Wilemon, District 4

Term expires May 2007

Lana Wolff, District 5

Term expires May 2007

Steve McCollum, District 6 At Large

Term expires May 2006

Gene Patrick, District 8 At Large

Term expires May 2007

City Manager

Jim Holgersson

Chief Financial Officer

Donna Swarb, CPA

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Arlington, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas (the "City") as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City of Arlington's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the internal service fund financial statements for the Arlington Property Finance Authority Fund or the Workers' Compensation Fund, which statements reflect total assets constituting 11.88% and 22.25%, respectively of total internal service fund assets as of September 30, 2005, and total operating revenues constituting 1.32% and 11.56%, respectively of total internal service fund revenues for the year then ended. We did not audit the component unit financial statements of the Arlington Housing Authority or the Arlington Convention and Visitors Bureau, Inc., which statements reflect total assets constituting 11.89% and 1.01%, respectively of total component unit assets as of September 30, 2005 and total operating revenues constituting 80.08% and 10.54%, respectively of total component unit revenues for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arlington Property Finance Authority Fund, Workers' Compensation Fund, Arlington Housing Authority and Arlington Convention and Visitors Bureau, Inc. is solely based on the report of such other auditors.

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 of America. The financial statements of the Arlington Visitors and Convention Bureau, Inc. were not audited in accordance with *Government Auditing Standards*. 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. An audit also includes 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 opinion.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington as of September 30, 2005, and the respective changes in financial position and cash

flows, where applicable, thereof and the respective budgetary comparison statements for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Required Supplemental Information as described in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City of Arlington's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information and schedules are the responsibility of the City of Arlington's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. This additional information is the responsibility of the City of Arlington's management. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2006, on our consideration of the City's internal control over financial reporting and 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.

Deloitte & Touche LLP

February 17, 2006

CITY OF ARLINGTON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

SEPTEMBER 30, 2005

This discussion and analysis of the City of Arlington's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2005. It should be read in conjunction with the accompanying letter of transmittal and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City of Arlington's net assets of governmental activities increased by \$60.9 million or 14.4 percent this year, primarily because of an increase in the City's cash and investments of approximately \$312.3 million. The City has higher cash and investment balances this year compared to last year due to the issuance of debt for the Dallas Cowboys Complex Development Project (Complex Project) in addition to revenues exceeding expenditures in the General Fund.
- The City's increase in total net assets of \$52.3 million for the year ended September 30, 2005 was \$7.6 million higher than the increase of \$44.7 million for the year ended September 30, 2004. This \$7.6 million is primarily attributable to a ½ cent sales tax increase which went into effect in April 2005 to help fund the City's portion of the Complex Project.
- As of September 30, 2005, the City of Arlington's governmental funds reported combined ending fund balances of \$420.3 million, an increase of \$300.1 million in comparison with the prior fiscal year. The majority of this change is due to increases in fund balance for the new Stadium Venue Fund of \$268.9 million. Revenues exceeding expenditures in the General Fund account for the remaining increase in fund balance.
- At the end of the current fiscal year, unreserved General Fund balance was \$48.0 million compared to \$22.9 million last year. Last year, all but \$0.7 million of unreserved fund balance was designated for various purposes such as working capital requirements and subsequent years' expenditures. This year, after designating fund balance for these purposes, and designating \$19.9 million related to landfill lease proceeds, \$5.5 million remained undesignated.
- The City's total debt of \$672.4 million has increased \$289.8 million during the fiscal year. The City issued \$68 million of permanent improvement refunding Bonds, Series 2005, \$5.3 million of combination tax and revenue certificates of obligation, Series 2005, \$17 million of water and wastewater system revenue bonds and \$297.9 million of Dallas Cowboys Complex special tax revenue bonds. Of the total debt, \$578.2 million relates to the operation of the general government and \$94.2 million relates to water and wastewater activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Arlington's basic financial statements. The City of Arlington's basic financial statements are comprised of four components: government-wide financial statements, fund financial statements, notes to the financial statements and required supplementary information. 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 of Arlington's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City of Arlington'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 of Arlington is improving or deteriorating. The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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 and earned but not used vacation leave). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including police, fire, libraries, planning and development, public works, parks and recreation, sanitary landfill, and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.
- **Component Units** – The City includes five separate legal entities in its report – Arlington Sports Facilities Development Authority, Inc., Arlington Housing Authority, Arlington Convention and Visitors Bureau, Arlington Housing Finance Corporation and Arlington Industrial Corporation. Although legally separate, these component units are important because the City is financially accountable for them. In fiscal year 2005, the City completed its GASB Statement No. 34 conversion of the discretely-presented component unit Arlington Sports Facilities Development Corporation, Inc. ("ASFDA") from a governmental fund to a proprietary fund by recognizing all previously deferred revenue, restating beginning net assets for ASFDA.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds - governmental and proprietary – utilize different accounting approaches.

- Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Arlington maintains twenty-four individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund and the Stadium Venue Fund, all of which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information such as cash flows. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities, such as the City's general services, the City's self-insurance funds and fleet maintenance functions. Because these services benefit both governmental as well as business-type

functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The City of Arlington maintained two individual enterprise funds through April 30, 2005, at which time the City outsourced the landfill operations and transferred the remaining net assets into the General Fund. Currently, the City maintains one individual enterprise fund. The City uses this enterprise fund to account for its water and sewer operations. The fund provides the same type of information as the government-wide financial statements, only in more detail and includes some of the internal service fund type activity. The proprietary fund financial statements provide separate information for the water and sewer, which is considered to be a major fund of the City.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for its Part-Time Deferred Income Trust, Thrift Savings Plan and Disability Income Plan, as well as certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activities of these funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the 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. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees.

THE CITY AS A WHOLE – Government-wide Financial Analysis

The City's combined net assets were \$894.9 million as of September 30, 2005. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$410.6 million. This analysis focuses on the net assets (Table 1) and changes in general revenues (Table 2) and significant expenses of the City's governmental and business-type activities.

By far the largest portion of the City's net assets (88.3 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is 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

**CITY OF ARLINGTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005**

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

**Table 1
Summary of Net Assets
(Amounts Expressed in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 483	\$ 157	\$ 82	\$ 101	\$ 565	\$ 258
Capital assets	647	612	436	422	1,083	1,034
Total assets	1,130	769	518	523	1,648	1,292
Long-term liabilities	586	291	85	83	671	374
Other liabilities	60	55	23	21	83	76
Total liabilities	646	346	108	104	754	450
Net assets:						
Invested in capital assets, net of related debt	409	318	381	351	790	669
Restricted	20	3	10	9	30	12
Unrestricted	55	102	20	59	75	161
Total net assets	\$ 484	\$ 423	\$ 411	\$ 419	\$ 895	\$ 842

Governmental Activities

The City's general revenues increased when compared to the prior year by 10.7 percent or \$20.4 million. The primary reason for this increase was due to a \$11.9 million or 7.5 percent increase in overall tax revenue. \$10.7 million of this increase is attributable to the ½ cent sales tax increase, effective April 2005, to help fund the City's portion of the Dallas Cowboy Complex. Property tax revenue increased \$2.5 million due to increased property valuations and the addition of new property throughout the City. The assessed value of the property in the City increased by \$580.6 million or 3.9 percent while the property tax rate of \$0.6480 per \$100 assessed valuation remained the same as in 2004. Interest income increased \$3.7 million due to an increase in interest rates plus interest earned on the proceeds from the Dallas Cowboys Complex bonds. Other revenue increased primarily because of the receipt of a trust as part of the landfill outsourcing.

**Table 2
General Revenues
(Amounts Expressed In Thousands)**

	2005	2004	Increase (Decrease)
Property Taxes	\$ 101,235	\$ 98,708	\$ 2,527
Sales Taxes	60,476	49,786	10,690
Other Taxes	7,286	8,649	(1,363)
Utility franchise fees	28,928	29,321	(393)
Interest income	5,642	1,957	3,685
Other revenue	7,986	2,690	5,296
Total general revenues	\$ 211,553	\$ 191,111	\$ 20,442

**CITY OF ARLINGTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005**

Governmental and Business-type activities increased the City's net assets by \$52.3 million for the year ended September 30, 2005 and \$44.7 million for the year ended September 30, 2004. The key elements of these increases are as follows:

**Table 3
Changes in Net Assets
(Amounts Expressed in Thousands)**

	Governmental Activities		Business-type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program Revenues:						
Charges for services	\$36,105	\$ 33,669	\$ 96,628	\$ 95,207	\$ 132,733	\$ 128,876
Operating grants and contributions	8,144	7,758	-	-	8,144	7,758
Capital grants and contributions	4,849	5,730	3,676	6,656	8,525	12,386
General Revenues:						
Taxes	168,997	157,143	-	-	168,997	157,143
Utility franchise fees	28,928	29,321	-	-	28,928	29,321
Other	13,628	4,647	1,199	1,119	14,827	5,766
Total revenues	260,651	238,268	101,503	102,982	362,154	341,250
Expenses:						
General government	26,906	30,646	-	-	26,906	30,646
Public safety	97,645	93,852	-	-	97,645	93,852
Public works	64,369	55,350	-	-	64,369	55,350
Public health	2,416	1,321	-	-	2,416	1,321
Parks and recreation	23,262	20,633	-	-	23,262	20,633
Public welfare	6,383	5,410	-	-	6,383	5,410
Convention and event services	5,435	5,347	-	-	5,435	5,347
Interest and fiscal charges	13,898	14,548	-	-	13,898	14,548
Water and sewer	-	-	65,220	67,232	65,220	67,232
Landfill	-	-	4,310	2,207	4,310	2,207
Total expenses	240,314	227,107	69,530	69,439	309,844	296,546
Increase in net assets before transfers	20,337	11,161	31,973	33,543	52,310	44,704
Transfers	40,563	7,238	(40,563)	(7,238)	-	-
Increase in net assets	60,900	18,399	(8,590)	26,305	52,310	44,704
Net Assets, October 1, as restated	423,378	404,979	419,207	392,902	842,585	797,881
Net Assets, September 30	\$ 484,278	\$ 423,378	\$ 410,617	\$ 419,207	894,895	\$ 842,585

The most significant governmental expense for the City was in the area of public safety, which incurred expenses of \$97.6 million, representing a \$3.8 million increase when compared to the prior fiscal year. The components of public safety are police and fire. Police accounted for \$64.1 million in public safety expense this year compared to \$60.6 million last year, a 5.8 percent increase. Salary and benefits of \$54.8 million comprised 85.5 percent of Police expense for the year ended September 30, 2005 as compared to salary and benefit expense of \$51.4 million equaling 84.8 percent of last year's expense. The increase in salary and benefit expense is the result of a combination of general pay increases and a one-time five percent salary payment to eligible employees. These expenses were offset by revenues collected from a variety of sources, with the largest

**CITY OF ARLINGTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005**

amount coming from fines and forfeitures, which were \$6.3 million for the fiscal year ending September 30, 2005, a decrease of \$1.0 million or 13.7 percent. Fines and forfeitures revenues decreased in 2005 due to performance issues with the implementation of the new Municipal Court system. The City continues to work to resolve the software performance issues and revenues are projected to increase for 2006. Fire accounted for \$33.1 million in public safety expense this year, compared to \$31.6 million last year, an increase of 4.7 percent. Salary and benefits of \$28.4 million made up 85.8 percent of Fire expense for the year ended September 30, 2005 compared to salary and benefit expense of \$27.0 million comprising 85.4 percent of last year's expense. The increase in salary and benefit expense is primarily attributable to general pay increases and the one-time five percent salary payment.

Other significant governmental expenses for the City include public works at \$64.4 million for the year ended September 30, 2005 compared to \$55.4 million last year, a 16.2 percent increase. This increase is primarily attributable to an increase in expenditures for street maintenance. This year, salary and benefits was \$17.2 million and depreciation expense was \$28.0 million compared to last year's expense which included \$16.5 million in salary and benefits and \$28.5 million in depreciation expense.

Business-type Activities

Revenues of the City's business-type activities were \$101.5 million for the fiscal year ending September 30, 2005. Revenues decreased by approximately \$1.5 million or 1.4 percent. Expenses for the City's business-type activities were \$72.1 million for the year, an increase of \$2.6 million or 3.7 percent. The decrease in net revenues is due to less than a full year of activity in the landfill as a result of the negotiated operating lease with Republic Waste Services of Texas Ltd.

The City's water and sewer system recorded charges for services of \$92.1 million, an increase of \$3.6 million over last year, and a non-cash revenue source of \$3.7 million of capital contributions that represent developer contributions. Developer contributions represent subdivision infrastructure, which upon completion, is contributed to the resources of the City. Excluding developer contributions, the water and sewer system charges for services of \$92.1 million exceeded expenses of \$65.2 million by \$26.9 million. The most significant expenses of the water and sewer fund were \$10.8 million to purchase water, \$15.9 million for the purchase of sewage treatment and \$13.8 million in salaries and benefits. Overall the City's water and sewer system's net revenues of \$28.1 million (including developer contributions) for this year were substantially unchanged higher from last year's net revenue of \$27.6 million.

The City's landfill activity recorded charges for services of \$4.5 million and expenses of \$4.3 million through April 30, 2005. The City entered into an agreement with Republic Waste Services of Texas, Ltd. effective May 1, 2005 to lease the landfill. At that time, the City's interest in the remaining net assets was transferred to the General Fund. Under the 20-year lease agreement, (with one 20 year renewal), the City received a one-time payment of \$15 million and will receive annual usage fees of approximately \$1.7 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2005, the City had \$1.08 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$49.0 million or 4.7 percent over the prior fiscal year. The \$49.0 million increase combines a \$35.1 million increase in Governmental Activities with a \$13.9 million increase in Business-type Activities. The increase in Governmental Activities is mostly due to \$31.1 in capital outlay related to initial work on the Complex Project. The balance of the increase is the result of transferring the assets of the landfill to the General Fund. The increase in Business-type Activities is due to increased capital outlays for the water and sewer system. Footnote 4 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.

Table 4
Capital Assets, net of Accumulated Depreciation
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$ 80,600	\$ 71,831	\$ 4,828	\$ 10,950	\$ 85,428	\$ 82,781
Buildings and improvements	113,746	111,836	1,922	3,441	115,668	115,277
Equipment	16,192	15,427	395	1,259	16,587	16,686
Construction in progress	149,522	102,931	76,520	82,310	226,042	185,241
Infrastructure	286,654	309,626	-	-	286,654	309,626
Water and sewer system	-	-	352,660	324,437	352,660	324,437
Totals	\$ 646,714	\$ 611,651	\$ 436,325	\$ 422,397	\$ 1,083,039	\$ 1,034,048

Major capital asset additions during the fiscal year include the following:

- Private developer capital contributions of \$3.7 million to the City's water, sewer, and drainage infrastructure in connection with various residential and commercial developments
- Capital outlay of \$31.1 million for the Complex Project.
- Water and sewer system capital improvements and expansion totaling \$33.1 million
- A variety of street maintenance, storm drainage, and street construction projects with capital outlay totaling \$11.2 million

**CITY OF ARLINGTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005**

- Various capital outlays totaling \$8.1 million for improvement of the City's parks and recreation facilities
- Various capital outlays of \$1.6 million for police and fire public safety improvements

Debt

At year-end, the City had \$672.4 million in General Obligation Bonds, Special Obligation Bonds, Revenue Bonds and Combination Tax and Revenue Certificates of Obligations outstanding, a substantial increase from last years' \$382.6 million as shown in Table 5.

**Table 5
Outstanding Debt
(Amounts Expressed In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds (backed by the City)	\$ 252,027	\$ 260,555	\$ -	\$ -	\$ 252,027	\$ 260,555
Combination tax and revenue certificates of obligation (backed by the City)	20,590	34,745	-	-	20,590	34,745
Special tax revenue bonds	305,609	-			305,609	-
Revenue bonds (backed by fee revenues)	-	-	94,206	87,309	94,206	87,309
Totals	<u>\$ 578,226</u>	<u>\$ 295,300</u>	<u>\$ 94,206</u>	<u>\$ 87,309</u>	<u>\$ 672,432</u>	<u>\$ 382,609</u>

During the current fiscal year the City issued debt in March and August of 2005. The new debt resulted primarily from the issuance of special tax revenue bonds in the amount of \$297.9 million for the purpose of paying a portion of the costs of construction of the Complex Project. The City also issued general obligation permanent improvement refunding bonds in the amount of \$68 million used to refund a portion of the City's outstanding debt and \$5.3 million of combination tax and revenue certificates of obligation for technology upgrades and municipal building renovations. Additionally, the City issued \$17.0 million in water and wastewater system revenue bonds for the purpose of improving and extending the water and wastewater system. Footnote 6 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

The City has maintained its AA rating from Standard and Poor's Corporation, its AA rating from Fitch, Inc. and its Aa2 rating from Moodys Investor Services on its tax supported debt. The City also has an AA- rating from Standard and Poor's Corporation, an Aa3 rating from Moodys Investor Service and an AA+ from Fitch, Inc. on its outstanding water and wastewater revenue bonds. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 assessed valuation for general governmental services including the payment of principal and interest on general

**CITY OF ARLINGTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005**

obligation long-term debt. The current ratio of net bonded debt to assessed value of all taxable property is 1.7 percent.

The City maintains a self-insurance program for bodily injury, property damage, personal injury, advertising injury, regulatory injury and worker's compensation. Claims for worker's compensation over \$300,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors. Claim liability was \$11.5 million at September 30, 2005 compared to \$11.0 million at September 30, 2004.

THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2005, the governmental funds of the City reported a combined fund balance of \$420.3 million. This ending balance includes an increase in fund balance of \$26.7 million in the City's General Fund. The General Fund was able to post this increase in fund balance primarily because of assets transferred from the Sanitary Landfill Fund made possible by the landfill lease agreement with Republic Waste Services of Texas, LTD. In addition, these other changes in fund balances should be noted:

- The City's Debt Service fund balance of \$20.2 million increased \$17.2 million over last year. This increase is primarily attributable to the addition of the Dallas Cowboys Complex stadium debt service to the fund and a combination of higher property tax revenue and lower interest expenditures this year compared to last year.
- The City recorded proceeds of \$300 million for the issuance of revenue bonds and expended \$31 million in capital outlay, for a net fund balance of \$269 million in the Stadium Venue Fund, a new fund created to account for the City's portion of construction for the Complex Project.
- The City's water and sewer fund net assets of \$410.2 million increased by \$25.2 million over the prior year net asset balance. The increase in net assets is primarily due to operating revenues exceeding operating expenses by \$24.6 million.
- In fiscal 2005, the City changed its method of revenue recognition for impact fees and has recognized revenue upon receipt for these imposed non-exchange transactions, restating beginning fund balance for two non-major funds.

General Fund Budgetary Highlights

During FY 2004-05, there were no budget amendments for the General Fund.

For FY 2004-05, actual expenditures on a budgetary basis were \$169.1 million compared to the budget amount of \$173.9 million. The \$4.7 million positive variance was due to savings achieved through a series of expenditure restrictions imposed by the City Manager's Office during the year.

For FY 2004-05, actual revenues on a budgetary basis were \$163.4 million as compared to the budget amount of \$163.7 million.

**CITY OF ARLINGTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005**

The City of Arlington has an actual on a budgetary basis General Fund balance of \$49.4 million as of the fiscal year-end, compared to the budgeted fund balance of \$21.1 million. The variance in fund balance is primarily due to the leasing of the landfill and the unbudgeted transfer of the landfill's assets to the General Fund as well as cost containment measures implemented by management.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for the business-type activities. One of the most significant factors is the City's recent revenue trends. Eighty percent of the City's General Fund revenue is made up of property taxes, sales taxes, electric and telephone franchise fees. Telephone and electric franchise fees continue to decline due to consumers taking advantage of more efficient technologies which reduce utility usage. Sales tax revenue is no longer declining as it has in prior years, however, the City experienced only a 1.0% increase in sales tax receipts this year over last year. Assessed property tax values continue to grow, but at a slower rate than previous years. All of these factors result in recurring revenues not growing at a pace equal to the growth in recurring expenditures.

The City has made an effort to reduce and align expenditures to better fit revenue growth. As a result, the City's total General Fund revenues for 2005-2006 are budgeted at \$171.6 million, up 4.8% over the 2004-2005 budget, while total General Fund expenditures are \$172.4 million, down 0.8% for the same time period.

The General Fund's largest single revenue source is property taxes. The property tax rate for FY 2006 is \$0.6480 per \$100 valuation, unchanged since 2004. Of this tax rate, 65.5 percent or \$0.4244 is utilized for General Fund activities. The remaining 34.5 percent or \$0.2236 is used for debt service. The General Fund's portion of property tax revenue for FY 2006 is estimated to be \$68.1 million up \$6 million or 9.6 percent compared to last year. The City's portion of the sales tax rate is one and three-quarter cents. The General Fund receives one cent, one-quarter cent is received by the Street Maintenance Fund, and one-half cent provides for the debt service for the Complex Project debt. Sales tax revenue for the General Fund for fiscal year 2006 is estimated at \$40.4 million, up \$1.4 million or 3.5 percent over last year's budgeted figure.

The largest revenue source for the Water and Sewer Fund is water sales at \$46.6 million. This is the charge for potable water used by customers. The City maintains a rate structure designed to ensure that each category of service is self supporting. The rate structure incorporates conservation rates designed to encourage consumers to reduce the amount of water they use. Residential conservation rates for fiscal year 2006 range from \$1.36 per 1,000 gallons for the first 2,000 gallons of consumption to \$2.80 per 1,000 gallons of consumption. The rate for fiscal year 2005 ranged from \$1.50 per 1,000 gallons for the first 2,000 gallons of consumption to \$2.79 per 1,000 gallons of consumption. These rates incorporate the cost of raw water, treatment, distribution and maintenance costs. The lower commodity rates for water consumption will be offset by higher monthly fixed rates. The second largest revenue source for the Water and Sewer fund is wastewater treatment charges. The total revenue expected is \$38.8 million based on a fiscal year 2006 rate of \$2.43 per 1,000 gallons, \$0.01 higher than last year's rate of \$2.42 per 1,000 gallons. The total revenue for the Water and Sewer Fund is budgeted at \$91.6 million for fiscal year 2006.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the City of Arlington, 201 E. Abram St., Suite 800, Arlington, TX 76010.

**CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 158,613	\$ 12,526	\$ 171,139	\$ 3,931
Investments	2,429	-	2,429	10,494
Receivables (net of allowance for uncollectibles):				
Taxes	4,776	-	4,776	-
Sales taxes	12,687	-	12,687	-
Grants	-	-	-	163
Leases	-	-	-	19,389
Trade accounts	149	6,457	6,606	-
Franchise fees	6,809	-	6,809	-
Unbilled trade accounts	-	7,157	7,157	-
Special assessments	363	-	363	-
Accrued interest	751	-	751	8
Settlement agreement	-	-	-	11,445
Other	3,131	132	3,263	169
Internal balances	(405)	405	-	-
Due from component units	127	-	127	-
Due from other governments	3,427	-	3,427	-
Deferred charge - issuance costs	3,112	-	3,112	-
Inventory of supplies	335	432	767	10
Prepaid expenses	231	-	231	1,720
Restricted assets-				
Cash	35,640	-	35,640	90
Bond contingency-				
Investments	10,128	11,564	21,692	-
Accrued interest receivable	41	48	89	-
Capital construction-				
Investments	234,970	39,512	274,482	-
Accrued interest receivable	1,625	-	1,625	-
Assessments receivable	-	4	4	-
Meter deposits-				
Investments	-	3,996	3,996	-
Closure/Post-closure trust fund	4,330	-	4,330	-
Capital Assets-				
Land	80,600	4,828	85,428	-
Buildings and improvements	177,085	2,833	179,918	2,739
Water and sewer system	-	503,723	503,723	-
Machinery and equipment	46,525	9,827	56,352	1,056
Infrastructure	729,648	-	729,648	-
Construction in progress	149,522	76,520	226,042	-
Accumulated depreciation	(536,666)	(161,406)	(698,072)	(1,749)
Total Assets	\$ 1,129,983	\$ 518,558	\$ 1,648,541	\$ 49,465

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

**CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2005
(CONTINUED)
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 13,165	\$ 4,348	\$ 17,513	\$ 3,059
Retainage payable	665	-	665	-
Due to primary government	-	-	-	127
Due to other governments	7	-	7	-
Unearned revenue	10,750	-	10,750	1
Accrued interest	1,650	-	1,650	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	1,201	1,201	-
Retainage payable	-	1,116	1,116	-
Accrued interest	-	1,522	1,522	-
Revenue bonds payable, current	-	3,427	3,427	-
Meter deposits	-	3,996	3,996	-
Non-current liabilities				
Due within one year:				
Estimated claims payable	5,693	-	5,693	-
Sales tax payable	149	-	149	74
General obligation debt	26,160	-	26,160	-
Accrued compensated absences	1,165	71	1,236	-
Capital lease obligation	545	-	545	-
Revenue bonds, net of discount	-	6,822	6,822	-
Due in more than one year:				
Arbitrage rebate	12	-	12	-
Estimated claims payable	5,826	-	5,826	-
Sales tax payable	932	-	932	460
Bonds payable	-	-	-	17,180
General obligation debt	552,066	-	552,066	-
Landfill closure accrued liabilities	4,330	-	4,330	-
Accrued compensated absences	20,960	1,481	22,441	-
Capital lease obligation	1,630	-	1,630	-
Revenue bonds, net of discount	-	83,957	83,957	-
Total Liabilities	645,705	107,941	753,646	20,901
NET ASSETS				
Invested in capital assets, net of related debt	408,969	380,515	789,484	2,046
Restricted for debt service	20,216	10,041	30,257	9,103
Restricted for impact fees	5,522	-	5,522	-
Unrestricted	49,571	20,061	69,632	17,415
Total Net Assets	\$ 484,278	\$ 410,617	\$ 894,895	\$ 28,564

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 26,906	\$ 15,449	\$ -	\$ -
Public safety	97,645	6,851	1,509	496
Public works	64,369	3,001	3,578	3,917
Public health	2,416	65	-	-
Parks and recreation	23,262	8,243	-	195
Public welfare	6,383	-	3,057	241
Convention and event services	5,435	2,496	-	-
Interest and fiscal charges	13,898	-	-	-
Total Governmental Activities	240,314	36,105	8,144	4,849
Business-Type Activities:				
Water and sewer	65,220	92,144	-	3,676
Landfill	4,310	4,484	-	-
Total Business-Type Activities	69,530	96,628	-	3,676
Total Primary Government	\$ 309,844	\$ 132,733	\$ 8,144	\$ 8,525
Component Units:				
Arlington Sports Facilities				
Development Authority, Inc.	\$ 141	\$ 2,593	\$ -	\$ -
Arlington Housing Authority	23,231	-	23,352	-
Arlington Convention and Visitors Bureau	2,961	2,744	344	-
Arlington Housing Finance Authority	1	155	-	-
Total Component Units	\$ 26,334	\$ 5,492	\$ 23,696	\$ -

General Revenues:
Property taxes
Sales taxes
Criminal justice tax
State liquor tax
Bingo tax
Downtown TIF tax
Occupancy tax
Utility franchise fees
Interest
Net decrease in fair value of investments
Other
Special Item - Closure/post-closure trust
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning, as restated
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (11,457)	\$ -	\$ (11,457)	\$ -
(88,789)	-	(88,789)	-
(53,873)	-	(53,873)	-
(2,351)	-	(2,351)	-
(14,824)	-	(14,824)	-
(3,085)	-	(3,085)	-
(2,939)	-	(2,939)	-
(13,898)	-	(13,898)	-
<u>(191,216)</u>	<u>-</u>	<u>(191,216)</u>	<u>-</u>
-	30,600	30,600	-
-	174	174	-
-	<u>30,774</u>	<u>30,774</u>	<u>-</u>
<u>\$ (191,216)</u>	<u>\$ 30,774</u>	<u>\$ (160,442)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 2,452
-	-	-	121
-	-	-	127
-	-	-	154
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,854</u>
101,235	-	101,235	-
60,476	-	60,476	-
360	-	360	-
973	-	973	-
102	-	102	-
590	-	590	-
5,261	-	5,261	-
28,928	-	28,928	-
5,642	1,255	6,897	2,139
(1,244)	(77)	(1,321)	(279)
4,900	21	4,921	108
4,330	-	4,330	-
40,563	(40,563)	-	(800)
<u>252,116</u>	<u>(39,364)</u>	<u>212,752</u>	<u>1,168</u>
60,900	(8,590)	52,310	4,022
423,378	419,207	842,585	24,542
<u>\$ 484,278</u>	<u>\$ 410,617</u>	<u>\$ 894,895</u>	<u>\$ 28,564</u>

**CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>General</u>	<u>Debt Service</u>	<u>Stadium Venue</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 47,919	\$ 6,062	\$ 33,288	\$ 83,709	\$ 170,978
Closure/Post-closure trust fund	4,330	-	-	-	4,330
Investments	-	10,128	234,970	-	245,098
Receivables (net of allowance for uncollectibles)					
Taxes	3,296	379	-	1,101	4,776
Sales taxes	7,234	3,635	-	1,818	12,687
Franchise fees	6,809	-	-	-	6,809
Special assessments	-	-	-	363	363
Accrued interest	730	41	1,625	-	2,396
Other	1,535	-	-	1,596	3,131
Due from other funds	2,975	-	-	-	2,975
Due from component units	127	-	-	-	127
Due from other governments	-	-	-	3,427	3,427
Inventory of supplies, at cost	254	-	-	-	254
Prepaid expenditures	46	-	-	185	231
Total Assets	<u>\$ 75,255</u>	<u>\$ 20,245</u>	<u>\$ 269,883</u>	<u>\$ 92,199</u>	<u>\$ 457,582</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 5,844	\$ 29	\$ 954	\$ 5,512	\$ 12,339
Retainage payable	20	-	-	645	665
Due to other funds	-	-	-	2,975	2,975
Due to other governments	-	-	-	7	7
Deferred revenue-					
Taxes	3,113	-	-	-	3,113
Closure/Post-closure trust fund	4,330	-	-	-	4,330
Other	9,891	-	-	3,946	13,837
Total Liabilities	<u>23,198</u>	<u>29</u>	<u>954</u>	<u>13,085</u>	<u>37,266</u>
Fund Balances:					
Reserved for encumbrances	3,230	-	1,377	20,200	24,807
Reserved for debt service	-	20,216	-	-	20,216
Reserved for inventory	254	-	-	-	254
Reserved for prepaids	46	-	-	185	231
Reserved for capital projects	-	-	267,552	51,080	318,632
Reserved for street maintenance	-	-	-	1,709	1,709
Reserved for utility rate case	500	-	-	-	500
Reserved for court technology	-	-	-	162	162
Reserved for court security	-	-	-	224	224
Unreserved-					
General fund					
Designated for telecommunications	274	-	-	-	274
Designated for working capital	14,373	-	-	-	14,373
Designated for subsequent years' expenditures	5,174	-	-	-	5,174
Designated for arbitrage	12	-	-	-	12
Designated for compensated absences	1,125	-	-	-	1,125
Designated for other post employment benefits	1,718	-	-	-	1,718
Designated for landfill lease proceeds	19,887	-	-	-	19,887
Undesignated	5,464	-	-	-	5,464
Special revenue funds					
Designated for working capital	-	-	-	2,045	2,045
Designated for capital maintenance	-	-	-	161	161
Undesignated	-	-	-	3,348	3,348
Total Fund Balances	<u>52,057</u>	<u>20,216</u>	<u>268,929</u>	<u>79,114</u>	<u>420,316</u>
Total Liabilities and Fund Balances	<u>\$ 75,255</u>	<u>\$ 20,245</u>	<u>\$ 269,883</u>	<u>\$ 92,199</u>	<u>\$ 457,582</u>

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

**CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

Total fund balance per balance sheet	\$ 420,316
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.	634,890
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	10,530
Internal service funds are used by management to charge the cost of fleet services, general services, APFA, technology services, workers' compensation and group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (including capital assets of \$11,824).	24,321
Long-term liabilities, including bonds payable, arbitrage and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds (excluding \$12,224 recorded in the internal service funds).	(605,779)
Net assets of governmental activities	<u>\$ 484,278</u>

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Stadium Venue	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 104,208	\$ 49,963	\$ -	\$ 15,174	\$ 169,345
Licenses and permits	4,476	-	-	-	4,476
Utility franchise fees	28,928	-	-	-	28,928
Fines and forfeitures	6,259	-	-	-	6,259
Leases, rents and concessions	5,207	-	-	-	5,207
Service charges	5,781	-	-	14,394	20,175
Interest revenue	1,564	608	805	2,275	5,252
Net increase (decrease) in fair value of investments	(63)	(48)	(1,066)	(55)	(1,232)
Contributions	-	-	-	1,664	1,664
Intergovernmental revenues	-	-	-	9,216	9,216
Other	800	134	-	3,358	4,292
Total Revenues	<u>157,160</u>	<u>50,657</u>	<u>(261)</u>	<u>46,026</u>	<u>253,582</u>
EXPENDITURES					
Current-					
General government	30,718	-	-	376	31,094
Public safety	97,212	-	-	2,444	99,656
Public works	20,725	-	-	16,246	36,971
Public health	1,342	-	-	93	1,435
Public welfare	-	-	-	6,543	6,543
Parks and recreation	14,727	-	-	7,028	21,755
Convention and event services	-	-	-	5,435	5,435
Capital Outlay	-	-	31,069	26,202	57,271
Debt service-					
Principal retirement	-	28,030	-	-	28,030
Interest and fiscal charges	-	14,632	-	-	14,632
Total Expenditures	<u>164,724</u>	<u>42,662</u>	<u>31,069</u>	<u>64,367</u>	<u>302,822</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,564)</u>	<u>7,995</u>	<u>(31,330)</u>	<u>(18,341)</u>	<u>(49,240)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of general obligation bonds	-	-	-	5,375	5,375
Issuance of revenue bonds	-	-	297,990	-	297,990
Issuance of capital leases	1,626	-	-	-	1,626
Proceeds from refunding bond issue	-	68,000	-	-	68,000
Bond premium	-	4,958	7,619	-	12,577
Amount used to fund escrow account	-	(72,240)	-	-	(72,240)
Transfers in	37,343	8,510	-	5,448	51,301
Transfers out	(4,665)	-	(5,350)	(5,302)	(15,317)
Total Other Financing Sources and Uses	<u>34,304</u>	<u>9,228</u>	<u>300,259</u>	<u>5,521</u>	<u>349,312</u>
Net Change in Fund Balances	<u>26,740</u>	<u>17,223</u>	<u>268,929</u>	<u>(12,820)</u>	<u>300,072</u>
Fund Balances, October 1, as restated	<u>25,317</u>	<u>2,993</u>	<u>-</u>	<u>91,934</u>	<u>120,244</u>
Fund Balances, September 30	<u>\$ 52,057</u>	<u>\$ 20,216</u>	<u>\$ 268,929</u>	<u>\$ 79,114</u>	<u>\$ 420,316</u>

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

**CITY OF ARLINGTON, 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, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

Net change in fund balance - total governmental funds \$ 300,072

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. 25,626

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 10,017

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while 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. This amount is the net effect of these differences in the treatment of long-term debt and related items. (280,924)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 32

Internal service funds are used by management to charge the costs of fleet management and management information systems, property liability loss, health claims and offices services to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities. 6,077

Change in net assets of governmental activities \$ 60,900

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

**CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON STATEMENT
GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Budgeted Amounts		Actual Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
REVENUES						
Taxes	\$ 102,616	\$ 102,616	\$ 104,208	\$ -	\$ 104,208	\$ 1,592
Licenses and permits	4,749	4,749	4,476	-	4,476	(273)
Utility franchise fees	29,469	29,469	28,928	-	28,928	(541)
Fines and forfeitures	10,615	10,615	6,259	-	6,259	(4,356)
Leases, rents and concessions	3,866	3,866	5,207	800	6,007	2,141
Service charges	9,324	9,324	5,781	3,613	9,394	70
Interest revenue	505	505	1,564	-	1,564	1,059
Other revenue	-	-	800	(800)	-	-
Net increase (decrease) in the fair value of investments	-	-	(63)	63	-	-
Total Revenues	<u>161,144</u>	<u>161,144</u>	<u>157,160</u>	<u>3,676</u>	<u>160,836</u>	<u>(308)</u>
EXPENDITURES						
Current-						
General government	31,808	31,808	30,718	(120)	30,598	1,210
Public safety	101,006	101,006	97,212	1,289	98,501	2,505
Public works	24,433	24,433	20,725	2,697	23,422	1,011
Public health	1,301	1,301	1,342	109	1,451	(150)
Parks and recreation	15,306	15,306	14,727	443	15,170	136
Total Expenditures	<u>173,854</u>	<u>173,854</u>	<u>164,724</u>	<u>4,418</u>	<u>169,142</u>	<u>4,712</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>(12,710)</u>	<u>(12,710)</u>	<u>(7,564)</u>	<u>(742)</u>	<u>(8,306)</u>	<u>4,404</u>
OTHER FINANCING SOURCES (USES)						
Issuance of capital leases	-	-	1,626	(1,626)	-	-
Transfers in	17,438	17,438	37,343	(1,287)	36,056	18,618
Transfers out	(4,387)	(4,387)	(4,665)	1,036	(3,629)	758
Total Other Financing Sources (Uses)	<u>13,051</u>	<u>13,051</u>	<u>34,304</u>	<u>(1,877)</u>	<u>32,427</u>	<u>19,376</u>
Net Change In Fund Balances	341	341	26,740	(2,619)	24,121	23,780
Fund Balances, October 1	20,745	20,745	25,317		25,317	4,572
Fund Balances, September 30	<u>\$ 21,086</u>	<u>\$ 21,086</u>	<u>\$ 52,057</u>	<u>\$ (2,619)</u>	<u>\$ 49,438</u>	<u>\$ 28,352</u>

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

**CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Major Fund Water and Sewer	Non-Major Fund Sanitary Landfill	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 12,526	\$ -	\$ 12,526	\$ 23,275
Investments	-	-	-	2,429
Receivables (net of allowances for uncollectibles):				
Trade accounts	6,457	-	6,457	149
Accrued interest	-	-	-	21
Unbilled trade accounts	7,157	-	7,157	-
Other	132	-	132	-
Inventory of supplies, at cost	432	-	432	81
Subtotal	<u>26,704</u>	<u>-</u>	<u>26,704</u>	<u>25,955</u>
Restricted Assets:				
Bond contingency- Investments	11,307	-	11,307	-
Capital construction- Investments	37,438	-	37,438	-
Total Current Assets	<u>75,449</u>	<u>-</u>	<u>75,449</u>	<u>25,955</u>
Non-Current Assets:				
Restricted Assets:				
Bond contingency- Investments	257	-	257	-
Accrued interest	48	-	48	-
Capital construction- Investments	2,074	-	2,074	-
Assessments receivable	4	-	4	-
Meter deposit investments	3,996	-	3,996	-
Capital Assets:				
Land	4,828	-	4,828	-
Buildings and improvements	2,833	-	2,833	467
Water and sewer system	503,723	-	503,723	-
Machinery and equipment	9,827	-	9,827	33,286
Construction-in-progress	76,520	-	76,520	-
Accumulated depreciation	<u>(161,406)</u>	<u>-</u>	<u>(161,406)</u>	<u>(21,929)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>436,325</u>	<u>-</u>	<u>436,325</u>	<u>11,824</u>
Total Noncurrent Assets	<u>442,704</u>	<u>-</u>	<u>442,704</u>	<u>11,824</u>
Total Assets	<u>\$ 518,153</u>	<u>\$ -</u>	<u>\$ 518,153</u>	<u>\$ 37,779</u>

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

**CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2005
(CONTINUED)
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Major Fund Water and Sewer	Non-Major Fund Sanitary Landfill	Total	
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 4,348	\$ -	\$ 4,348	\$ 826
Accrued compensated absences- Current	71	-	71	33
Revenue bonds, net of discount, payable from unrestricted assets	6,822	-	6,822	-
Capital lease obligation	-	-	-	108
Current Liabilities Payable From Restricted Assets:				
Accounts payable and accrued liabilities	1,201	-	1,201	-
Retainage	1,116	-	1,116	-
Accrued interest	1,522	-	1,522	-
Estimated claims payable	-	-	-	5,693
Revenue bonds payable	3,427	-	3,427	-
Meter deposits	3,996	-	3,996	-
Total Current Liabilities	<u>22,503</u>	<u>-</u>	<u>22,503</u>	<u>6,660</u>
Noncurrent Liabilities:				
Estimated claims payable	-	-	-	5,826
Compensated absences	1,481	-	1,481	207
Revenue bonds, net of discount payable from unrestricted assets	83,957	-	83,957	-
Capital lease obligation	-	-	-	357
Total Noncurrent Liabilities	<u>85,438</u>	<u>-</u>	<u>85,438</u>	<u>6,390</u>
Total Liabilities	<u>107,941</u>	<u>-</u>	<u>107,941</u>	<u>13,050</u>
NET ASSETS				
Invested in capital assets, net of related debt	380,515	-	380,515	11,171
Restricted for debt service	10,041	-	10,041	-
Designated for stop loss reserve	-	-	-	1,400
Designated for FSA contribution for 2006	-	-	-	1,020
Designated for migration/claim turnaround	-	-	-	2,500
Designated for legal risk	-	-	-	1,000
Unrestricted	19,656	-	19,656	7,638
Total Net Assets	<u>\$ 410,212</u>	<u>\$ -</u>	<u>410,212</u>	<u>\$ 24,729</u>
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			405	
Net assets of business-type activities			<u>\$ 410,617</u>	

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities			Governmental
	Enterprise Funds			
	Major	Non-Major	Total	Activities-
	Fund	Fund		Internal
	Water and	Sanitary		Service
	Sewer	Landfill		Funds
Operating Revenues:				
Water sales	\$ 50,034	\$ -	\$ 50,034	\$ -
Sewer service	37,094	-	37,094	-
Landfill user charges	-	4,443	4,443	-
Service charges	-	-	-	38,851
Sundry	5,016	41	5,057	453
Total Operating Revenues	<u>92,144</u>	<u>4,484</u>	<u>96,628</u>	<u>39,304</u>
Operating Expenses:				
Purchase of water	10,761	-	10,761	-
Purchase of sewage treatment	15,906	-	15,906	-
Salaries and wages	12,313	997	13,310	1,587
Employees' retirement	1,535	103	1,638	221
Supplies	2,226	153	2,379	2,990
Maintenance and repairs	2,105	958	3,063	993
Utilities	2,505	84	2,589	607
Claims	-	-	-	20,859
Legal and professional	-	-	-	535
Franchise fees	4,328	-	4,328	-
Depreciation	9,843	131	9,974	2,840
Closure/post-closure expense	-	350	350	-
Miscellaneous services	3,460	1,606	5,066	3,386
Total Operating Expenses	<u>64,982</u>	<u>4,382</u>	<u>69,364</u>	<u>34,018</u>
Operating Income	<u>27,162</u>	<u>102</u>	<u>27,264</u>	<u>5,286</u>
Nonoperating Revenues (Expenses):				
Interest revenue	1,255	-	1,255	311
Net decrease in the fair value of investments	(77)	-	(77)	(12)
Gain on sale of assets	-	21	21	199
Interest expense and fiscal charges	(845)	-	(845)	(12)
Total Nonoperating Revenues	<u>333</u>	<u>21</u>	<u>354</u>	<u>486</u>
(Expenses)	<u>333</u>	<u>21</u>	<u>354</u>	<u>486</u>
Income before transfers and contributions	27,495	123	27,618	5,772
Contributions in aid of construction	3,676	-	3,676	-
Transfers in	-	-	-	2,224
Transfers out	(5,917)	(34,646)	(40,563)	(1,240)
Change in Net Assets	<u>25,254</u>	<u>(34,523)</u>	<u>(9,269)</u>	<u>6,756</u>
Total Net Assets, October 1	<u>384,958</u>	<u>34,523</u>	<u>419,481</u>	<u>17,973</u>
Total Net Assets, September 30	<u>\$ 410,212</u>	<u>\$ -</u>	<u>\$ 410,212</u>	<u>\$ 24,729</u>
Net change in net assets - total proprietary funds			\$ (9,269)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			679	
Change in net assets of business-type activities			<u>\$ (8,590)</u>	

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

**CITY OF ARLINGTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Major Fund Water and Sewer	Non-Major Fund Sanitary Landfill	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 89,695	\$ 4,985	\$ 94,680	\$ 39,288
Cash payments to suppliers	(39,808)	(2,933)	(42,741)	(28,536)
Cash payments to employees	(13,798)	(1,269)	(15,067)	(1,829)
Net Cash Provided By Operating Activities	<u>36,089</u>	<u>783</u>	<u>36,872</u>	<u>8,923</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	2,224
Transfers out	(3,421)	(34,598)	(38,019)	(1,240)
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(3,421)</u>	<u>(34,598)</u>	<u>(38,019)</u>	<u>984</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(28,414)	-	(28,414)	(4,162)
Principal payments on capital lease	-	-	-	(96)
Interest payments on capital lease	-	-	-	(12)
Proceeds from sales of capital assets	-	10,528	10,528	258
Proceeds from issuance of long-term debt	17,000	-	17,000	-
Repayment of long-term debt	(10,088)	-	(10,088)	-
Interest payment long-term debt	(4,006)	-	(4,006)	-
Net Cash Provided By (Used For) Capital And Related Financing Activities	<u>(25,508)</u>	<u>10,528</u>	<u>(14,980)</u>	<u>(4,012)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from interest earnings	1,861	-	1,861	311
Net increase (decrease) in the fair value of investments	(77)	-	(77)	(12)
Purchase of investments	(84,137)	-	(84,137)	(7,127)
Maturities/sales of investments	75,942	-	75,942	9,083
Net Cash Provided By (Used In) Investing Activities	<u>(6,411)</u>	<u>-</u>	<u>(6,411)</u>	<u>2,255</u>
Net Increase (Decrease) In Cash And Cash Equivalents	749	(23,287)	(22,538)	8,150
Cash And Cash Equivalents, October 1	11,777	23,287	35,064	15,125
Cash And Cash Equivalents, September 30	<u>\$ 12,526</u>	<u>\$ -</u>	<u>\$ 12,526</u>	<u>\$ 23,275</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income	\$ 24,666	\$ 54	\$ 24,720	\$ 5,286
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	9,843	131	9,974	2,840
Interest earnings capitalized	(477)	-	(477)	-
Interest expense capitalized	3,233	-	3,233	-
Amortization of bond premium	(57)	-	(57)	-
Provision for bad debts	265	-	265	-
(Increase) decrease in-				
Receivables	(2,450)	501	(1,949)	(16)
Inventory of supplies	50	-	50	6
Increase (decrease) in-				
Accounts payable and accrued liabilities	208	(84)	124	358
Estimated claims payable	-	-	-	470
Retainage payable	573	-	573	-
Meter deposits	361	-	361	-
Accrued compensated absences	(126)	(169)	(295)	(21)
Closure/post-closure liability	-	350	350	-
Total adjustments	11,423	729	12,152	3,637
Net Cash Provided By Operating Activities	<u>\$ 36,089</u>	<u>\$ 783</u>	<u>\$ 36,872</u>	<u>\$ 8,923</u>
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	3,676	-	3,676	-

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 8,096
Investments		
Money market fund	59	-
U. S. Government bonds	163	-
Corporate bonds	324	-
Fixed income mutual bond funds	7,432	36
Common stock mutual bond funds	69,311	230
Participant borrowing	5,493	-
Self directed brokerage accounts	6,713	-
Total Investments	<u>89,495</u>	<u>266</u>
Total Assets	<u>89,495</u>	<u>8,362</u>
 LIABILITIES		
Accounts payable and accrued liabilities	-	8,096
IRC 401 deferred compensation plans	-	266
Total Liabilities	<u>-</u>	<u>8,362</u>
 NET ASSETS		
Held in trust for pension benefits	<u>\$ 89,495</u>	

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

**CITY OF ARLINGTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Pension Trust Funds
ADDITIONS	
Employer contributions	\$ 2,255
Employee contributions	4,691
Net appreciation in fair value of investments	7,561
Total Additions	<u>14,507</u>
DEDUCTIONS	
Benefits	10,670
Plan administration	29
Total Deductions	<u>10,699</u>
Increase in Net Assets	3,808
Net Assets, October 1	85,687
Net Assets, September 30	<u>\$ 89,495</u>

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

CITY OF ARLINGTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Arlington, Texas (the "City") was incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Council Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and sewer utilities, sanitary landfill, and general administrative services.

The accompanying financial statements of the City include all funds and component units. The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both non-current assets and non-current liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. Accordingly, the accounting and financial reporting of the City's General Fund, Capital Projects Funds and Debt Service Funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34. The accrual basis of accounting and the economic resources measurement focus is utilized by proprietary fund types and the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GAAP also requires supplementary information presented as Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the originally adopted and final General Fund budget with actual results.

B. Reporting Entity

The City is governed by an elected mayor and nine-member council. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial

statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Arlington Sports Facilities Development Authority, Inc.

The Arlington Sports Facilities Development Authority, Inc.'s (the "ASFDA") board of directors is appointed by the City Council. The ASFDA's management is designated by the City, and City employees are responsible for the ASFDA's daily operations. The City is financially accountable for the ASFDA's activities. Separate ASFDA component unit financial statements are not prepared.

Arlington Housing Authority

The Arlington Housing Authority's (the "AHA") board of commissioners is appointed by the Mayor. The AHA's management is designated by the City. The employees who are responsible for daily operations of the AHA are City employees. The City has financial accountability over the AHA's activities. The audited financial statements of the AHA are prepared in accordance with accounting principles generally accepted in the United States (GAAP). Separate AHA component unit financial statements can be obtained from the AHA at 501 W. Sanford Street, Suite 20, Arlington, Texas 76010.

Arlington Convention and Visitors Bureau, Inc.

The Arlington Convention and Visitors Bureau, Inc.'s (the "ACVB") board of directors is appointed by the City Council. The primary source of revenue for the ACVB is a professional services support contract with the City; therefore, the City has financial accountability over the ACVB's activities. Separate ACVB component unit financial statements can be obtained from the ACVB at 1905 E. Randol Mill Road, Arlington, Texas 76011.

Arlington Housing Finance Corporation

The Arlington Housing Finance Corporation's (the "AHFC") board of directors is appointed by the City Council. The AHFC's management is designated by the City, and City employees are responsible for the daily activities of the AHFC; accordingly, the City has financial accountability over AHFC's activities. Separate AHFC component unit financial statements can be obtained from the City's Finance Department.

Arlington Industrial Development Corporation

The Arlington Industrial Development Corporation's (the "AIDC") board of directors is appointed by the City Council. The AIDC's management is designated by the City, and City employees are responsible for the daily activities of the AIDC; accordingly, the City has financial accountability over AIDC's activities. Separate AIDC component unit financial statements can be obtained from the City's Finance Department.

The financial statements of the following component units have been "blended" with those of the City because (i) their governing bodies are substantially the same as the governing body of the City or (ii) the component unit provides services entirely to the City.

Arlington Property Finance Authority, Inc.

The Arlington Property Finance Authority's (the "APFA") board of directors is appointed by the City Council, and the City management maintains significant continuing management oversight with respect to APFA's policies. Additionally, the APFA provides services entirely to the City and its employees.

Thrift Savings Plan

The Thrift Savings Plan's (the "Thrift") governing board and trustee are appointed by the City Council. The City Council also directs the operations of the Thrift and has a significant influence over its investment policies. Additionally, the Thrift provides services exclusively to City employees.

Disability Income Plan

The Disability Income Plan's (the "DIP") governing board is appointed by the City Council. Additionally, the City Council appoints the DIP trustee and significantly influences its activities. The DIP exclusively covers City employees.

Part-Time Deferred Income Trust

The Part-Time Deferred Income Trust's (the "PTDIT") governing board is appointed by the City Council. Additionally, the City Council appoints the PTDIT trustee and significantly influences its activities. The PTDIT exclusively covers City employees.

C. 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. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly 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 government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, 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. All franchise fees are based on gross receipts and are included in general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales and franchise taxes, intergovernmental revenues, 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 and stadium venue fund. GAAP 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. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the Comprehensive Annual Financial Report.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc.).

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 funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Agency funds, however, report only assets and liabilities and therefore have no measurement focus. 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 imposed by the provider have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is not measurable. 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. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered deferred revenue.

In fiscal year 2005 the City changed its method of revenue recognition for impact fees from deferral and has recognized revenue upon receipt for these imposed non-exchange transactions, restating beginning fund balance as follows (in thousands):

	<u>Fund Level</u> Total <u>Non-Major Funds</u>	<u>Government-Wide</u> Governmental <u>Activities</u>
Beginning fund balance/net assets, as previously stated	\$ 87,827	\$ 419,271
Adjustment	<u>4,107</u>	<u>4,107</u>
Beginning fund balance/net assets, as restated	<u>\$ 91,934</u>	<u>\$ 423,378</u>

Business-type activities and all proprietary funds, and the pension trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and 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, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide business-type activities and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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 following major funds are used by the City:

1. Governmental Funds:

The focus of Governmental fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City.
- b. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. Stadium Venue Fund accounts for the planning, acquisition, establishment, development, and construction of the Dallas Cowboys Complex Development Project. Funds are provided primarily through bond sales, interest earnings, sales tax, hotel occupancy tax, and car rental tax.
- d. Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Enterprise Funds:

The focus of Enterprise Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. The following is a description of the Enterprise Funds of the City:

- a. Water and Sewer Fund is a major fund that accounts for the operation of the City's water and sewer utility. 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 revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.
- b. Sanitary Landfill Fund is a non-major fund that accounts for the operations of the City's landfill. Customers are billed monthly at a rate sufficient to cover the cost of providing such service.

3. Other Fund Types:

The City additionally reports for the following Fund types:

- a. Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis. These services include printing, mailing and duplicating; fleet services; self insurance; technology services; workers' compensation insurance; and group health insurance.
- b. Agency Funds are used to account for assets held by the City in an agency capacity for payroll related benefits, escheat property for the state, and other assets held for individuals, local law enforcement agencies and developers.
- c. Pension Trust Fund is used to account for the accumulation of resources to be used for the retirement and disability benefit payments to qualified City employees and for thrift savings plans for City employees.

E. Cash, Cash Equivalents and Investments

To facilitate cash management, the operating cash of certain funds and component units is pooled into a cash management pool for the purpose of increasing income through combined investment activities. This cash and investment pool is available for use by all funds and component units except the ASFDA, the Trust Funds, and the AHA, all of which maintain separate investments. Each fund's portion of this pool is allocated through its cash and cash equivalent account on the balance sheet. In addition, certain investments are separately held by several of the City's funds. Interest is allocated on a monthly basis to all funds in the investment pool based on their average balance at the end of each month. Interest earned by separate investments is credited to the respective funds.

For purposes of the statement of cash flows, the City considers all unrestricted investments included in its cash management pool to be cash equivalents as these balances are used essentially as demand deposit accounts by the individual funds. Investments included in the cash management pool which are restricted for use are reported as investments. Additionally, certificates of deposit and temporary investments held separately from the City's cash management pool and which are purchased with original maturities at the time of purchase of three months or less are reported as cash equivalents.

Texas statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, fully collateralized certificates of deposit, repurchase agreements, commercial paper, and direct obligations of cities within the state of Texas. The City is also authorized to invest in direct obligations of the state of Texas or its agencies, obligations of states, agencies, counties, and other political subdivisions, money market mutual funds, prime bankers' acceptances, and reverse repurchase agreement.

In accordance with GASB Statement No. 31, investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a transaction between willing parties.

F. Inventories and Prepaid Items

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used. Reported inventories in governmental funds are equally offset by a fund balance reserve, which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

G. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	20 - 40
Equipment	4 - 10
Drainage improvements	35 - 50
Meters	10
Streets	20 - 25
Storm/sanitary sewer	50
System infrastructure	20 - 50

H. Capitalization of Interest

The City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2005, approximately \$2,757,000 of interest costs, net of \$477,000 of interest earned, were capitalized as capital assets in the Water and Sewer Fund as part of the costs of constructing various projects. Total interest expense and interest earned in fiscal 2005 for the Water and Sewer Fund amounted to approximately \$845,000 and \$1,255,000, respectively.

I. Arbitrage Liability

The City accrues a liability for an amount of rebatable arbitrage resulting from investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities. Such investment activities can result in interest revenue exceeding interest cost. The arbitrage liability is payable to the federal government every five years; however, the City calculates and records its arbitrage liability annually. The arbitrage liability is recorded as a liability in the government-wide and proprietary fund types, as applicable, on the accrual basis and as a reduction of interest income on the invested debt proceeds.

J. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 20 days per year for 15 years of service and over. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least six months of continuous service.

The City's employees accumulate 1.25 days of sick leave per month with a maximum accrual of 150 days (180 for fire fighters). For employees with more than five years of service, one-fourth of the total amount of accumulated sick pay up to a maximum of 120 days is paid at termination. The full amount accumulated up to 120 days maximum is paid if termination is through retirement or death.

Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. 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/ discounts and issuance costs, are deferred and amortized over the life of the bonds using the effective interest method and straight line method, respectively. Bonds payable are reported net of the applicable bond premium or discount. 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.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 a 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 the "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 \$605,779,000 difference are as follows (amounts in thousands):

Bonds payable	\$568,065
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(3,112)
Premium general obligation debt	13,723
Deferred loss refunding	(3,562)
Accrued interest payable	1,650
Arbitrage rebate	12
Sales tax payable	1,081
Landfill closure	4,330
Compensated absences	21,882
Capital leases	<u>1,710</u>
 Net adjustment to reduce fund balance - total governmental funds To arrive at net assets - governmental activities	 <u>\$605,779</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances include a 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, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense." The details of the \$25,626,000 difference are as follows (amounts in thousands):

Capital outlay	\$59,503
Depreciation expense	<u>(33,877)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$25,626</u>

Another element of that reconciliation states "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 \$280,924,000 difference are as follows (amounts in thousands):

Debt issued or incurred:	
Issuance of general obligation bonds	(\$379,959)
Premium on issuance	(3,983)
Less: issuance cost	2,975
Capital lease	(1,626)
Amortization of deferred loss on bond refunding	(544)
Principal repayments:	
General obligation debt	100,270
Capital lease	653
Amortization of bond premium	<u>1,290</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>(\$ 280,924)</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$32,000 difference are as follows (amounts in thousands):

Compensated absences	\$ (219)
Arbitrage	26
Closure/post-closure	(10)
Accrued interest expense	216
Amortization of issuance cost	(130)
Sales tax	<u>149</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 32</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, the Enterprise Funds, and certain Special Revenue Funds (Park Performance, Convention and Event Services and Street Maintenance). All unencumbered appropriations lapse at fiscal year-end, except certain of those of the Special Revenue Funds. The budgets for the General Fund, the Debt Service Fund, and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as budgeted expenditures. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include encumbrances, debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. The statements comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other items which are reported in the City's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the departmental level. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures of the General Fund, Debt Service Fund, and certain Special Revenue funds must be approved by the City Council. During fiscal year 2005, the City Council did not approve any budgetary expenditure amendments for the General Fund.

The Budgetary Comparison Statement presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results, with the following exceptions:

The portion of ad valorem tax revenues in the General Fund from "rolled back" tax payments (taxes, up to five years back, on properties previously taxed at special use exemption values and currently changed to full values) are excluded from the budgetary basis tax revenues and from the general governmental expenditures.

Certain interdepartmental revenues and expenses are included in budgetary basis revenues and expenditures, but are eliminated from actual revenues and expenditures.

General Fund encumbrances are added to the actual expenditures for budgetary comparison. Budgetary data for the Special Revenue Funds and Capital Projects Funds have not been presented. Receipts of revenues are not estimable for all Special Revenue Funds and are not budgeted. Expenditures are limited to total revenues over the life of the funds. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in an annual Capital Improvements Program plan.

B. Deficit fund equity

Special Revenue Funds, funded by State and Federal Grants, submit their expenses to associated governmental agencies for reimbursement. For the fiscal year ending September 30, 2005, the Federal Transit fund deficit of \$197,000, the Texas Department of Transportation fund deficit of \$278,000, the Home Investment Partnership fund deficit of \$116,000, the Supportive Housing fund deficit of \$7,000 and the Texas Criminal Justice Division fund deficit of \$4,000 will be funded by Federal and State Grants, reimbursements from which will replenish the fund balance in the following fiscal year.

IV. DETAILED NOTES ON ALL FUNDS

1. DEPOSITS AND INVESTMENTS

Deposits - State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2005. At year-end, the carrying amount of the City's demand deposits (excluding Component Units) was an overdraft of \$(2,492,000) (bank balance, \$1,057,425). The City's bank balance (excluding Component Units) was covered by collateral with a fair value of

\$5,191,850. The bank balance was fully collateralized by securities held in the City's name by the Federal Home Loan Bank of Dallas through a tri-party (City, depository bank and Federal Home Loan Bank) collateral agreement.

Investments - State statutes and City Bond Ordinances authorize the City's investments. 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 repurchase agreements, commercial paper rated A-1+, P-1 with an underlying long-term rating of AA or better, prime domestic bankers acceptances, 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 AAA and a maximum maturity of 18 months.

The City elects to exclude investments with an original maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost. As of September 30, 2005, the City had the following investments listed by investment policy fund groups:

Fund	Book Value	Fair Value	Weighted average Maturity (in days)
General Operating/Internal Pool	\$228,787,323	\$228,335,812	153
Cowboy Stadium Complex Project	269,838,308	268,773,047	462
Debt Service and Working Capital Reserve	6,661,788	6,644,193	239
Cowboy Stadium Complex Debt Service Reserve	12,525,955	12,480,225	579
Self-Insurance	4,264,785	4,252,616	130
Total Investments	\$522,078,159	\$520,485,893	

As of September 30, 2005, the Component Units of the City had the following investments listed by investment policy fund groups:

Fund	Book Value	Fair Value	Weighted average Maturity (in days)
Capital Project Funds	\$946,100	\$946,100	1
Debt Service Sinking	9,103,349	8,949,738	1,111
Total Investments	\$10,049,449	\$9,895,838	

Investments in the Retirement Security Plan are held by a bank trust department.

As of September 30, 2005, the fiduciary funds of the City had the following investments listed by investment policy fund groups:

Fund	Book Value	Fair Value	Weighted average Maturity (in days)
Pension Trust Funds	\$ 89,495	\$ 89,495	n/a
Agency Funds	8,362	8,362	n/a
Total Investments	\$ 97,857	\$ 97,857	

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum maturity of any single investment and the weighted average maturity of combined investments by fund groups. The following table lists the fund groups authorized in the City's investment policy and the maximum maturity and maximum weighted average maturity ("WAM"):

Fund	Maximum Maturity	Maximum WAM
General Operating	2 Years	1 Year
Capital Project	2 Years	18 Months
Cowboy Stadium Complex Project	4 Years	3 Years
Debt Service and Working Capital Reserve	5 Years	4 Years
Cowboy Stadium Complex Debt Service Reserve	7 Years	7 Years
Debt Service Sinking	7 Years	7 Years
Self-Insurance	7 Years	5 Years

Credit Risk. The City's investments in the bonds of U.S. agencies were rated Aaa by Moody's investors Service and AAA by Standard and Poor's. The Arlington Housing Authority's investments in the Federal Home Loan Bank bond was rated AAA by Moody's. The Arlington Sports Facility Development's investments were in U.S. Treasury funds or U.S. Treasury money market mutual funds.

Concentration of Credit Risk. The City's investment policy places no limit on the amount the City may invest in any one issuer, but the City's Investment Committee is assigned the strategy of portfolio diversification. The Investment Committee has set the target of 50% or more of the City's portfolio invested in U.S. Treasury securities, Treasury backed repurchase agreements or Treasury money market mutual funds. As of September 30, 2005, the City's portfolio was 50.43% invested in U.S. Treasury Securities, 4.60% invested in Treasury money market mutual funds, 19.96% in Fannie Mae securities, 12.45% in Federal Home Loan Bank securities, 9.55% in Freddie Mac securities, 2.53% invested in a statewide investment pool, and 0.48% invested in Federal Farm Credit Bank securities.

A reconciliation of cash and investments as shown on the Statement of Net Assets for the City follows: (amounts in thousands):

	Primary Government	Component Units	Reporting Entity	Fiduciary Funds
Cash on Hand	\$ 73	\$ -	\$ 73	\$ -
Carrying Amount of Deposits	(2,492)	4,618	(2,126)	8,096
Carrying Amount of Investments	<u>511,797</u>	<u>9,896</u>	<u>525,945</u>	<u>89,761</u>
	<u>\$509,378</u>	<u>\$14,514</u>	<u>\$523,892</u>	<u>\$97,857</u>
Cash and Cash Equivalents	\$171,139	\$ 3,930	\$175,069	\$ 8,096
Cash-Restricted	35,640	90	35,730	-
Investments	2,429	10,494	12,923	89,761
Investments-Restricted	<u>300,170</u>	<u>-</u>	<u>300,170</u>	<u>-</u>
	<u>\$509,378</u>	<u>\$14,514</u>	<u>\$523,892</u>	<u>\$97,857</u>

2. PROPERTY TAXES

Property Taxes are levied on October 1 on the assessed value listed as of the prior January 1 and are due and payable at that time. All unpaid taxes attach as a lien on property as of January 1 and become enforceable February 1. Penalty and interest is charged at 7 percent on delinquent taxes beginning February 1, and increase each month to 18 percent on July 1.

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Appraisal Review Board. The assessed value for the tax roll of January 1, 2004, upon which the original FY05 levy was based, was \$15,599,320,000.

City property tax revenues are recorded as receivables and deferred revenues at the time the tax levy is billed. Current year revenues recognized are those collected within the current period, or soon enough

thereafter to pay current liabilities, generally within sixty days after year-end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

For the fiscal year ended September 30, 2005, the City had a tax rate of \$0.6480 (\$0.4023 for general government and \$0.2457 for debt service) per \$100 assessed valuation with a tax margin of \$1.8520 per \$100 valuation based upon a maximum ad valorem tax of \$2.50 per \$100 valuation permitted by Article XI, Section 5, of the State of Texas Constitution. Additional revenues up to approximately \$288,899,406 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately \$15,599,320,000.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this system, the City sets tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

3. RECEIVABLES

Receivables at September 30, 2005 for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

(Amounts expressed in thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Stadium Venue</u>	<u>Water & Sewer</u>	<u>Nonmajor & Other Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 8,801	\$ 379	\$ -	\$ -	\$1,101	\$10,281
Trade Accounts	6,809	-	-	8,524	-	15,333
Unbilled Trade Accounts	-	-	-	7,157	-	7,157
Special Assessments	-	-	-	-	363	363
Sales Taxes	7,234	3,635	-	-	1,818	12,687
Accrued Interest	730	41	1,625	-	-	2,396
Other	<u>1,535</u>	<u>-</u>	<u>-</u>	<u>132</u>	<u>1,622</u>	<u>3,289</u>
Gross Receivables	25,109	4,055	1,625	15,813	4,904	51,506
Less: Allowance for Uncollectibles	<u>(5,505)</u>	<u>-</u>	<u>-</u>	<u>(2,067)</u>	<u>(26)</u>	<u>(7,598)</u>
Net total receivables	<u>\$19,604</u>	<u>\$4,055</u>	<u>\$1,625</u>	<u>\$13,746</u>	<u>\$4,878</u>	<u>\$43,908</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 71,831	\$ 8,769	\$ -	\$ 80,600
Construction in progress	<u>102,931</u>	<u>57,628</u>	<u>(11,037)</u>	<u>149,522</u>
Total capital assets, not being depreciated	<u>174,762</u>	<u>66,397</u>	<u>(11,037)</u>	<u>230,122</u>
Capital assets, being depreciated:				
Buildings	102,547	18,954	-	121,501
Improvements other than buildings	55,584	-	-	55,584
Equipment	42,543	5,672	(1,690)	46,525
Infrastructure	<u>724,849</u>	<u>4,799</u>	<u>-</u>	<u>729,648</u>
Total capital assets, being depreciated	<u>925,523</u>	<u>29,425</u>	<u>(1,690)</u>	<u>953,258</u>
Less accumulated depreciation for:				
Buildings	27,359	17,044	-	44,403
Improvements other than buildings	18,936	-	-	18,936
Equipment	27,116	4,874	(1,657)	30,333
Infrastructure	<u>415,223</u>	<u>27,771</u>	<u>-</u>	<u>442,994</u>
Total accumulated depreciation	<u>488,634</u>	<u>49,689</u>	<u>(1,657)</u>	<u>536,666</u>
Total capital assets, being depreciated, net	<u>436,889</u>	<u>(20,264)</u>	<u>(33)</u>	<u>416,592</u>
Governmental activities capital assets, net	<u>\$611,651</u>	<u>\$46,133</u>	<u>(\$11,070)</u>	<u>\$646,714</u>

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Total Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 10,950	\$ 551	\$ (6,673)	\$ 4,828
Construction in progress	<u>82,310</u>	<u>27,358</u>	<u>(33,148)</u>	<u>76,520</u>
Total capital assets, not being depreciated	<u>93,260</u>	<u>27,909</u>	<u>(39,821)</u>	<u>81,348</u>
Capital assets, being depreciated:				
Buildings and improvements	17,216	-	(14,383)	2,833
Water and sewer system	465,926	37,797	-	503,723
Machinery and equipment	<u>12,969</u>	<u>88</u>	<u>(3,230)</u>	<u>9,827</u>
Total capital assets, being depreciated	<u>496,111</u>	<u>37,885</u>	<u>(17,613)</u>	<u>516,383</u>
Less accumulated depreciation for:				
Buildings and improvements	13,775	53	(12,917)	911
Water and sewer system	141,489	9,574	-	151,063
Machinery and equipment	<u>11,710</u>	<u>347</u>	<u>(2,625)</u>	<u>9,432</u>
Total accumulated depreciation	<u>166,974</u>	<u>9,974</u>	<u>15,542</u>	<u>161,406</u>
Total capital assets, being depreciated, net	<u>329,137</u>	<u>27,911</u>	<u>(2,071)</u>	<u>354,977</u>
Business-type activities capital assets, net	<u>\$422,397</u>	<u>\$55,820</u>	<u>(\$41,892)</u>	<u>\$436,325</u>

The landfill fund was closed and capital assets in the amount of \$21,056,000 and accumulated depreciation in the amount of \$12,972,000 were transferred to the governmental activities. See footnote 9.

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:	
General Government	\$ 2,676
Public Safety	625
Parks and recreation	2,529
Public works	28,033
Public health	14
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,840</u>
Total depreciation expense – governmental activities	<u>\$36,717</u>
Business-type activities:	
Water and sewer	\$ 9,843
Sanitary landfill	<u>131</u>
Total depreciation expense – business-type activities	<u>\$ 9,974</u>

Discretely presented component units:

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Arlington Sports Facilities Development Authority, Inc.:				
Capital assets, being depreciated:				
Buildings and improvements	<u>\$2,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,739</u>
Total capital assets, being depreciated	<u>2,739</u>	<u>-</u>	<u>-</u>	<u>2,739</u>
Less accumulated depreciation for:				
Buildings and improvements	<u>1,150</u>	<u>110</u>	<u>-</u>	<u>1,260</u>
Total accumulated depreciation	<u>1,150</u>	<u>110</u>	<u>-</u>	<u>1,260</u>
Total capital assets, being depreciated, net	<u>1,589</u>	<u>(110)</u>	<u>-</u>	<u>1,479</u>
Arlington Sports Facility Development Authority, Inc. activities capital assets, net	<u>\$1,589</u>	<u>(\$110)</u>	<u>\$ -</u>	<u>\$1,479</u>
	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Arlington Housing Authority, Inc.:				
Capital assets, not being depreciated:				
Machinery and equipment	<u>\$ 761</u>	<u>\$ -</u>	<u>\$ (83)</u>	<u>\$678</u>
Total capital assets, not being depreciated	<u>761</u>	<u>-</u>	<u>(83)</u>	<u>678</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>298</u>	<u>27</u>	<u>(83)</u>	<u>242</u>
Total accumulated depreciation	<u>298</u>	<u>27</u>	<u>(83)</u>	<u>242</u>
Total capital assets, being depreciated, net	<u>463</u>	<u>(27)</u>	<u>-</u>	<u>436</u>
Arlington Housing Authority, Inc. activities capital assets, net	<u>\$ 463</u>	<u>(\$27)</u>	<u>\$ -</u>	<u>\$436</u>
	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Arlington Convention and Visitors Bureau, Inc.:				
Capital assets, not being depreciated:				
Machinery and equipment	<u>\$367</u>	<u>\$ 11</u>	<u>\$-</u>	<u>\$378</u>
Total capital assets, not being depreciated	<u>367</u>	<u>11</u>	<u>-</u>	<u>378</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>212</u>	<u>35</u>	<u>-</u>	<u>247</u>
Total accumulated depreciation	<u>212</u>	<u>35</u>	<u>-</u>	<u>247</u>
Total capital assets, being depreciated, net	<u>155</u>	<u>(24)</u>	<u>-</u>	<u>131</u>
Arlington Convention and Visitors Bureau, Inc. activities capital assets, net	<u>\$155</u>	<u>(\$24)</u>	<u>\$-</u>	<u>\$131</u>

5. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of over 801 currently administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P.O. Box 149153, Austin, Texas, 78714 or by calling 512-476-7577.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100 percent, 150 percent, or 200 percent) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City were as follows (as of 4/1/05):

Deposit Rate:	7%
Matching Ratio: (City to Employee)	2 to 1
A member is vested after:	5 years

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year open amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began in January 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

For 2005, the City's annual pension cost of \$14,671,901 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included an 9.7 percent investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) no inflation rate adjustment. The actuarial value of assets is adjusted cost for bonds (original cost adjusted for amortization of premium or accrual of discount) and original cost for

short-term securities and stocks, which is the same as book value. The City's unfunded actuarial accrued liability is being amortized over a constant 25-year open amortization period as a level percentage of payroll.

The following table discloses three-year historical trend information relating to the TMRS plan.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
9/30/03	\$14,117,102	100.00%	-
9/30/04	\$13,955,035	100.00%	-
9/30/05	\$14,671,901	100.00%	-

Thrift Savings Plan

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution requirements are adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401(k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2005, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$87,978,000.

The City's total payroll during fiscal 2005 was \$117,596,000. The current year contribution was calculated based on a covered payroll of \$76,607,000, resulting in a required and actual employer contribution of \$1,879,000 and actual employee contributions of \$4,570,000. The employer contribution represents 2.5 percent of the covered payroll. The employee contribution represents approximately 6.0 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2005. There were no related-party transactions.

Part-Time Deferred Income Trust

The City provides retirement benefits for all part-time, seasonal, and temporary employees through the Part-time Deferred Income Trust Plan (the "PDIT"), a single-employer defined benefit plan administered by the City of Arlington's Human Resources Department. The PDIT was adopted by the City Council in accordance with the safe harbor rules of the Internal Revenue Service regulations. The PDIT does not issue separate stand-alone financial statements.

The contribution rate for employees is 3 percent, and the City's actuarially determined matching percent is currently 3.3 percent. The City's required contribution rate was determined as part of the July 1, 2004, actuarial valuation (the most recent actuarial valuation) using the aggregate cost method, which does not identify or separately amortize unfunded actuarial liabilities. For 2005, 2004, 2003, 2002, 2001, and 2000 the City contributed 100 percent of the annual pension cost totaling approximately \$87,000, \$75,000, \$0, \$0, \$0, and \$75,000 respectively.

Benefits depend on length of service to the City and the employee's total contributions. At normal retirement age (65), the benefit consists of monthly payments equal to a percentage of the employee's average pay multiplied by years of service. The percentage of the employee's pay ranges from 1.50 percent to 2.00 percent, depending on the number of months of service.

IRC 457 Deferred Compensation Plans

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is administered by Fidelity Investments. In addition, the City offers its executive employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457

which is administered by the International City Management Association Retirement Corporation (the "ICMA"). Due to the fact that the City does not administer these plans, these plans are not included in the City's financial statements.

Disability Income Plan

Effective October 1, 1992, the City began providing active employees with disability insurance through a policy obtained from a commercial carrier. Previously, all City employees had participated in a Disability Income Plan (the "DIP"), a single-employer disability plan, which had been funded by actuarially determined contributions. This plan had been accounted for in the DIP fund. Benefits to employees who were disabled while participating under the previous plan will continue to be paid from the remaining assets of the DIP fund. As of July 1, 2004, the date of the latest actuarial valuation, the DIP had benefit liabilities to disabled participants of \$2,960,000. The market value of DIP assets at July 1, 2004, was \$286,000. The resulting unfunded DIP liability of \$2,674,000 will be funded by employer contributions over 30 years. The DIP does not issue separate stand-alone financial statements.

City contributions for the above plans for the year ended September 30, 2005, are as follows (amounts in thousands):

TMRS	\$14,672
THRIFT	1,879
PTDIT	88
DIP	<u>288</u>
	<u>\$16,927</u>

Statement of Net Assets and Statement of Changes in Net Assets

The Part-Time Deferred Income Trust, Thrift Savings and Disability Income Plans do not issue separate GAAP financial reports. Their financial statements are presented below:"

	<u>Statement of Net Assets</u>			
	<u>Part-Time Deferred Income Trust</u>	<u>Thrift Savings Plan</u>	<u>Disability Income Plan</u>	<u>Total</u>
ASSETS				
Investments	<u>\$1,229</u>	<u>\$87,978</u>	<u>\$288</u>	<u>\$89,495</u>
Total Assets	<u>\$1,229</u>	<u>\$87,978</u>	<u>\$288</u>	<u>\$89,495</u>
NET ASSETS, Held in Trust For Pension Benefits	<u>\$1,229</u>	<u>\$87,978</u>	<u>\$288</u>	<u>\$89,495</u>

<u>Statement of Changes in Net Assets</u>				
	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	Total
ADDITIONS				
Employer contributions	\$ 88	\$ 1,879	\$288	\$ 2,255
Employee contributions	121	4,570	-	4,691
Net appreciation in fair value of investments	<u>62</u>	<u>7,484</u>	<u>15</u>	<u>7,561</u>
Total Additions	<u>\$ 271</u>	<u>\$13,933</u>	<u>\$303</u>	<u>\$14,507</u>
DEDUCTIONS				
Benefits	114	10,255	301	10,670
Plan administration	<u>23</u>	<u>4</u>	<u>2</u>	<u>29</u>
Total Deductions	<u>137</u>	<u>10,259</u>	<u>303</u>	<u>10,699</u>
 Increase in Net Assets	 134	 3,674	 0	 3,808
 NET ASSETS, October 1	 <u>1,095</u>	 <u>84,304</u>	 <u>288</u>	 <u>85,687</u>
NET ASSETS, September 30	<u>\$1,229</u>	<u>\$87,978</u>	<u>\$288</u>	<u>\$89,495</u>

Other Post Employment Benefits

The City provides postretirement health care benefits to eligible employees who retire from the City with at least 10 years of service with the City of Arlington. Currently, 555 retirees meet those eligibility requirements. Retirees may select either one or a combination of the following benefit plans offered by the City – medical, dental and/or vision coverage. Participants under age 65 may select from two EPO plans. Effective January 1, 2005, participants age 65 and over had the additional option to enroll in Medicare supplemental AARP Plans F or J. The City plan has a non-duplication coordination of benefits with Medicare and other primary plans for retirees and/or their dependants. During the year, expenditures of \$2,919,198 were recognized for postretirement health care.

6. LONG-TERM DEBT

General Long-Term Debt

In March, 2005, the City issued \$68,000,000 of Permanent Improvement Refunding Bonds, Series 2005 for the purpose of refunding a portion of the City's outstanding debt, making various capital improvements and paying the cost of issue related to the bond sale. The bonds will mature on August 15th of each year over a period from 2005 to 2024. Interest is payable February 15 and August 15 of each year commencing August 15, 2005. Total interest requirements for these bonds as of 9/30/05, at rates ranging from 2.50 percent to 5.0 percent aggregate of \$33,193,275. The proceeds from the refunding portion of the issuance of \$72,240,000 were used to purchase U.S. Government securities which were placed in an irrevocable trust with an escrow agent for the purpose of generating resources for all future debt service payments of the refunded \$72,240,000 of permanent improvement bonds and certificates of obligation. As a result, the refunded bonds are considered to be legally defeased and the liability is not reflected in the statement of net assets. This refunding was undertaken to reduce total debt service payments over the next seventeen years by \$4,160,552 and resulted in an economic gain of \$3,088,867. The difference between the reacquisition price and carrying amount of the debt resulted in a loss of approximately \$3,265,000 which has been recorded in the government-wide statements as a deferred charge.

The City also issued \$5,375,000 of Combination Tax and Revenue Certificates of Obligation, Series 2005, during FY 2005 at an effective interest rate of 3.51 percent, with all issuances scheduled to mature serially from 2006 to 2015. The certificate proceeds will be used to make various capital improvements.

The City received a determination in 2002 by the State of Texas Comptroller's office that the City had received \$2,228,186 in sales tax receipts from the Comptroller's office in error over the past several years. The Comptroller's office agreed to allow the City to repay the excess sales tax revenue interest free over a period of ten years through reduced sales tax allocations from the state. The state began

withholding \$18,568 monthly from the City's sales tax allocations beginning in March 2003. The withholding is allocated between the General Fund for \$12,427 per month and the ASFDA for \$6,140 per month. As of September 30, 2005, this liability is reported at \$1,081,206 in the governmental activities and \$534,228 in the component units of the statement of net assets. Beginning in 2003, as sales tax allocations were reduced monthly, the City recorded an expense at the fund level and recorded sales tax revenue for the amount of the monthly sales tax allocation withheld by the Comptroller's office. The City also recorded a fund liability to the extent that sales tax revenues are recognized and accrued at year-end.

On July 15, 2005 the City issued \$297,990,000 Dallas Cowboy Complex Special Obligations pledging the ½ cent sales tax, 2% hotel occupancy tax and five percent car rental tax along with base rental revenue and five percent of the naming rights revenue. The proceeds of this bond sale, along with interest earnings and excess revenues, will provide the City's funding for the project. Series A and C of the Dallas Cowboy Complex Special Obligations are fixed rate debt totaling \$133,725,000. The Series B of the Dallas Cowboy Complex Special Obligations are variable debt totaling \$164,265,000. The variable rate Series B are hedged with two interest rate swaps as described in footnote 10.

General long-term and special obligation debt balances and transactions and other long term obligations for the year ended September 30, 2005, are as follows (amounts in thousands):

	Balance, October 1, 2004	Additions	Retirements and Other	Balance, September 30, 2005	Due Within One Year
General obligation debt ⁽¹⁾	\$258,960	\$68,000	(\$94,485)	\$232,475	\$23,135
Special tax revenue debt ⁽²⁾	-	297,990	-	297,990	-
Certificates of obligation	34,745	5,375	(2,520)	37,600	3,025
Premium on general bonds	2,436	4,958	(1,290)	6,104	-
Premium on special bonds	-	7,619	-	7,619	-
Deferred loss on refunding	(841)	(3,265)	544	(3,562)	-
Accrued compensated absences	21,758	1,836	(1,469)	22,125	1,164
Capital lease obligation	764	1,626	(215)	2,175	233
Arbitrage rebate	38	-	(26)	12	-
Claims payable	11,049	5,867	(5,397)	11,519	5,693
Landfill Closure Liability	3,970	360	-	4,330	-
Sales tax payable	1,230	-	(149)	1,081	149
Total	\$334,109	\$390,366	(\$105,007)	\$619,468	\$33,399

⁽¹⁾ The general obligation debt of \$270,075 consists of serial and term bonds and certificates of obligation payable from general property taxes. The bonds mature annually in varying amounts through fiscal year 2024, and interest is payable semiannually at rates ranging from 2.50 percent to 7.375 percent.

The principal and interest requirements of the above general obligation debt at September 30, 2005 are as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 26,160	\$ 12,916	\$ 39,076
2007	23,920	11,709	35,629
2008	22,905	10,598	33,503
2009	21,015	9,474	30,489
2010	19,665	8,469	28,134
2011-2015	89,460	28,665	118,125
2016-2020	54,420	10,089	64,509
2021-2024	<u>12,530</u>	<u>1,188</u>	<u>13,718</u>
	\$270,075	\$93,108	\$363,183

General obligation debt authorized and unissued as of September 30, 2005, amounted to \$116,245,000.

- (2) The special obligation debt of \$297,990 consists of tax exempt special tax bonds and taxable special tax and revenue bonds. The Series A and C bonds mature annually in varying amounts through fiscal year 2035, and interest is payable semiannually at rates ranging from 3.0 percent to 5.0 percent. The Series B bonds interest is payable monthly.

The principal and interest requirements of the above special obligation debt at September 30, 2005, are as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ -	\$ 12,110	\$ 12,110
2007	-	12,389	12,389
2008	-	12,389	12,389
2009	4,950	12,389	17,339
2010	5,230	12,220	17,450
2011-2015	38,890	56,039	94,929
2016-2020	20,525	41,780	62,305
2021-2025	-	38,865	38,865
2026-2030	-	38,865	38,865
2031-2035	<u>228,395</u>	<u>30,474</u>	<u>258,869</u>
	<u>\$297,990</u>	<u>\$267,520</u>	<u>\$565,510</u>

Debt of the Enterprise Funds

The City issued \$17,000,000 of Water and Wastewater System Revenue Bonds, Series 2005 during 2005 at an effective interest rate of 4.14 percent and will mature on June 1st of each year over a period from 2006 to 2024. Interest is payable June 1 and December 1 of each year commencing on December 1, 2005. Total interest requirements for these bonds, at rates ranging from 2.5 percent to 5.00 percent, aggregate \$7,309,385. The bond proceeds were used to improve and extend the water and wastewater system.

The revenue bonds of the Enterprise Funds are payable from operations of the Water and Sewer Fund. The bonds mature annually in varying amounts through fiscal year 2024, and interest is payable semiannually at rates ranging from 2.375 percent to 6.0 percent. Debt balances and transactions for the year ended September 30, 2005, are as follows (amounts in thousands):

	<u>Balance, October 1, 2004</u>	<u>Additions</u>	<u>Retirements and Other</u>	<u>Balance, September 30, 2005</u>	<u>Due Within One Year</u>
Waterworks and Sewer System- Revenue bonds	\$87,935	\$17,000	(\$10,145)	\$94,790	\$10,280
Deferred loss on refunding	(626)	-	42	(584)	-
Compensated Absences	<u>1,847</u>	<u>-</u>	<u>(295)</u>	<u>1,552</u>	<u>71</u>
Total	<u>\$89,156</u>	<u>\$17,000</u>	<u>(\$10,398)</u>	<u>\$95,758</u>	<u>\$10,351</u>

The revenue bonds are collateralized by the revenue of the water and sewer system and assets of various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is first to be used to pay operating and maintenance expenses of the system and secondly to establish and maintain the special funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions, which restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts calculated in accordance with provisions of the existing bond ordinances and certain financial ratios are met.

The principal and interest requirements at September 30, 2005, for the enterprise fund debt for the next five years and thereafter, are as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Waterworks and Sewer System Revenue Bonds</u>
2006	\$10,280	\$ 4,228	\$ 14,508
2007	9,510	3,629	13,139
2008	7,030	3,240	10,270
2009	6,990	2,965	9,955
2010	6,945	2,683	9,628
2011-2015	27,870	9,483	37,353
2016-2020	19,425	4,024	23,449
2021-2024	<u>6,740</u>	<u>633</u>	<u>7,373</u>
	<u>\$94,790</u>	<u>\$30,885</u>	<u>\$125,675</u>

Long-Term Debt of the Discretely Presented Component Units

As part of the Incremental Funding, as defined in the Agreement, on February 2, 1993, the ASFDA authorized the issuance of \$20,124,000 Junior Lien Revenue Bonds, First Series (the "Bonds"). The Bonds are noninterest-bearing limited special obligations of the ASFDA, secured by a subordinated junior lien on the one-dollar ticket surcharge of up to \$2,000,000 annually. The Bonds are due on December 31, 2008, and are callable at any time at the option of the ASFDA. As of September 30, 2005, \$17,179,900 in Bonds were outstanding. Proceeds from the Bonds were used toward the development of the Texas Rangers sports facility.

7. PRIOR YEAR BOND REFUNDINGS

In prior years, the City legally defeased certain general obligation, revenue, and other bonds by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's report. As of September 30, 2005, previously defeased debt still outstanding amounted to \$43,545,000.

8. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2005, is as follows (amounts in thousands):

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$2,975	\$ -
Nonmajor Funds	<u>-</u>	<u>2,975</u>
	<u>\$2,975</u>	<u>\$2,975</u>

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2006.

Transfers between funds during the year were as follows (amounts in thousands):

	<u>Transfers Out</u>	<u>Transfers In</u>
Major Governmental Funds:		
General Fund	\$ 4,665	\$ 37,343
Debt Service Fund	-	8,510
Stadium Venue Fund	<u>5,350</u>	-
Total Major Governmental Funds	10,015	45,853
Major Proprietary Funds:		
Water and Sewer Fund	5,917	-
Sanitary Landfill Fund	<u>34,646</u>	-
Total Major Proprietary Funds	40,563	-
Nonmajor Funds	5,302	5,448
Internal Service Funds	<u>1,240</u>	<u>2,224</u>
Total All Funds	<u>\$57,120</u>	<u>\$53,525</u>

The combined Water and Sewer, Convention and Event Services, Arlington Property Finance Authority, and Sanitary Landfill Funds transferred \$4,513,000 to the General Fund to cover their budgeted indirect costs.

The Sanitary Landfill Fund made a one time transfer of \$9,181,000 to General Fund.

The General Fund transferred \$4,387,000 to Street Maintenance Fund, Special Transportation (Handitran), and other special revenue funds to cover budgeted operating expenses.

The Debt Service Fund received budgeted transfers of \$2,980,000 from the Convention and Event Services, Sanitary Landfill and Park Performance Funds to cover debt service repayments.

The difference between total transfers out and transfers in relates to net capital assets of \$3,595,000 transferred out of the Sanitary Landfill Fund upon its closure. See footnote 9.

9. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

The City accounts for its landfill closure and post-closure care costs in accordance with GASB No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs."

State and federal laws and regulations require the City to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. In 2004 the City received a permit for vertical expansion which increased the capacity and the life of the landfill. The \$4,330,000 reported as a landfill closure and post-closure accrued liability at September 30, 2005, represents the cumulative amount reported to date based on the use of approximately 49 percent of the estimated capacity of the active cells of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$3,473,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2005. The City expects to close the landfill in 2028. Actual costs may change due to inflation, changes in technology, or changes in regulations.

On March 18, 2005, the City entered into a contract with Republic Waste Services of Texas, Ltd (Republic) for a 20 year renewable operating lease of the landfill. Upon lease of the landfill, the solid waste fund was closed and transferred into the General Fund. The transfers into the General Fund consisted of \$14 million cash and \$6 million of dirt inventory used in the operation of the lease. The fund's equipment was sold prior to the closure of the fund. The fund's net assets of approximately \$6 million, consisting of buildings and land, were transferred to general fixed assets and the long-term closure/post-closure liability of \$4 million was transferred to general long-term debt. The City received an initial payment of \$15 million, \$6 million of which was for the purchase of the City's dirt inventory. The

remaining \$9 million was recorded as deferred revenue and will be amortized over the life of the lease. Republic is responsible for the appropriate closure and post-closure maintenance of the entire landfill and the funding of monthly contributions to a trust account that will pay closure and post-closure costs as required by state and federal laws and regulations. Republic is in compliance with these requirements and at September 30, 2005, cash and cash equivalents are held for these purposes.

10. COMMITMENTS AND CONTINGENCIES

Trinity River Authority

The City entered into a 50 year contract dated October 10, 1973, with the Trinity River Authority (TRA) whereby the TRA agrees to provide supplemental sewage treatment for consideration. Payments by the City are based on metered usage, at rates designed to charge the City a pro rata share of the TRA's annual operating and maintenance expenses, and principal and interest requirements on bonds issued by the TRA.

Grant Audits

The City receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would be insignificant.

Construction Commitments

The City has various active construction projects as of September 30, 2005. The projects include street construction, park construction, police construction, traffic construction, and the construction of water and sewer facilities. At year-end the City's commitments with contractors are as follows (amounts in thousands):

<u>Project</u>	<u>Spend-to-Date</u>	<u>Remaining Commitment</u>
Street Construction	\$ 42,194	\$ 8,017
Park Construction	22,585	2,563
Police Construction	13,462	564
Traffic Construction	8,399	986
Water and Sewer Construction	<u>76,520</u>	<u>5,011</u>
	<u>\$163,160</u>	<u>\$17,141</u>

The street, police and traffic construction projects are funded primarily by permanent improvement bonds proceeds. The park construction projects are funded by permanent improvement bond proceeds, certificate of obligation proceeds, and park fee revenues. Water and sewer construction projects are funded by revenue bond proceeds and cash from operating revenues of the water and sewer system.

Litigation

The City is currently involved in an employment lawsuit in which the plaintiff alleges that his termination violated the Family Medical Leave Act. The City is vigorously contesting this case, which was tried by jury in April 2004. Judgment in the amount of \$1.1 million was rendered against the City. The case has been appealed. Oral argument was before the 5th circuit court of appeals on December 7, 2005. A decision is expected in early 2006. The range of exposure to the City in the event the jury verdict is affirmed on appeal is \$1.1 to \$1.5 million. The probability of an unfavorable outcome cannot be determined at this time and an accrual has been recorded.

The City is currently involved in an American with Disabilities Act discrimination lawsuit, in which the plaintiffs allege that they are discriminated against because of the condition of curb ramps and sidewalks in the public rights of way in the City of Arlington. The City contends that the City is in compliance with the ADA. The City is vigorously contesting this case which is still in the early pleading stages of litigation.

The range of exposure to the City in the event of a jury verdict is inestimable. The probability of an unfavorable outcome cannot be determined at this time.

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of APFA limitations (see Note 11) of insurance coverage, if any, on all claims will not have a materially adverse effect on the City's financial position, as a whole.

Derivative Instruments

Objective of the swap. The City of Arlington, Texas (the "City") issued its variable-rate Dallas Cowboys Complex Tax-Exempt Special Tax Bonds, Series 2005B (Multi-Modal) (the "Bonds") on September 1, 2005 in the amount of \$164,265,000, for the governmental purpose of the planning, acquisition, establishment, development and construction of the Dallas Cowboys Complex. In anticipation of the Bonds' issuance, on July 25, 2005 the City entered into two separate pay-fixed, receive-variable interest rate swaps (collectively, the "Swaps"). The variable rate the City will receive under the Swaps is The Bond Market AssociationTM Municipal Swap Index, which is expected to closely approximate the variable interest rate of the Bonds. The City entered into the Swaps to synthetically fix the rate payable on the Bonds for an established period, and thus manage its interest rate risk while obtaining a lower fixed interest rate than would have been available for similar fixed-rate debt obligations. The Swaps will terminate on September 1, 2016, at which point the City will face an unhedged variable interest rate exposure on the Bonds, unless an additional swap or swaps are procured on or before that time, or if, as is the City's intention, the City begins retiring the Bonds at that time. The Swaps were entered into in equal amounts of \$82,132,500 with JPMorgan Chase Bank, N.A. and \$82,132,500 with UBS AG, Stamford Branch (collectively, the "Counterparties").

Terms, fair values, and credit risk. The terms, including the fair values and credit ratings of the Swaps, as of September 30, 2005, are included below. The City's Swaps contain one scheduled reduction to the outstanding notional amounts on September 1, 2013 from \$82,132,500 to \$57,527,500. This notional reduction is expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating (Moody's/S&P/Fitch)
Series 2005B	82,132,500	9/1/2005	3.719%	BMA	(228,199.42)	9/1/2016	(Aa2/AA-/AA-)
Series 2005B	82,132,500	9/1/2005	3.719%	BMA	(228,199.42)	9/1/2016	(Aa2/AA+/AA+)
Total:					(456,398.84)		

Fair value. The Swaps had a negative fair value as of September 30, 2005 of (\$456,398.84). This fair value takes into consideration the prevailing interest rate environment, and the specific terms and conditions of the transaction. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swaps, assuming that the current forward tax-exempt rates implied by the BMA yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the taxable spot rates implied by the current London Interbank Offered Rate ("LIBOR") yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the Swaps.

Credit risk. As of September 30, 2005, the City was not exposed to credit risk on its Swaps because the Swaps had a negative fair value. However, should interest rates change and the fair values of the Swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' fair value. The credit ratings of JPMorgan Chase Bank, N.A. are Aa2/AA-/AA-, and of UBS AG, Stamford Branch are Aa2/AA+/AA+ by Moody's/S&P/Fitch respectively.

The Swap agreements contain collateral provisions with the Counterparty. The Swaps require collateralization of the fair value of the Swaps should the Counterparty's credit ratings fall below A2 by Moody's or A by S&P. This protects the City by mitigating credit risk inherent in the Swaps. Collateral on the Swaps is to be in the form of cash or negotiable debt obligations (other than interest-only obligations) issued by the U.S. Treasury Department and held by a third-party custodian.

Basis risk. Basis risk is the risk that the interest rate paid by the City on underlying variable rate Bonds to bondholders differs from the variable swap rate received from the Counterparty. The City bears basis risk on its Swaps. The Swaps have basis risk since the City receives BMA to offset the actual variable Bond rate the City pays on its Bonds. The City is exposed to basis risk should the floating rate that it receives on a Swaps be less than the actual variable rate the City pays on the Bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected overall synthetic fixed rate from the Swaps may not be realized.

Termination risk. The City or the Counterparty may terminate the Swaps if the other party fails to perform under the terms of the respective contracts. If the Swaps are terminated, the associated variable-rate Bonds would no longer be hedged to a fixed rate. The City has a swap insurance policy in place with MBIA Insurance Corporation (the "Insurer"), which mitigates its exposure to termination risk. The City will not be required to post collateral as long as the Insurer's credit ratings do not fall below A2 by Moody's or A by S&P. As of September 30, 2005, the Insurer's credit ratings were Aaa by Moody's and AAA by S&P. If at the time of termination the Swaps have a negative fair value, the City would be liable to the Counterparty for a payment equal to the Swaps' fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City.

Rollover Risk. The City is exposed to rollover risk because the Swaps mature prior to the stated maturity date of the related Bonds. The Swaps mature on September 1, 2016, and the Bonds mature on August 15, 2035. If new swaps are not put in place, the associated variable-rate Bonds would no longer be hedged to a fixed rate. The City anticipates having revenue to enable it to begin paying off some or all of the Bonds prior to the stated maturity date, which would reduce this risk.

Swap payments and associated debt. As of September 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Dallas Cowboys Coomplex Special Obligations, Series 2005B

Fiscal Year Ended <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u> <u>Swaps, Net</u>	<u>Total</u>
2006	\$ -	\$ 4,566,567	\$ 1,542,448	\$ 6,109,015
2007	-	4,566,567	1,542,448	6,109,015
2008	-	4,566,567	1,542,448	6,109,015
2009	-	4,566,567	1,542,448	6,109,015
2010	-	4,566,567	1,542,448	6,109,015
2011-2015	-	22,832,835	6,749,570	29,582,405
2016-2020	-	22,832,835	990,336	23,823,171
2021-2025	-	22,832,835	-	22,832,835
2026-2030	-	22,832,835	-	22,832,835
2031-2035	164,265,000	22,262,014	-	186,527,014
Total	<u>\$ 164,265,000</u>	<u>\$ 136,426,189</u>	<u>\$ 15,452,146</u>	<u>\$ 316,143,335</u>

11. RISK MANAGEMENT

The City's risk management activities are administered through various internal service funds.

Arlington Property Finance Authority (APFA)

The APFA was created for the purpose of acting on the City's behalf in financing various governmental programs as prescribed by ordinance or resolution of the City Council. In October 1986, the City Council adopted an ordinance to establish the City's Self-insurance and Risk Management Program (the "Program"). The purpose of the Program is to provide the City a defined and funded self-insurance program for bodily injury, property damage, personal injury, advertising injury, and regulatory injury.

In 1986, APFA issued \$9,000,000 of notes payable and the City transferred \$1,000,000 from the General Fund in order to initially fund the Program. In August 2001, the City Council adopted an ordinance to extend the program for another four years, through September 30, 2005. In September 2005, the City Council adopted an ordinance to extend the program through September 30, 2006. On January 12, 1999, the City issued \$7,000,000 of Certificates of Obligation, Series 1999 which will adequately capitalize the Fund through fiscal year 2006, based on a recent actuarial study of the program. The \$7,000,000 was repaid from ad valorem taxes. Under the Program Ordinance, the annual surplus on deposit in the APFA Fund may be withdrawn upon order of the City's APFA Claims Board and used for any lawful purpose. The payments out of the APFA Fund for all purposes cannot exceed \$1,000,000 per occurrence and \$3,000,000 in aggregate in one annual period. Should claims exceed this amount, the excess claims are to be funded by other available City resources.

The APFA claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 2.2 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately \$2,559,000 at September 30, 2005.

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of \$300,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. No settlements have utilized this commercial insurance coverage for the past three years. All City departments participate in the workers' compensation program. Payments to the WCF from such departments are based on actuarial estimates of the amounts needed to pay prior and current year claims and related administrative expenses. The WCF claims liabilities are actuarially determined annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 2.2 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately \$6,034,000 at September 30, 2005.

Group Health

Group medical benefits are paid through the Group Health Fund which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions and from City contributions for employee and dependent coverage.

The year-end liability for incurred but not reported claims is reported in the accompanying financial statements at the present value of approximately \$2,926,000 at September 30, 2005.

Changes in the balances of claims liabilities during fiscal 2005 and 2004 were as follows (amounts in thousands):

<u>Fiscal 2005</u>	<u>October 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>September 30</u>
APFA	\$ 2,753	\$ 40	\$ (234)	\$ 2,559
Workers' Compensation	5,806	2,912	(2,684)	6,034
Group Health	2,490	18,571	(18,135)	2,926
	<u>\$11,049</u>	<u>\$21,523</u>	<u>(\$21,053)</u>	<u>\$11,519</u>
<u>Fiscal 2004</u>				
APFA	\$ 1,652	\$ 1,501	\$ (400)	\$ 2,753
Workers' Compensation	4,837	5,008	(4,039)	5,806
Group Health	6,294	12,064	(15,868)	2,490
	<u>\$12,783</u>	<u>\$18,573</u>	<u>(\$20,307)</u>	<u>\$11,049</u>

12. LEASES

A. As Lessee

As lessee, the City is committed under various leases for data processing and office equipment. These leases are considered for accounting purposes to be capital leases. The liability for future capital lease payments totals \$2,175 and is reported as capital lease obligations current liabilities (\$545) and capital lease obligations non-current liabilities (\$1,630) in the General Services Fund and the Court Technology Fund.

Future minimum lease payments for capital leases including interest and principal are as follows (amounts in thousands):

<u>Year ending September 30, 2005</u>	<u>Rental Payments</u>
2006	\$ 604
2007	533
2008	533
2009	501
2010	145
Total minimum future lease payments	2,316
Less: Amount representing interest	(141)
Present value of net minimum lease payments	<u>\$2,175</u>

The City's investment in equipment under capital lease arrangements as of September 30, 2005 is \$3,385,000.

The City is also committed under various leases for data processing, office equipment and machinery. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the fiscal year ended September 30, 2005, amounted to \$411.

Future minimum lease payments for these leases are as follows (amounts in thousands):

<u>Year ending September 30</u>	<u>Rental Payments</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2006	\$301	\$301	\$0
2007	64	64	0
2008	2	2	0
	<u>\$367</u>	<u>\$367</u>	<u>\$0</u>

B. As Lessor

Effective October 1, 1983, the City entered into a contract to lease a tract of land for the purpose of constructing and developing a hotel, commercial and office complex and business park. The term of the lease is for an initial period of fifty years with renewal options for two additional terms of fifteen years each. The rental payments are based upon a percentage (ranging from 1.0 percent - 1.75 percent) of gross revenues (as defined in the agreement) through December 31, 2006. After December 31, 2006, and throughout the remainder of the lease term, annual rental payments shall be the greater of 0.5 percent of gross revenues or an aggregate of \$750,000. Total rental payments received in 2005 were approximately \$207,000.

13. DISPUTE SETTLEMENT AGREEMENT

On April 27, 1999, the ASFDA and the City entered into a Dispute Settlement Agreement and Agreement Not To Pursue Claim (the "Dispute Settlement Agreement") with the Texas Rangers baseball club (the "Rangers"). The Dispute Settlement Agreement relates to the amount of costs of acquiring certain tracts of land for the Project, which the ASFDA and the City alleged should be paid by the Rangers (the "Claim"). The Dispute Settlement Agreement requires the Rangers to make annual installment payments, without interest, to the Authority on or before December 31 of each year as follows:

<u>Year</u>	<u>Amount</u>
2005	\$ 800,000
2006	800,000
2007	800,000
2008	800,000
2009	800,000
2010 to 2014	4,900,000
2015 to 2019	5,000,000
2020 to 2024	<u>5,000,000</u>
	18,900,000
Less Discount	<u>7,455,000</u>
	<u>\$11,445,000</u>

The payment in 2024 is due on or before March 1. By entering into this agreement, the ASFDA and the City agreed to release and discharge the Rangers from the Claim.

14. CAPITAL LEASE

A lease agreement was executed on June 23, 1992 between the Texas Rangers, Ltd. (the Rangers) and the ASFDA for the Ballpark Complex Development (the Facility). The lease is a triple net lease to the Rangers, with the Rangers retaining all concession and signage rights. The Rangers agreed to pay a base rent of \$2,000,000 per year for the 30-year term of the lease. Upon retirement or defeasance of the debt, the Rangers have the option to purchase the Facility, excluding the linear park, at a cost of \$60,000,000, with full credit given for all base and additional rents paid, as well as up to \$1,500,000 annual credit for maintenance costs paid on the Facility by the Rangers. If the purchase option is exercised, the Rangers are committed to play baseball in the City for ten additional years.

Pursuant to applicable accounting standards, the lease of the Facility to the Rangers has been accounted for as a capital lease in the component unit, ASFDA. Accordingly, a lease receivable has been established representing the future expected lease proceeds and the capital assets have been removed from the accounts of the ASFDA. As of September 30, 2005, the lease receivable balance was \$19,389,324.

Minimum future rentals are as follows:

<u>September 30</u>	
2006	\$ 2,000,000
2007	2,000,000
2008	2,000,000
2009	2,000,000
2010	2,000,000
2011-2015	10,000,000
2016-2020	10,000,000
2021-2023	<u>7,055,556</u>
	37,055,556
Less Discount	<u>17,666,332</u>
Minimum future lease rentals	<u>\$19,389,224</u>

15. CONDENSED COMPONENT UNIT INFORMATION

The City includes five component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2005, for all discretely presented component units is as follows (amounts in thousands):

Condensed Statement of Net Assets

	Arlington Sports Facilities Development Authority, Inc. <u>2005</u>	Housing Authority <u>2005</u>	Nonmajor Discretely Presented Component Units <u>2005</u>	Total Discretely Presented Component Units <u>2005</u>
Current and other assets	\$41,209	\$5,443	\$767	\$47,419
Capital assets	1,479	436	131	2,046
Total assets	<u>42,688</u>	<u>5,879</u>	<u>898</u>	<u>49,465</u>
Long-term liabilities outstanding	17,640	-	-	17,640
Other liabilities	487	2,635	139	3,261
Total liabilities	<u>18,127</u>	<u>2,635</u>	<u>139</u>	<u>20,901</u>
Net assets:				
Invested in capital assets, net of related debt	1,479	436	131	2,046
Restricted	9,103	-	-	9,103
Unrestricted	<u>13,979</u>	<u>2,808</u>	<u>628</u>	<u>17,415</u>
Total net assets	<u>\$24,561</u>	<u>\$3,244</u>	<u>\$759</u>	<u>\$28,564</u>

Condensed Statement of Activities

	Arlington Sports Facilities Development Authority, Inc. <u>2005</u>	Housing Authority <u>2005</u>	Nonmajor Discretely Presented Component Units <u>2005</u>	Total Discretely Presented Component Units <u>2005</u>
Expenses	\$ 941	\$23,231	\$2,962	\$27,134
Program Revenues:				
Charges for services	2,593	-	2,899	5,492
Operating grants and contributions	<u>-</u>	<u>23,352</u>	<u>344</u>	<u>23,696</u>
Net Program (Expense) Revenue	<u>1,652</u>	<u>121</u>	<u>281</u>	<u>2,054</u>
Interest Revenues	2,066	57	16	2,139
Other NonTax General Revenues	<u>(244)</u>	<u>74</u>	<u>(1)</u>	<u>(171)</u>
Change in Net Assets	3,474	252	296	4,022
Net Assets, October 1, as restated	<u>21,087</u>	<u>2,992</u>	<u>463</u>	<u>24,542</u>
Net Assets, September 30	<u>\$24,561</u>	<u>\$ 3,244</u>	<u>\$ 759</u>	<u>\$28,564</u>

In fiscal year 2005, the City completed its GASB Statement No. 34 conversion of the discretely-presented component unit Arlington Sports Facilities Development Corporation, Inc. ("ASFDA") from a governmental fund to a proprietary fund by recognizing all previously deferred revenue, restating beginning net assets for ASFDA (in thousands).

ASFDA beginning net assets as previously stated	\$ 3,255
Adjustment to remove deferred revenue	<u>17,832</u>
ASFDA beginning net assets, as restated	<u>\$ 21,087</u>

Condensed Statement of Cash Flows

	Arlington Sports Facilities Development Authority, Inc. <u>2005</u>	Housing Authority <u>2005</u>	Nonmajor Discretely Presented Component Units <u>2005</u>	Total Discretely Presented Component Units <u>2005</u>
Net cash provided (used) by:				
Operating activities	\$ 2,990	\$ 447	\$ 221	\$ 3,658
Noncapital financing activities	(800)	-	-	(800)
Capital and related financing activities	-	-	(18)	(18)
Investing activities	<u>(2,542)</u>	<u>(354)</u>	<u>8</u>	<u>(2,888)</u>
Net increase (decrease)	(352)	93	211	(48)
Beginning cash and cash equivalents	1,845	1,700	434	3,979
Ending cash and cash equivalents	<u>\$ 1,493</u>	<u>\$ 1,793</u>	<u>\$ 645</u>	<u>\$ 3,931</u>

**CITY OF ARLINGTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TMRS FUNDING
 LAST THREE FISCAL YEARS (Unaudited)**

The following table discloses certain three-year historical trend information presenting the City's progress in accumulating sufficient assets to pay benefits when due (amounts expressed in thousands, except for percentages):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Percent	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/02	\$316,095	\$397,483	\$ 81,388	79.5%	\$110,722	73.5%
12/31/03	336,817	433,336	96,519	77.7%	109,451	88.2%
12/31/04	342,453	444,422	101,969	77.1%	115,074	88.6%

For 2005, the City's annual pension cost of \$14,671,901 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) no inflation rate adjustment. The actuarial value of assets is adjusted cost for bonds (original cost adjusted for amortization of premium or accrual of discount) and original cost for short-term securities and stocks, which is the same as book value. The City's unfunded actuarial accrued liability is being amortized over a constant 25-year open amortization period as a level percentage of payroll.

**CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION TRUST-PART-TIME DEFERRED INCOME TRUST PLAN
LAST THREE FISCAL YEARS (Unaudited)**

The actuarial assumptions used in the July 1, 2004, actuarial valuation included were (a) 6.50 percent investment return, (b) no inflation rate adjustment, and (c) 4.50 percent salary increases. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. The actuarial accrued liability was determined using the entry age normal cost method.

The following table discloses certain three-year historical trend information:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Percent	Excess Funded AAL (EAAL)	Annual Covered Payroll	EAAL as a Percentage of Covered Payroll
7/1/02	\$ 891,460	\$ 834,006	106.9%	\$ 57,454	\$2,415,348	2.4%
7/1/03	928,709	873,745	106.3%	54,863	2,415,348	2.3%
7/1/04	1,038,934	913,685	113.7%	125,249	2,415,348	5.2%

* Valuation results for 7/1/2003 were estimated based on 7/1/2002 and 7/1/2004 valuations.

** An actuarial valuation was not performed as of 7/1/2005

**CITY OF ARLINGTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISABILITY INCOME PLAN
 LAST THREE FISCAL YEARS (Unaudited)**

The actuarial assumptions used in the July 3, 2004, actuarial valuation included were (a) 7.50 percent investment return, (b) no inflation rate adjustment, and (c) 4 percent salary increases. The accrual basis of accounting is utilized by the DIP fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. The actuarial accrued liability was determined using the entry age normal cost method.

The following table discloses certain three-year historical trend information:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/02	\$288	\$3,104	9.3%	\$2,816	\$104,055	2.7%
7/1/04	286	2,960	9.7%	2,674	102,013	2.6%

* Valuation results for 7/1/2003 were not estimated.

** An actuarial valuation was not performed as of 7/1/2003 or 7/1/2005

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

FEDERAL TRANSIT ADMINISTRATION FUND - This fund accounts for money received from the Urban Mass Transportation Administration and related expenditures for the operation of a transportation system for the elderly and handicapped and various capital expenditures for transportation related projects.

STREET MAINTENANCE FUND - This fund accounts for money received from the Street Maintenance Fee to be used for the maintenance, rehabilitation, and repair of existing city streets.

U.S. ARMY CORPS OF ENGINEERS - JOHNSON CREEK - This fund accounts for money received from the U.S. Army Corps of Engineers for the buy-out of structures within the 25-year flood zone and the creation of recreational features along Johnson Creek.

TEXAS DEPARTMENT OF TRANSPORTATION FUND - This fund accounts for money received from the State Department of Highways and Public Transportation and summarizes related expenditures for statewide transportation enforcement programs.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - This fund accounts for money received from the Federal Department of Housing and Urban Development through the block grant program. These funds are used to help the City as a whole and specific sectors for various projects as allowable in the grant funding guidelines.

HOME INVESTMENT PARTNERSHIP FUND - This fund accounts for money received from the Federal Department of Housing and Urban Development through the HOME program grant. These funds are to expand the supply of decent, affordable housing for the low and very-low income families in Arlington.

SUPPORTIVE HOUSING FUND - This fund accounts for money received from the Federal Department of Housing and Urban Development through the supportive housing program. These funds are used to help the City provide funding assistance for employment, education, life skills, and physical health for homeless individuals and families.

TEXAS PARKS AND WILDLIFE FUND - This fund accounts for money received from the State of Texas Parks and Wildlife Department and related expenditures for the acquisition of parkland, park improvements and various other park related projects.

TEXAS CRIMINAL JUSTICE DIVISION FUND - This fund accounts for money received from the State of Texas Criminal Justice Division and related expenditures for various law enforcement and criminal justice related projects.

PARK PERFORMANCE FUND - This fund accounts for the revenues and expenditures from golf and other recreational activities.

CONVENTION AND EVENT SERVICES FUND - This fund accounts for the operations of the Convention Center.

OTHER SPECIAL REVENUE FUNDS - Other Special Revenue Funds consist of special revenue funds which are individually insignificant to the Special Revenue Fund's assets, liabilities, revenues, expenditures, and fund balance as a whole. These funds are the Texas Department of Aviation, Federal Drug Enforcement Administration, North Central Texas Council of Governments, Emergency Physicians' Advisory Board, Federal Emergency Management Agency, Emergency Shelter Grant, Arlington Telecable, Texas Commission on the Arts, Law Enforcement Officers Standards and Education, Court Security, Court Time Payment, Police Restricted Fund, Downtown Tax Increment Financing, Local Law Enforcement Block Grant, Court Technology Fund, Texas State Library, Gifts and Donations, Auto Theft Prevention, Infrastructure Maintenance Reserve, Historic Preservation, Motor Carrier Violations, and Texas Historical Commission.

CAPITAL PROJECTS FUNDS

MUNICIPAL FACILITIES CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for expenditures connected with the planning, construction, and refurbishing of various municipal office buildings.

STREET CAPITAL PROJECTS FUND – The primary purpose of this fund is to account for the purchase of rights of way and land, construction of streets and related facilities, and to account for various other projects related to street construction.

POLICE CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for construction and other capital project expenditures related to building police stations and funding other police related projects.

FIRE CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for construction and other capital project expenditures related to building fire stations and funding other fire prevention related projects.

LIBRARY CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for construction and other capital project expenditures related to building branch libraries, acquiring additions to the library collection and funding library related projects.

STORMWATER UTILITY CAPITAL PROJECTS FUND - The purpose of this fund is to account for the construction and maintenance of the City's storm sewers.

PARK CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for parkland acquisition, construction of swimming pools, and other park and recreation related construction, as well as various other park and recreation related projects.

TRAFFIC CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for construction of the City's streetlight and traffic signal systems, to perform thoroughfare analysis and to design and install various other traffic related projects.

AIRPORT CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for terminal expansion, runways, or other airport construction and related projects.

**CITY OF ARLINGTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Special Revenue					
	Federal Transit Administration	Street Maintenance	U.S. Army Corps of Engineers- Johnson Creek	Texas Department of Transportation	Community Development Block Grant	Home Investment Partnership
ASSETS						
Cash and cash equivalents	\$ -	\$ 9,158	\$ 1	\$ -	\$ -	\$ -
Receivables (net of allowances for uncollectibles)						
Taxes	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Sales taxes	-	1,818	-	-	-	-
Special assessments	-	-	-	-	-	-
Other	3	87	-	-	780	-
Prepaid expenditures	-	-	-	-	-	1
Due from other governments	501	-	-	444	293	326
Total Assets	<u>\$ 504</u>	<u>\$ 11,063</u>	<u>\$ 1</u>	<u>\$ 444</u>	<u>\$ 1,073</u>	<u>\$ 327</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 71	\$ 1,757	\$ 1	\$ 1	\$ 243	\$ 5
Retainage payable	-	150	-	-	84	-
Due to other funds	433	-	-	443	283	245
Due to other governments	-	-	-	-	7	-
Deferred revenue	197	-	-	278	456	193
Total Liabilities	<u>701</u>	<u>1,907</u>	<u>1</u>	<u>722</u>	<u>1,073</u>	<u>443</u>
FUND BALANCES						
Reserved for encumbrances	-	5,402	-	-	-	-
Reserved for prepaids	-	-	-	-	-	1
Reserved for capital projects	-	-	-	-	-	-
Reserved for street maintenance	-	1,709	-	-	-	-
Reserved for court technology	-	-	-	-	-	-
Reserved for court security	-	-	-	-	-	-
Unreserved-						
Designated for working capital	-	2,045	-	-	-	-
Special revenue funds	(197)	-	-	(278)	-	(117)
Designated for capital maintenance	-	-	-	-	-	-
Total Fund Balance	<u>(197)</u>	<u>9,156</u>	<u>-</u>	<u>(278)</u>	<u>-</u>	<u>(116)</u>
Total Liabilities and Fund Balance	<u>\$ 504</u>	<u>\$ 11,063</u>	<u>\$ 1</u>	<u>\$ 444</u>	<u>\$ 1,073</u>	<u>\$ 327</u>

Special Revenue						Capital Projects		
Supportive Housing	Texas Parks & Wildlife	Texas Criminal Justice Division	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Streets Capital Projects	Police
\$ -	\$ 19	\$ -	\$ 288	\$ -	\$ 6,346	\$ 6,677	\$ 28,359	\$ 818
-	-	-	-	1,101	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	363	-
-	-	-	60	25	94	-	-	-
-	-	-	183	-	1	-	-	-
7	-	71	-	-	1,785	-	-	-
<u>\$ 7</u>	<u>\$ 19</u>	<u>\$ 71</u>	<u>\$ 531</u>	<u>\$ 1,126</u>	<u>\$ 8,226</u>	<u>\$ 6,677</u>	<u>\$ 28,722</u>	<u>\$ 818</u>
\$ -	\$ -	\$ 8	\$ 157	\$ 81	\$ 579	\$ -	\$ 1,309	\$ 89
-	19	-	-	-	55	-	81	17
7	-	63	-	277	1,224	-	-	-
-	-	-	-	-	-	-	-	-
7	-	4	168	436	1,844	-	363	-
<u>14</u>	<u>19</u>	<u>75</u>	<u>325</u>	<u>794</u>	<u>3,702</u>	<u>-</u>	<u>1,753</u>	<u>106</u>
-	-	-	-	1	379	-	8,016	528
-	-	-	183	-	1	-	-	-
-	-	-	-	-	-	6,677	18,953	184
-	-	-	-	-	-	-	-	-
-	-	-	-	-	162	-	-	-
-	-	-	-	-	224	-	-	-
-	-	-	-	-	-	-	-	-
(7)	-	(4)	23	170	3,758	-	-	-
-	-	-	-	161	-	-	-	-
<u>(7)</u>	<u>-</u>	<u>(4)</u>	<u>206</u>	<u>332</u>	<u>4,524</u>	<u>6,677</u>	<u>26,969</u>	<u>712</u>
<u>\$ 7</u>	<u>\$ 19</u>	<u>\$ 71</u>	<u>\$ 531</u>	<u>\$ 1,126</u>	<u>\$ 8,226</u>	<u>\$ 6,677</u>	<u>\$ 28,722</u>	<u>\$ 818</u>

**CITY OF ARLINGTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Capital Projects						Total Nonmajor Governmental Funds
	Fire	Library	Stormwater Utility	Park	Traffic	Airport	
ASSETS							
Cash and cash equivalents	\$ 2,684	\$ 5,067	\$ 2,229	\$ 11,240	\$ 8,311	\$ 2,512	\$ 83,709
Receivables (net of allowances for uncollectibles)							
Taxes	-	-	-	-	-	-	1,101
Special assessments	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	1,818
Special assessments	-	-	-	-	-	-	363
Other	-	-	547	-	-	-	1,596
Prepaid expenditures	-	-	-	-	-	-	185
Due from other governments	-	-	-	-	-	-	3,427
Total Assets	\$ 2,684	\$ 5,067	\$ 2,776	\$ 11,240	\$ 8,311	\$ 2,512	\$ 92,199
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 297	\$ 254	\$ 438	\$ 140	\$ 80	\$ 2	\$ 5,512
Retainage payable	22	-	32	178	7	-	645
Due to other funds	-	-	-	-	-	-	2,975
Due to other governments	-	-	-	-	-	-	7
Deferred revenue	-	-	-	-	-	-	3,946
Total Liabilities	319	254	470	318	87	2	13,085
FUND BALANCES							
Reserved for encumbrances	943	1,024	358	2,563	986	-	20,200
Reserved for prepaids	-	-	-	-	-	-	185
Reserved for capital projects	1,422	3,789	1,948	8,359	7,238	2,510	51,080
Reserved for street maintenance	-	-	-	-	-	-	1,709
Reserved for court technology	-	-	-	-	-	-	162
Reserved for court security	-	-	-	-	-	-	224
Unreserved-							
Designated for working capital	-	-	-	-	-	-	2,045
Special revenue funds	-	-	-	-	-	-	3,348
Designated for capital maintenance	-	-	-	-	-	-	161
Total Fund Balance	2,365	4,813	2,306	10,922	8,224	2,510	79,114
Total Liabilities and Fund Balance	\$ 2,684	\$ 5,067	\$ 2,776	\$ 11,240	\$ 8,311	\$ 2,512	\$ 92,199

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)

	Special Revenue					
	Federal Transit Administration	Street Maintenance	U.S. Army Corps of Engineers- Johnson Creek	Texas Department of Transportation	Community Development Block Grant	Home Investment Partnership
REVENUES						
Taxes	\$ -	\$ 10,054	\$ -	\$ -	\$ -	\$ -
Service charges	164	-	-	-	-	-
Intergovernmental	1,471	-	-	242	2,489	1,302
Interest revenue	-	236	-	-	-	-
Net increase (decrease) in the fair value of investments	-	(8)	-	-	-	-
Contributions	-	-	-	-	-	-
Other	12	-	-	-	699	39
Total Revenues	<u>1,647</u>	<u>10,282</u>	<u>-</u>	<u>242</u>	<u>3,188</u>	<u>1,341</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	190	-	-
Public works	2,133	12,968	-	-	-	-
Public health	-	-	-	-	-	-
Public welfare	-	-	-	-	3,188	1,457
Parks and recreation	-	-	336	-	-	-
Convention and event services	-	-	-	-	-	-
Capital outlay	467	-	-	375	-	-
Total Expenditures	<u>2,600</u>	<u>12,968</u>	<u>336</u>	<u>565</u>	<u>3,188</u>	<u>1,457</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(953)</u>	<u>(2,686)</u>	<u>(336)</u>	<u>(323)</u>	<u>-</u>	<u>(116)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of general obligation bonds	-	-	-	-	-	-
Transfers in	756	2,744	336	45	-	-
Transfers out	-	(305)	-	-	-	-
Total Other Financing Sources (Uses)	<u>756</u>	<u>2,439</u>	<u>336</u>	<u>45</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	<u>(197)</u>	<u>(247)</u>	<u>-</u>	<u>(278)</u>	<u>-</u>	<u>(116)</u>
Fund Balance, October 1, as restated	<u>-</u>	<u>9,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, September 30	<u>\$ (197)</u>	<u>\$ 9,156</u>	<u>\$ -</u>	<u>\$ (278)</u>	<u>\$ -</u>	<u>\$ (116)</u>

Special Revenue						Capital Projects			
Supportive Housing	Texas Parks and Wildlife	Texas Criminal Justice Division	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Police	Streets Capital Projects	Fire
\$ -	\$ -	\$ -	\$ -	\$ 4,530	\$ 590	\$ -	\$ -	\$ -	\$ -
-	-	-	6,562	2,496	654	-	-	-	-
456	195	220	-	-	2,841	-	-	-	-
-	-	-	7	2	102	102	26	895	78
-	-	-	-	-	(4)	(10)	-	(12)	(2)
-	-	-	-	-	-	-	-	1,533	-
-	-	-	5	-	1,795	-	-	147	-
<u>456</u>	<u>195</u>	<u>220</u>	<u>6,574</u>	<u>7,028</u>	<u>5,978</u>	<u>92</u>	<u>26</u>	<u>2,563</u>	<u>76</u>
-	-	-	-	-	376	-	-	-	-
-	-	272	-	-	1,982	-	-	-	-
-	-	-	-	-	1,145	-	-	-	-
-	-	-	-	-	93	-	-	-	-
463	-	-	-	-	1,435	-	-	-	-
-	391	-	6,301	-	-	-	-	-	-
-	-	-	-	5,435	-	-	-	-	-
-	-	-	44	-	164	2,625	591	9,144	997
<u>463</u>	<u>391</u>	<u>272</u>	<u>6,345</u>	<u>5,435</u>	<u>5,195</u>	<u>2,625</u>	<u>591</u>	<u>9,144</u>	<u>997</u>
(7)	(196)	(52)	229	1,593	783	(2,533)	(565)	(6,581)	(921)
-	-	-	-	-	-	5,375	-	-	-
-	196	48	-	590	56	-	-	-	-
-	-	-	(307)	(2,183)	(850)	-	-	(336)	-
-	196	48	(307)	(1,593)	(794)	5,375	-	(336)	-
(7)	-	(4)	(78)	-	(11)	2,842	(565)	(6,917)	(921)
-	-	-	284	332	4,535	3,835	1,277	33,886	3,286
<u>\$ (7)</u>	<u>\$ -</u>	<u>\$ (4)</u>	<u>\$ 206</u>	<u>\$ 332</u>	<u>\$ 4,524</u>	<u>\$ 6,677</u>	<u>\$ 712</u>	<u>\$ 26,969</u>	<u>\$ 2,365</u>

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)

	Capital Projects					Total Nonmajor Governmental Funds
	Library	Stormwater Utility	Park	Traffic	Airport	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,174
Service charges	-	2,837	1,681	-	-	14,394
Intergovernmental	-	-	-	-	-	9,216
Interest revenue	138	44	375	219	51	2,275
Net increase (decrease) in the fair value of investments	(3)	(2)	(3)	(6)	(5)	(55)
Contributions	-	-	-	131	-	1,664
Other	-	-	660	-	1	3,358
Total Revenues	<u>135</u>	<u>2,879</u>	<u>2,713</u>	<u>344</u>	<u>47</u>	<u>46,026</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	376
Public safety	-	-	-	-	-	2,444
Public works	-	-	-	-	-	16,246
Public health	-	-	-	-	-	93
Public welfare	-	-	-	-	-	6,543
Parks and recreation	-	-	-	-	-	7,028
Convention and event services	-	-	-	-	-	5,435
Capital outlay	937	2,099	7,878	807	74	26,202
Total Expenditures	<u>937</u>	<u>2,099</u>	<u>7,878</u>	<u>807</u>	<u>74</u>	<u>64,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(802)</u>	<u>780</u>	<u>(5,165)</u>	<u>(463)</u>	<u>(27)</u>	<u>(18,341)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of general obligation bonds	-	-	-	-	-	5,375
Transfers in	-	-	61	-	616	5,448
Transfers out	-	(461)	(735)	(38)	(87)	(5,302)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(461)</u>	<u>(674)</u>	<u>(38)</u>	<u>529</u>	<u>5,521</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	<u>(802)</u>	<u>319</u>	<u>(5,839)</u>	<u>(501)</u>	<u>502</u>	<u>(12,820)</u>
Fund Balance, October 1, as restated	<u>5,615</u>	<u>1,987</u>	<u>16,761</u>	<u>8,725</u>	<u>2,008</u>	<u>91,934</u>
Fund Balance, September 30	<u>\$ 4,813</u>	<u>\$ 2,306</u>	<u>\$ 10,922</u>	<u>\$ 8,224</u>	<u>\$ 2,510</u>	<u>\$ 79,114</u>

INTERNAL SERVICE FUNDS

GENERAL SERVICES FUND - The purpose of this fund is to account for printing, mailing, duplicating, and other general services provided to other departments of the City.

FLEET SERVICES FUND - The purpose of this fund is to account for the purchase of City vehicles and to provide maintenance services for such vehicles.

ARLINGTON PROPERTY FINANCE AUTHORITY, INC. FUND (the "APFA") - The APFA is a Texas nonprofit corporation that was created for the purpose of acting on the City's behalf in financing various governmental programs as prescribed by City Council ordinance or resolution. In October 1986, the City Council adopted an ordinance to establish the City's Self-Insurance and Risk Management Program (the "Program"). The purpose of the Program is to provide the City a defined and funded self-insurance program for general and automotive liability.

TECHNOLOGY SERVICES FUND - The City's technology services/telephone services program provides City employees with telephone installation, maintenance and data cable capabilities, and telephone training. The purpose of this fund is to account for the activity of such program.

WORKERS' COMPENSATION FUND - The City's workers' compensation program provides City employees with workers' compensation insurance. The purpose of this fund is to account for the activity of such program.

GROUP HEALTH FUND - The City's group health insurance program provides City employees with health insurance. The purpose of this fund is to account for the activity of such program.

CITY OF ARLINGTON, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2005
 (AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 404	\$ 936	\$ 2,037
Investments	-	-	2,429
Receivables (net of allowances for uncollectibles)			
Trade accounts	4	145	-
Accrued interest	-	-	21
Inventory of supplies, at cost	62	19	-
Total Current Assets	<u>470</u>	<u>1,100</u>	<u>4,487</u>
Noncurrent Assets:			
Capital Assets:			
Buildings and improvements	-	467	-
Machinery and equipment	587	31,958	-
Less accumulated depreciation	(510)	(21,254)	-
Total Capital Assets (Net of Accumulated Depreciation)	<u>77</u>	<u>11,171</u>	<u>-</u>
Total Assets	<u>547</u>	<u>12,271</u>	<u>4,487</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	123	295	160
Estimated claims payable	-	-	899
Accrued compensated absences	12	21	-
Capital lease obligation	9	-	-
Total Current Liabilities	<u>144</u>	<u>316</u>	<u>1,059</u>
Noncurrent Liabilities:			
Estimated claims payable	-	-	1,660
Accrued compensated absences	58	-	-
Capital lease obligation	13	-	-
Total Noncurrent Liabilities	<u>71</u>	<u>-</u>	<u>1,660</u>
Total Liabilities	<u>215</u>	<u>316</u>	<u>2,719</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	11,171	-
Designated for stop loss reserve	-	-	-
Designated for FSA contribution for 2006	-	-	-
Designated for migration/claim turnaround	-	-	-
Designated for legal risk	-	-	-
Unrestricted	332	784	1,768
Total Net Assets	<u>\$ 332</u>	<u>\$ 11,955</u>	<u>\$ 1,768</u>

<u>Technology Services</u>	<u>Workers' Compensation</u>	<u>Group Health</u>	<u>Total</u>
\$ 486	\$ 8,406	\$ 11,006	\$ 23,275
-	-	-	2,429
-	-	-	149
-	-	-	21
-	-	-	81
<u>486</u>	<u>8,406</u>	<u>11,006</u>	<u>25,955</u>
-	-	-	467
741	-	-	33,286
<u>(165)</u>	<u>-</u>	<u>-</u>	<u>(21,929)</u>
576	-	-	11,824
<u>1,062</u>	<u>8,406</u>	<u>11,006</u>	<u>37,779</u>
56	190	2	826
-	1,868	2,926	5,693
-	-	-	33
99	-	-	108
<u>155</u>	<u>2,058</u>	<u>2,928</u>	<u>6,660</u>
-	4,166	-	5,826
149	-	-	207
344	-	-	357
<u>493</u>	<u>4,166</u>	<u>-</u>	<u>6,390</u>
<u>648</u>	<u>6,224</u>	<u>2,928</u>	<u>13,050</u>
-	-	-	11,171
-	-	1,400	1,400
-	-	1,020	1,020
-	-	2,500	2,500
-	-	1,000	1,000
414	2,182	2,158	7,638
<u>\$ 414</u>	<u>\$ 2,182</u>	<u>\$ 8,078</u>	<u>\$ 24,729</u>

**CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSET
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>General Services</u>	<u>Fleet Services</u>	<u>Arlington Property Finance Authority</u>
OPERATING REVENUES			
Service charges	\$ 1,932	\$ 6,173	\$ 520
Sundry	-	103	-
Total Operating Revenues	<u>1,932</u>	<u>6,276</u>	<u>520</u>
OPERATING EXPENSES			
Salaries and wages	484	165	-
Employees' retirement	65	24	-
Supplies	1,136	1,698	-
Maintenance and repairs	88	642	-
Utilities	11	78	-
Claims	-	-	40
Legal and professional	-	-	209
Depreciation	47	2,698	-
Miscellaneous services	90	1,682	77
Total Operating Expenses	<u>1,921</u>	<u>6,987</u>	<u>326</u>
OPERATING INCOME (LOSS)	<u>11</u>	<u>(711)</u>	<u>194</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	-	-	122
Net increase (decrease) in the fair value of investments	-	-	(3)
Gain on sale of assets	-	199	-
Interest expense and fiscal charges	(1)	-	-
Total Non-operating Revenues (Expenses)	<u>(1)</u>	<u>199</u>	<u>119</u>
Income (Loss) Before Transfers	10	(512)	313
Transfers In	-	2,224	-
Transfers Out	-	-	(1,240)
Change In Net Assets	<u>10</u>	<u>1,712</u>	<u>(927)</u>
Total Net Assets, October 1	322	10,243	2,695
Total Net Assets, September 30	<u>\$ 332</u>	<u>\$ 11,955</u>	<u>\$ 1,768</u>

Technology Services	Workers' Compensation	Group Health	Total
\$ 3,664	\$ 4,543	\$ 22,019	\$ 38,851
-	-	350	453
<u>3,664</u>	<u>4,543</u>	<u>22,369</u>	<u>39,304</u>
938	-	-	1,587
132	-	-	221
152	4	-	2,990
263	-	-	993
518	-	-	607
-	2,684	18,135	20,859
-	183	143	535
95	-	-	2,840
1,537	-	-	3,386
<u>3,635</u>	<u>2,871</u>	<u>18,278</u>	<u>34,018</u>
<u>29</u>	<u>1,672</u>	<u>4,091</u>	<u>5,286</u>
-	189	-	311
-	(9)	-	(12)
-	-	-	199
<u>(11)</u>	<u>-</u>	<u>-</u>	<u>(12)</u>
<u>(11)</u>	<u>180</u>	<u>-</u>	<u>486</u>
18	1,852	4,091	5,772
-	-	-	2,224
-	-	-	(1,240)
<u>18</u>	<u>1,852</u>	<u>4,091</u>	<u>6,756</u>
396	330	3,987	17,973
<u>\$ 414</u>	<u>\$ 2,182</u>	<u>\$ 8,078</u>	<u>\$ 24,729</u>

CITY OF ARLINGTON, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005
 (AMOUNTS EXPRESSED IN THOUSANDS)

	<u>General Services</u>	<u>Fleet Services</u>	<u>Arlington Property Finance Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,930	\$ 6,260	\$ 522
Cash payments to suppliers	(1,283)	(4,186)	(390)
Cash payments to employees	(524)	(211)	-
Net Cash Provided By (Used For) Operating Activities	<u>123</u>	<u>1,863</u>	<u>132</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	2,224	-
Transfers out	-	-	(1,240)
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>-</u>	<u>2,224</u>	<u>(1,240)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(11)	(3,693)	-
Principal payments on capital lease	(23)	-	-
Interest payments on capital lease	(1)	-	-
Proceeds from sales of capital assets	-	258	-
Net Cash Used For Capital and Related Financing Activities	<u>(35)</u>	<u>(3,435)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from interest earnings	-	-	122
Net increase (decrease) in the fair value of investments	-	-	(3)
Purchase of investments	-	-	(7,127)
Maturities/sales of investments	-	-	9,083
Net Cash Provided By Investing Activities	<u>-</u>	<u>-</u>	<u>2,075</u>
Net increase (decrease) in cash and cash equivalents	88	652	967
Cash and cash equivalents at October 1	316	284	1,070
Cash and cash equivalents at September 30	<u>\$ 404</u>	<u>\$ 936</u>	<u>\$ 2,037</u>
Reconciliation of operating income to net cash provided by (used for) operating activities			
Operating Income (Loss)	<u>\$ 11</u>	<u>\$ (711)</u>	<u>\$ 194</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	47	2,698	-
(Increase) decrease in- Receivables	(2)	(16)	2
Inventory of supplies	6	-	-
Prepaid Expenses	-	-	-
Increase (decrease) in- Accounts payable and accrued liabilities	36	(86)	130
Estimated claims payable	-	-	(194)
Accrued compensated absences	25	(22)	-
Total adjustments	<u>112</u>	<u>2,574</u>	<u>(62)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 123</u>	<u>\$ 1,863</u>	<u>\$ 132</u>

<u>Technology Services</u>	<u>Workers' Compensation</u>	<u>Group Health</u>	<u>Totals</u>
\$ 3,664	\$ 4,543	\$ 22,369	\$ 39,288
(2,209)	(2,625)	(17,843)	(28,536)
(1,094)	-	-	(1,829)
<u>361</u>	<u>1,918</u>	<u>4,526</u>	<u>8,923</u>
-	-	-	2,224
-	-	-	(1,240)
-	-	-	<u>984</u>
(458)	-	-	(4,162)
(73)	-	-	(96)
(11)	-	-	(12)
-	-	-	258
<u>(542)</u>	<u>-</u>	<u>-</u>	<u>(4,012)</u>
-	189	-	311
-	(9)	-	(12)
-	-	-	(7,127)
-	-	-	9,083
-	<u>180</u>	-	<u>2,255</u>
(181)	2,098	4,526	8,150
667	6,308	6,480	15,125
<u>\$ 486</u>	<u>\$ 8,406</u>	<u>\$ 11,006</u>	<u>\$ 23,275</u>
<u>\$ 29</u>	<u>\$ 1,672</u>	<u>\$ 4,091</u>	<u>\$ 5,286</u>
95	-	-	2,840
-	-	-	(16)
-	-	-	6
-	-	-	-
261	18	(1)	358
-	228	436	470
(24)	-	-	(21)
<u>332</u>	<u>246</u>	<u>435</u>	<u>3,637</u>
<u>\$ 361</u>	<u>\$ 1,918</u>	<u>\$ 4,526</u>	<u>\$ 8,923</u>

FIDUCIARY FUNDS

PENSION TRUST FUNDS:

PART-TIME DEFERRED INCOME TRUST FUND - The purpose of this fund is to account for assets held for part-time employees as an alternative retirement plan to Social Security. This plan meets the IRS safe harbor rules.

THRIFT SAVINGS PLAN FUND - The purpose of this fund is to account for assets held for employees in accordance with the provisions of Internal Revenue Code Section 401(k).

DISABILITY INCOME PLAN FUND - The purpose of this fund is to account for the accumulation of resources for disability benefit payments to qualified employees who become disabled due to illness or accident.

AGENCY FUNDS:

PAYROLL - The purpose of this fund is to account for assets held by the City in a fiduciary capacity as agent for payroll related benefit plans.

ESCROW FUND - The purpose of this fund is to account for assets held by the City in a fiduciary capacity as custodian or agent for individuals, other funds within the City, other governmental units, and private organizations.

ESCHEAT FUND - The purpose of the fund is to account for assets held by the City in a fiduciary capacity as custodian or agent of escheat property for the state.

**CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Pension Trust Funds			Total
	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Investments:				
Money market fund	48	3	8	59
U.S. Government securities	132	-	31	163
Corporate bonds	263	-	61	324
Fixed income mutual funds	484	6,835	113	7,432
Common stock mutual funds	302	68,934	75	69,311
Participant borrowing	-	5,493	-	5,493
Self-directed brokerage accounts	-	6,713	-	6,713
Total investments	<u>1,229</u>	<u>87,978</u>	<u>288</u>	<u>89,495</u>
Total Assets	<u><u>\$ 1,229</u></u>	<u><u>\$ 87,978</u></u>	<u><u>\$ 288</u></u>	<u><u>\$ 89,495</u></u>
LIABILITIES				
Accounts payable and accrued liabilities	-	-	-	-
IRC 401 deferred compensation plans	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Held in trust for employee benefits	<u><u>\$ 1,229</u></u>	<u><u>\$ 87,978</u></u>	<u><u>\$ 288</u></u>	<u><u>\$ 89,495</u></u>

Agency Funds

Payroll	Escrow Fund	Escheat Fund	Total
\$ 3,705	\$ 4,192	\$ 199	\$ 8,096
-	-	-	-
-	-	-	-
-	-	-	-
36	-	-	36
230	-	-	230
-	-	-	-
-	-	-	-
<u>266</u>	<u>-</u>	<u>-</u>	<u>266</u>
<u>\$ 3,971</u>	<u>\$ 4,192</u>	<u>\$ 199</u>	<u>\$ 8,362</u>

\$ 3,705	\$ 4,192	\$ 199	\$ 8,096
266	-	-	266
<u>\$ 3,971</u>	<u>\$ 4,192</u>	<u>\$ 199</u>	<u>\$ 8,362</u>

CITY OF ARLINGTON, TEXAS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds			Total
	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	
ADDITIONS				
Employer contributions	\$ 88	\$ 1,879	\$ 288	\$ 2,255
Employee contributions	121	4,570	-	4,691
Net appreciation in fair value of investments	62	7,484	15	7,561
Total Additions	<u>271</u>	<u>13,933</u>	<u>303</u>	<u>14,507</u>
DEDUCTIONS				
Benefits	114	10,255	301	10,670
Plan administration	23	4	2	29
Total Deductions	<u>137</u>	<u>10,259</u>	<u>303</u>	<u>10,699</u>
Increase in Net Assets	134	3,674	-	3,808
Net Assets, October 1	1,095	84,304	288	85,687
Net Assets, September 30	<u>\$ 1,229</u>	<u>\$ 87,978</u>	<u>\$ 288</u>	<u>\$ 89,495</u>

CITY OF ARLINGTON, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Balance October 1, 2004	Additions	Deductions	Balance September 30, 2005
PAYROLL FUND				
Assets				
Cash and cash equivalents	\$ 4,251	\$ 189,825	\$ 190,371	\$ 3,705
Investments	229	37	-	266
Total assets	<u>\$ 4,480</u>	<u>\$ 189,862</u>	<u>\$ 190,371</u>	<u>\$ 3,971</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 4,251	\$ 189,825	\$ 190,371	\$ 3,705
Accounts payable and accrued liabilities - IRC 401 defined contribution	229	37	-	266
Total liabilities	<u>\$ 4,480</u>	<u>\$ 189,862</u>	<u>\$ 190,371</u>	<u>\$ 3,971</u>
ESCROW FUND				
Assets				
Cash and cash equivalents	\$ 3,217	\$ 15,866	\$ 14,891	\$ 4,192
Total assets	<u>\$ 3,217</u>	<u>\$ 15,866</u>	<u>\$ 14,891</u>	<u>\$ 4,192</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 3,217	\$ 15,866	\$ 14,891	\$ 4,192
Total liabilities	<u>\$ 3,217</u>	<u>\$ 15,866</u>	<u>\$ 14,891</u>	<u>\$ 4,192</u>
ESCHEAT FUND				
Assets				
Cash and cash equivalents	\$ 226	\$ 24	\$ 51	\$ 199
Total assets	<u>\$ 226</u>	<u>\$ 24</u>	<u>\$ 51</u>	<u>\$ 199</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 226	\$ 24	\$ 51	\$ 199
Total liabilities	<u>\$ 226</u>	<u>\$ 24</u>	<u>\$ 51</u>	<u>\$ 199</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 7,694	\$ 205,715	\$ 205,313	\$ 8,096
Investments	229	37	-	266
Total assets	<u>\$ 7,923</u>	<u>\$ 205,752</u>	<u>\$ 205,313</u>	<u>\$ 8,362</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 7,694	\$ 205,715	\$ 205,313	\$ 8,096
Accounts payable and accrued liabilities - IRC 401 defined contribution	229	37	-	266
Total Liabilities	<u>\$ 7,923</u>	<u>\$ 205,752</u>	<u>\$ 205,313</u>	<u>\$ 8,362</u>

DISCRETELY PRESENTED COMPONENT UNITS

ARLINGTON SPORTS FACILITIES DEVELOPMENT AUTHORITY, INC. - The purpose of the Arlington Sports Facilities Development Authority (ASFDA) is to promote economic development within the City.

ARLINGTON HOUSING AUTHORITY - The purpose of the Arlington Housing Authority (AHA) is to provide low income housing assistance within the City.

ARLINGTON CONVENTION AND VISITORS BUREAU, INC. - The purpose of the Arlington Convention and Visitors Bureau (ACVB) is to promote tourism within the City.

ARLINGTON HOUSING FINANCE CORPORATION - The purpose of the Arlington Housing Finance Corporation (AHFC) is to provide financial assistance to low income, multi-family residences and single-family homebuyers within the City.

ARLINGTON INDUSTRIAL DEVELOPMENT CORPORATION - The purpose of the Arlington Industrial Development Corporation (AIDC) is to promote industrial and commercial development within the City.

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
AS OF SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)

	<u>Arlington Sports Facilities Development Authority, Inc.</u>	<u>Arlington Housing Authority</u>	<u>Arlington Convention and Visitors Bureau, Inc.</u>	<u>Arlington Housing Finance Corporation</u>	<u>Arlington Industrial Development Corporation</u>	<u>Total</u>
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 1,493	\$ 1,793	\$ 247	\$ 395	\$ 3	\$ 3,931
Investments	8,711	1,783	-	-	-	10,494
Receivables (net of allowances for uncollectibles):						
Grants	-	163	-	-	-	163
Lease	19,389	-	-	-	-	19,389
Accrued interest	2	6	-	-	-	8
Settlement agreement	11,445	-	-	-	-	11,445
Other	169	-	-	-	-	169
Inventory	-	-	10	-	-	10
Prepaid expenses	-	1,698	22	-	-	1,720
Total Current Assets	<u>41,209</u>	<u>5,443</u>	<u>279</u>	<u>395</u>	<u>3</u>	<u>47,329</u>
Non-Current Assets:						
Restricted Cash	-	-	90	-	-	90
Capital Assets-						
Buildings and improvements	2,739	-	-	-	-	2,739
Machinery and equipment	-	678	378	-	-	1,056
Accumulated depreciation	(1,260)	(242)	(247)	-	-	(1,749)
Total Non-Current Assets	<u>1,479</u>	<u>436</u>	<u>221</u>	<u>-</u>	<u>-</u>	<u>2,136</u>
Total Assets	<u>42,688</u>	<u>5,879</u>	<u>500</u>	<u>395</u>	<u>3</u>	<u>49,465</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued liabilities	413	2,508	138	-	-	3,059
Due to primary government	-	127	-	-	-	127
Deferred revenue	-	-	1	-	-	1
Sales tax payable	74	-	-	-	-	74
Total Current Liabilities	<u>487</u>	<u>2,635</u>	<u>139</u>	<u>-</u>	<u>-</u>	<u>3,261</u>
Non-Current Liabilities:						
Sales tax payable - due in more than one year	460	-	-	-	-	460
Bonds payable - due in more than one year	17,180	-	-	-	-	17,180
Total Non-Current Liabilities	<u>17,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,640</u>
Total Liabilities	<u>18,127</u>	<u>2,635</u>	<u>139</u>	<u>-</u>	<u>-</u>	<u>20,901</u>
NET ASSETS						
Invested in capital assets (net of related debt)	1,479	436	131	-	-	2,046
Restricted for debt service	9,103	-	-	-	-	9,103
Unrestricted	13,979	2,808	230	395	3	17,415
Total Net Assets	<u>\$ 24,561</u>	<u>\$ 3,244</u>	<u>\$ 361</u>	<u>\$ 395</u>	<u>\$ 3</u>	<u>\$ 28,564</u>

CITY OF ARLINGTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Component Units		
	Arlington Sports Facilities Development Authority, Inc.	Arlington Housing Authority	Arlington Convention and Visitors Bureau, Inc.
Operating revenues:			
Intergovernmental revenue	\$ -	\$ 23,352	\$ 344
Service charges	2,593	-	2,744
Other revenue	-	108	-
Total Operating Revenues	<u>2,593</u>	<u>23,460</u>	<u>3,088</u>
Operating expenses:			
Housing assistance payments	-	21,265	-
General and administrative	-	1,937	438
Program services	-	-	2,523
Depreciation	109	26	-
Miscellaneous services	32	-	-
Total Operating Expenses	<u>141</u>	<u>23,228</u>	<u>2,961</u>
Operating income	<u>2,452</u>	<u>232</u>	<u>127</u>
Nonoperating Revenues (expenses):			
Interest revenue	2,066	57	9
Net increase (decrease) in the fair value of investments	(244)	(34)	-
Interest expense and fiscal charges	-	(3)	-
Total Nonoperating Revenues	<u>1,822</u>	<u>20</u>	<u>9</u>
Income before transfers	4,274	252	136
Transfers out	(800)	-	-
Net income	<u>3,474</u>	<u>252</u>	<u>136</u>
Total Net Assets, October 1, as restated	<u>21,087</u>	<u>2,992</u>	<u>225</u>
Total Net Assets, September 30	<u>\$ 24,561</u>	<u>\$ 3,244</u>	<u>\$ 361</u>

Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Total
\$ -	\$ -	\$ 23,696
155	-	5,492
-	-	108
<u>155</u>	<u>-</u>	<u>29,296</u>
-	-	21,265
-	-	2,375
-	-	2,523
-	-	135
1	-	33
<u>1</u>	<u>-</u>	<u>26,331</u>
154	-	2,965
7	-	2,139
(1)	-	(279)
<u>6</u>	<u>-</u>	<u>(3)</u>
160	-	4,822
-	-	(800)
<u>160</u>	<u>-</u>	<u>4,022</u>
235	3	24,542
<u>\$ 395</u>	<u>\$ 3</u>	<u>\$ 28,564</u>

**CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Arlington Sports Facilities Development Authority	Arlington Housing Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,630	\$ -
Cash received from HUD	-	23,260
Other operating cash receipts	-	119
Cash payments to suppliers	360	(432)
Cash payments to employees	-	(1,511)
Cash payments for housing assistance	-	(20,989)
Net Cash Provided By (Used For) Operating Activities	<u>2,990</u>	<u>447</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	-
Transfers out	(800)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(800)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	-
Principal payments on capital lease	-	-
Interest payments on capital lease	-	-
Proceeds from sales of capital assets	-	-
Net Cash Used For Capital and Related Financing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from interest earnings	508	51
Net increase (decrease) in the fair value of investments	(244)	-
Purchase of investments	(2,806)	(789)
Maturities/sales of investments	-	384
Net Cash Provided By Investing Activities	<u>(2,542)</u>	<u>(354)</u>
Net increase (decrease) in cash and cash equivalents	(352)	93
Cash and cash equivalents at October 1	1,845	1,700
Cash and cash equivalents at September 30	<u>\$ 1,493</u>	<u>\$ 1,793</u>
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating Income (Loss)	<u>\$ 2,452</u>	<u>\$ 232</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	109	27
Unrealized (gain) loss on investments	-	3
(Increase) decrease in-		
Restricted Cash	-	-
Receivables	110	(94)
Inventory of supplies	-	-
Prepaid Expenses	-	112
Increase (decrease) in-		
Accounts payable and accrued liabilities	392	179
Estimated claims payable	-	-
Accrued compensated absences	-	(12)
Deferred revenue	-	-
Other accrued expenses	(73)	-
Total adjustments	<u>538</u>	<u>215</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 2,990</u>	<u>\$ 447</u>

Arlington Convention & Visitors Bureau	Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Totals
\$ 3,088	\$ 154	\$ -	\$ 5,872
-	-	-	23,260
-	-	-	119
(3,023)	-	-	(3,095)
2	-	-	(1,509)
-	-	-	(20,989)
<u>67</u>	<u>154</u>	<u>-</u>	<u>3,658</u>
-	-	-	-
-	-	-	(800)
-	-	-	(800)
(18)	-	-	(18)
-	-	-	-
-	-	-	-
-	-	-	-
<u>(18)</u>	<u>-</u>	<u>-</u>	<u>(18)</u>
9	7	-	575
-	(1)	-	(245)
-	-	-	(3,595)
(7)	-	-	377
<u>2</u>	<u>6</u>	<u>-</u>	<u>(2,888)</u>
51	160	-	(48)
196	235	3	3,979
<u>\$ 247</u>	<u>\$ 395</u>	<u>\$ 3</u>	<u>\$ 3,931</u>
\$ 127	\$ 154	\$ -	\$ 2,965
41	-	-	177
-	-	-	3
(90)	-	-	(90)
-	-	-	16
(4)	-	-	(4)
(14)	-	-	98
37	-	-	608
-	-	-	-
2	-	-	(10)
(1)	-	-	(1)
(31)	-	-	(104)
<u>(60)</u>	<u>-</u>	<u>-</u>	<u>693</u>
<u>\$ 67</u>	<u>\$ 154</u>	<u>\$ -</u>	<u>\$ 3,658</u>

**CITY OF ARLINGTON, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2005
 (AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with Final Budget- Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u> <u>Actual on Budgetary Basis</u>		
REVENUES						
Taxes	\$ 38,320	\$ 38,320	\$ 49,963	\$ (11,297)	\$ 38,666	\$ 346
Interest revenue	383	383	608	(39)	569	186
Net increase (decrease) in fair value of investments	-	-	(48)	46	(2)	(2)
Other revenue	-	-	134	(120)	14	14
Total Revenues	<u>38,703</u>	<u>38,703</u>	<u>50,657</u>	<u>(11,410)</u>	<u>39,247</u>	<u>544</u>
EXPENDITURES						
Debt Service-						
Principal retirement	28,030	28,030	28,030	-	28,030	-
Interest and fiscal charges	14,171	14,171	13,914	-	13,914	257
Bond issuance costs	-	-	718	(718)	-	-
Total Expenditures	<u>42,201</u>	<u>42,201</u>	<u>42,662</u>	<u>(718)</u>	<u>41,944</u>	<u>257</u>
Deficiency of Revenues Under Expenditures	<u>(3,498)</u>	<u>(3,498)</u>	<u>7,995</u>	<u>(10,692)</u>	<u>(2,697)</u>	<u>801</u>
OTHER FINANCING SOURCES						
Proceeds from refunding bond issue	-	-	72,958	(72,958)	-	-
Amounts used to fund escrow account	-	-	(72,240)	72,240	-	-
Transfers in	2,980	2,980	8,510	(5,230)	3,280	300
Transfers out	-	-	-	-	-	-
Total Other Financing Sources	<u>2,980</u>	<u>2,980</u>	<u>9,228</u>	<u>(5,948)</u>	<u>3,280</u>	<u>300</u>
Net Change In Fund Balances	<u>(518)</u>	<u>(518)</u>	<u>17,223</u>	<u>(16,640)</u>	<u>583</u>	<u>1,101</u>
Fund Balances - Beginning	<u>2,993</u>	<u>2,993</u>	<u>2,993</u>	<u>-</u>	<u>2,993</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,475</u>	<u>\$ 2,475</u>	<u>\$ 20,216</u>	<u>\$ (16,640)</u>	<u>\$ 3,576</u>	<u>\$ 1,101</u>

**CITY OF ARLINGTON, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 CONVENTION AND EVENT SERVICES
 FOR THE YEAR ENDED SEPTEMBER 30, 2005
 (AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with Final Budget- Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>		<u>Actual on Budgetary Basis</u>
REVENUES						
Taxes	\$ 3,900	\$ 3,900	\$ 4,530	\$ -	\$ 4,530	\$ 630
Service charges	2,355	2,355	2,496	-	2,496	141
Interest revenue	-	-	2	-	2	2
Total Revenues	<u>6,255</u>	<u>6,255</u>	<u>7,028</u>	<u>-</u>	<u>7,028</u>	<u>773</u>
EXPENDITURES						
Current-						
Convention & event services	5,392	5,392	5,435	(120)	5,315	77
Total Expenditures	<u>5,392</u>	<u>5,392</u>	<u>5,435</u>	<u>(120)</u>	<u>5,315</u>	<u>77</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>863</u>	<u>863</u>	<u>1,593</u>	<u>120</u>	<u>1,713</u>	<u>850</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,440	1,440	590	-	590	(850)
Transfers out	(2,303)	(2,303)	(2,183)	(120)	(2,303)	-
Total Other Financing Sources (Uses)	<u>(863)</u>	<u>(863)</u>	<u>(1,593)</u>	<u>(120)</u>	<u>(1,713)</u>	<u>(850)</u>
Net Change In Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning	<u>332</u>	<u>332</u>	<u>332</u>	<u>-</u>	<u>332</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 332</u>	<u>\$ 332</u>	<u>\$ 332</u>	<u>\$ -</u>	<u>\$ 332</u>	<u>\$ -</u>

**CITY OF ARLINGTON, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 PARK PERFORMANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2005
 (AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with Final Budget- Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>		<u>Actual on Budgetary Basis</u>
REVENUES						
Service charges	\$ 7,342	\$ 7,342	\$ 6,562	\$ -	\$ 6,562	\$ (780)
Other	-	-	5	-	5	5
Interest revenue	-	-	7	-	7	7
Total Revenues	<u>7,342</u>	<u>7,342</u>	<u>6,574</u>	<u>-</u>	<u>6,574</u>	<u>(768)</u>
EXPENDITURES						
Current-						
Parks and recreation	7,248	7,248	6,301	211	6,512	736
Capital Outlay	45	45	44	-	44	1
Total Expenditures	<u>7,293</u>	<u>7,293</u>	<u>6,345</u>	<u>211</u>	<u>6,556</u>	<u>737</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>49</u>	<u>49</u>	<u>229</u>	<u>(211)</u>	<u>18</u>	<u>(31)</u>
OTHER FINANCING USES						
Transfers out	(245)	(245)	(307)	-	(307)	(62)
Total Other Financing Uses	<u>(245)</u>	<u>(245)</u>	<u>(307)</u>	<u>-</u>	<u>(307)</u>	<u>(62)</u>
Net Change In Fund Balances	<u>(196)</u>	<u>(196)</u>	<u>(78)</u>	<u>(211)</u>	<u>(289)</u>	<u>(93)</u>
Fund Balances - Beginning	<u>284</u>	<u>284</u>	<u>284</u>	<u>-</u>	<u>284</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 88</u>	<u>\$ 88</u>	<u>\$ 206</u>	<u>\$ (211)</u>	<u>\$ (5)</u>	<u>\$ (93)</u>

**CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
STREET MAINTENANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with Final Budget- Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>		<u>Actual on Budgetary Basis</u>
REVENUES						
Taxes	\$ 9,770	\$ 9,770	\$ 10,054	\$ -	\$ 10,054	\$ 284
Interest revenue	26	26	236	-	236	210
Net increase (decrease) in the fair value of investments	-	-	(8)	-	(8)	(8)
Total Revenues	<u>9,796</u>	<u>9,796</u>	<u>10,282</u>	<u>-</u>	<u>10,282</u>	<u>486</u>
EXPENDITURES						
Current-						
Public works	12,594	12,594	12,968	(512)	12,456	138
Total Expenditures	<u>12,594</u>	<u>12,594</u>	<u>12,968</u>	<u>(512)</u>	<u>12,456</u>	<u>138</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>(2,798)</u>	<u>(2,798)</u>	<u>(2,686)</u>	<u>512</u>	<u>(2,174)</u>	<u>624</u>
OTHER FINANCING SOURCES						
Transfers in	2,824	2,824	2,744	-	2,744	(80)
Transfers out	-	-	(305)	305	-	-
Total Other Financing Sources	<u>2,824</u>	<u>2,824</u>	<u>2,439</u>	<u>305</u>	<u>2,744</u>	<u>(80)</u>
Net Change In Fund Balances	<u>26</u>	<u>26</u>	<u>(247)</u>	<u>817</u>	<u>570</u>	<u>544</u>
Fund Balances - Beginning	<u>9,403</u>	<u>9,403</u>	<u>9,403</u>	<u>-</u>	<u>9,403</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 9,429</u>	<u>\$ 9,429</u>	<u>\$ 9,156</u>	<u>\$ 817</u>	<u>\$ 9,973</u>	<u>\$ 544</u>

**CITY OF ARLINGTON, TEXAS
 CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS - BY SOURCES (Unaudited)
 AS OF SEPTEMBER 30, 2005
 (AMOUNTS EXPRESSED IN THOUSANDS)**

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 72,166
Buildings	103,436
Improvements other than buildings	60,965
Machinery and equipment	12,780
Construction-in-progress	118,452
Infrastructure	<u>729,648</u>
Total Governmental Funds Capital Assets	<u>\$ 1,097,447</u>

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS:

General fund	\$ 249,347
Capital Project Fund	<u>848,100</u>
Total Governmental Funds Capital Assets	<u>\$ 1,097,447</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts.

Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF ARLINGTON, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (Unaudited)
AS OF SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>
ADMINISTRATIVE:					
Technology services	\$ 5,920	\$ -	\$ -	\$ -	\$ 5,920
Tax	6	-	-	-	6
City administration	66,509	6,002	60,036	-	471
Convention center	178	-	-	-	178
Total Administration	<u>72,613</u>	<u>6,002</u>	<u>60,036</u>	<u>-</u>	<u>6,575</u>
OPERATIONS:					
Fire	3,634	-	1,987	-	1,647
Municipal court	838	-	-	-	838
Police	5,632	-	4,947	-	685
Parks and recreation	139,443	60,509	20,477	57,110	1,347
Communication services	88	-	-	-	88
Airport	25,031	5,655	15,700	3,676	-
Total Operations	<u>174,666</u>	<u>66,164</u>	<u>43,111</u>	<u>60,786</u>	<u>4,605</u>
DEVELOPMENT:					
Community development	454	-	289	-	165
Engineering services	137	-	-	-	137
Transportation	1,477	-	-	179	1,298
Total Development	<u>2,068</u>	<u>-</u>	<u>289</u>	<u>179</u>	<u>1,600</u>
Total Capital Assets					
Allocated to Functions	<u>249,347</u>	<u>\$ 72,166</u>	<u>\$ 103,436</u>	<u>\$ 60,965</u>	<u>\$ 12,780</u>
INFRASTRUCTURE	<u>729,648</u>				
CONSTRUCTION IN PROGRESS	<u>118,452</u>				
Total Governmental Funds Capital Assets	<u>\$ 1,097,447</u>				

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF ARLINGTON, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS -
BY FUNCTION AND ACTIVITY (Unaudited)
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(AMOUNTS EXPRESSED IN THOUSANDS)**

Function and Activity	Governmental Funds			Governmental Funds
	Capital Assets October 1, 2004	Additions	Deletions	Capital Assets September 30, 2005
ADMINISTRATIVE:				
Technology services	\$ 5,356	\$ 564	\$ -	\$ 5,920
Tax	6	-	-	6
City administration	66,408	101	-	66,509
Convention center	178	-	-	178
Total Administration	71,948	665	-	72,613
OPERATIONS:				
Fire	3,275	359	-	3,634
Municipal court	728	110	-	838
Police	5,528	104	-	5,632
Parks and recreation	133,033	6,410	-	139,443
Communication services	88	-	-	88
Airport	25,031	-	-	25,031
Total Operations	167,683	6,983	-	174,666
DEVELOPMENT:				
Community development	454	-	-	454
Engineering services	137	-	-	137
Transportation	1,428	465	(416)	1,477
Total Development	2,019	465	(416)	2,068
INFRASTRUCTURE	724,849	4,799	-	729,648
CONSTRUCTION IN PROGRESS	102,930	26,559	(11,037)	118,452
Total Governmental Funds Capital Asset	\$ 1,069,429	\$ 39,471	\$ (11,453)	\$ 1,097,447

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

TABLE I

**CITY OF ARLINGTON, TEXAS
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST FOUR FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
General Government	\$34,330	\$28,511	\$30,646	\$26,906
Public Safety	90,417	89,554	93,852	97,645
Public Works	55,327	57,768	55,350	64,369
Public Health	2,100	1,424	1,321	2,416
Parks & Recreation	20,669	21,327	20,633	23,262
Public Welfare	5,288	7,282	5,410	6,383
Convention and Event Services	5,426	5,478	5,347	5,435
Interest and fiscal charges	15,674	15,102	14,548	13,898
Water and Sewer	68,106	68,282	67,232	65,220
Landfill	<u>7,743</u>	<u>1,731</u>	<u>2,207</u>	<u>4,310</u>
Total	<u>\$305,080</u>	<u>\$296,459</u>	<u>\$296,546</u>	<u>\$309,844</u>

TABLE II

CITY OF ARLINGTON, TEXAS
 GOVERNMENT-WIDE REVENUES
 LAST FOUR FISCAL YEARS (Unaudited)
 (AMOUNTS EXPRESSED IN THOUSANDS)

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Governmental Activities:				
Program Revenues				
Charges for services	\$39,480	\$33,422	\$33,669	\$36,105
Operating grants and contributions	9,430	8,728	7,758	8,144
Capital grants and contributions	12,509	8,525	5,730	4,849
General Revenues				
Taxes	134,489	145,689	157,143	168,997
Utility franchise fees	29,667	29,181	29,321	28,928
Interest	3,888	2,040	1,957	5,642
Net increase (decrease) in fair value of investments	(380)	(10)	(355)	(1,244)
Miscellaneous	<u>8,290</u>	<u>11,532</u>	<u>10,283</u>	<u>9,230</u>
Total Governmental Activities	<u>\$237,373</u>	<u>\$239,107</u>	<u>\$245,506</u>	<u>\$260,651</u>
Business-Type Activities:				
Program Revenues				
Charges for services	\$88,644	\$89,618	\$95,207	\$96,628
Operating grants and contributions	-	-	-	-
Capital grants and contributions	6,636	6,064	6,656	3,676
General Revenues				
Interest	2,394	1,456	1,287	1,255
Net increase (decrease) in fair value of investments	(251)	(39)	(223)	(77)
Miscellaneous	<u>(4,705)</u>	<u>(9,254)</u>	<u>(7,183)</u>	<u>21</u>
Total Business-Type Activities	<u>\$92,718</u>	<u>\$87,845</u>	<u>\$95,744</u>	<u>\$101,503</u>
Total Primary Government	<u>\$330,091</u>	<u>\$326,952</u>	<u>\$341,250</u>	<u>\$362,154</u>

TABLE III

CITY OF ARLINGTON, TEXAS
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION - GENERAL FUND
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Fiscal Year</u>	<u>General Government (Note A)</u>	<u>Public Safety (Note B)</u>	<u>Public Works (Note C)</u>	<u>Public Health (Note D)</u>	<u>Parks and Recreation (Note E)</u>	<u>Total</u>
1995-1996	\$17,414	\$52,451	\$15,172	\$1,454	\$ 7,571	\$ 94,062
1996-1997	19,655	56,150	16,368	1,462	7,845	101,480
1997-1998	19,795	58,923	16,568	1,627	8,927	105,840
1998-1999	21,785	63,519	17,309	1,654	9,566	113,833
1999-2000	23,991	70,464	20,813	1,819	10,193	127,280
2000-2001	26,370	77,911	16,420 ⁽¹⁾	1,851	10,944	133,496
2001-2002	27,431	85,017	17,826	1,931	12,111	144,316
2002-2003	28,467	86,886	18,085	1,051 ⁽²⁾	12,457	146,946
2003-2004	29,702	92,177	17,393	1,150	12,501	152,923
2004-2005	30,718	97,212	20,725	1,342	14,727	164,724

Note A:

General Government includes:

City Manager's Office	Library	City Secretary's Office
Human Resources	Finance	Municipal Court
City Attorney's Office	Information Technology	Nondepartmental

Note B:

Public Safety includes:

Police	Fire
--------	------

Note C:

Public Works includes:

Public Works	Support Services
Neighborhood Services	Planning and Development Services

Note D:

Public Health includes:

Animal Control

Note E:

Parks and Recreation includes:

Administration	Operations
Planning	Programs

(1) Beginning in fiscal year 2000-01, the general fund appropriation for street maintenance is reflected as a contribution to the street maintenance fund.

(2) Beginning in fiscal year 2002-03, environmental health functions were incorporated into Neighborhood Services and are no longer reported separately.

The figures reported above include all operations of the General Fund.

TABLE IV

CITY OF ARLINGTON, TEXAS
GENERAL REVENUES BY SOURCE - GENERAL FUND
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Utility Franchise Fees</u>	<u>Fines and Forfeitures</u>	<u>Leases, Rents and Concessions</u>
1995-1996	\$62,022	\$2,641	\$19,518	\$3,527	\$ 624
1996-1997	68,770	2,627	19,799	3,333	656
1997-1998	72,064	2,823	21,422	4,163	706
1998-1999	77,009	3,220	23,187	5,129	694
1999-2000	83,153	3,173	26,639	5,135	697
2000-2001	88,516	3,498	31,201	5,919	866
2001-2002	90,848	3,837	29,635	6,787	3,548
2002-2003	94,371	3,833	29,163	7,475	2,908
2003-2004	102,657	4,160	29,371	7,318	3,026
2004-2005	104,208	4,476	28,928	6,259	5,207

Note: These revenue amounts represent the operations of the General Fund.

⁽¹⁾ Includes net increase (decrease) in the fair value of investments beginning in FY 1997-1998.

TABLE IV

<u>Service Charges</u>	<u>Interest Revenue</u>	<u>Other</u>	<u>Total</u>	<u>Percentage Increase (Decrease) from Previous Year</u>
\$3,192	\$1,787	-	\$93,311	11.21%
4,550	751	-	100,486	7.69
4,866	680 ⁽¹⁾	-	106,724	6.21
4,352	990	-	114,581	7.36
3,551	1,253	-	123,601	7.87
4,822	1,241	-	136,063	10.08
5,648	803	1,350	142,456	4.70
5,388	499	500	144,137	1.18
4,696	380	500	152,108	5.53
5,781	1,501	800	157,160	3.32

TABLE V

**CITY OF ARLINGTON, TEXAS
FINANCIAL SUMMARY - WATER AND SEWER FUND
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
ANNUAL STATISTICS:				
Water sales	\$50,034	\$44,857	\$47,206	\$45,855
Sewer service	<u>37,094</u>	<u>37,615</u>	<u>30,058</u>	<u>29,733</u>
Total operating and nonoperating revenues	\$93,322	\$89,269	\$82,891	\$82,166
Expenses and net transfers not including depreciation	<u>55,984</u>	<u>58,400</u>	<u>59,014</u>	<u>59,338</u>
Income before transfers and depreciation	37,338	30,869	23,877	22,828
Provision for depreciation	(9,843)	(9,313)	(9,010)	(8,484)
Contributions and net transfers	<u>(2,241)</u>	<u>3,433</u>	<u>2,589</u>	<u>3,794</u>
Change in Net Asset/Net income	<u>\$25,254</u>	<u>\$24,989</u>	<u>\$17,456</u>	<u>\$18,138</u>
Metered water billed (thousands of gallons)	19,551,996	18,814,196	19,451,765	19,041,857
Average water revenue per thousand gallons	\$2.49	\$2.41	\$2.42	\$2.43
Average gallons of water billed per billing unit per month	16,930	16,521	18,710	17,149
YEAR-END STATISTICS:				
Utility plant-net	\$436,325	\$414,073	\$394,598	\$378,747
Serial and term bonds payable ⁽²⁾	\$94,790	\$87,935	\$83,650	\$94,575

⁽¹⁾ Water sales in fiscal year 2001 reflect a refund of \$7.0 million.

⁽²⁾ Amounts exclude Trinity River Authority bonds payable for fiscal years 1995-1999. Final payment on these bonds was made in fiscal year 2000.

TABLE V

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$39,901 ⁽¹⁾	<u>\$50,818</u>	<u>\$46,924</u>	<u>\$48,477</u>	<u>\$42,132</u>	<u>\$42,956</u>
<u>29,366</u>	<u>29,546</u>	<u>28,408</u>	<u>27,763</u>	<u>27,039</u>	<u>27,685</u>
\$77,302	\$89,134	\$83,490	\$85,170	\$77,825	\$78,051
<u>59,292</u>	<u>59,418</u>	<u>55,407</u>	<u>57,167</u>	<u>56,826</u>	<u>50,674</u>
18,010	29,716	28,083	28,003	20,999	27,377
<u>(7,803)</u>	<u>(7,444)</u>	<u>(7,137)</u>	<u>(7,191)</u>	<u>(6,781)</u>	<u>(6,523)</u>
<u>\$10,207</u>	<u>\$22,272</u>	<u>\$20,946</u>	<u>\$20,812</u>	<u>\$14,218</u>	<u>\$20,854</u>
20,258,759	20,753,412	18,730,638	19,476,195	16,278,920	17,390,398
\$2.37	\$2.39	\$2.50	\$2.48	\$2.53	\$2.47
18,030	18,999	17,619	18,789	15,997	17,630
\$362,488	\$335,470	\$320,036	\$286,410	\$262,165	\$254,548
\$90,955	\$83,060	\$93,460	\$86,410	\$112,950	\$109,520

TABLE VI

**CITY OF ARLINGTON, TEXAS
WATER AND SEWER EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Fiscal Year</u>	<u>Water Office and Administration</u> ⁽¹⁾	<u>Water Treatment and Operations</u>	<u>Laboratory and Pollution Control</u>	<u>Wastewater Operations and Support</u>	<u>Total</u>
1995-1996	\$30,659	\$20,280	\$1,091	\$16,420	\$68,450
1996-1997	30,311	21,103	1,349	14,971	67,734
1997-1998	31,117	22,667	1,043	14,256	69,083
1998-1999	30,143	21,437	1,076	15,661	68,317
1999-2000	31,438	24,228	1,194	16,930	73,790
2000-2001	31,282	24,380	1,198	17,884	74,744
2001-2002	32,644	23,957	1,213	19,390	77,204
2002-2003	29,363	23,229	1,362	19,262	73,216
2003-2004	31,344	24,250	1,298	19,806	76,698
2004-2005	27,073	23,556	1,457	19,728	71,814

Note: These expenses are presented on a budgetary basis; therefore, these amounts do not correspond to the expenses presented in the Enterprise Fund Statement of Revenues, Expenses and Changes in Fund Net Assets for Proprietary Funds, as the accrual basis of accounting is used to prepare the financial statements.

⁽¹⁾ Includes administration, customer service, and engineering expenses.

TABLE VII

CITY OF ARLINGTON, TEXAS
 WATER AND SEWER REVENUES BY SOURCE
 LAST TEN FISCAL YEARS (Unaudited)
 (AMOUNTS EXPRESSED IN THOUSANDS)

<u>Fiscal Year</u>	<u>Water Revenue</u>	<u>Sewer Revenue</u>	<u>TRA Revenue</u>	<u>Sundry Revenue</u>	<u>Interest</u> ⁽¹⁾	<u>Total</u>
1995-1996	\$42,956	\$27,685	\$100	\$4,095	\$3,215	\$78,051
1996-1997	42,132	27,039	121	4,239	4,294	77,825
1997-1998	48,477	27,763	125	4,920	3,885	85,170
1998-1999	46,924	28,408	125	5,598	2,435	83,490
1999-2000	50,818	29,546	125	5,295	3,350	89,134
2000-2001	39,901 ⁽²⁾	29,366	125	5,089	2,821	77,302
2001-2002	45,855	29,733	21	5,138	1,419	82,166
2002-2003	47,206	30,058	-	4,626	1,001	82,891
2003-2004	44,857	37,615	-	6,002	795	89,269
2004-2005	50,034	37,094	-	5,016	1,178	93,322

⁽¹⁾ Includes net increase (decrease) in fair value of investments beginning in fiscal year 1997-1998.

⁽²⁾ Water sales in fiscal year 2001 reflect a refund of \$7.0 million.

**CITY OF ARLINGTON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Year Tax Collections</u>	<u>Collections As a Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
1995-1996	\$58,375	\$57,772	98.97%	\$3,119	5.34%
1996-1997	62,105	61,443	98.93	3,190	5.14
1997-1998	64,955	64,125	98.72	3,374	5.19
1998-1999	69,342	68,617	98.95	3,726	5.37
1999-2000	72,829	71,725	98.48	3,969	5.45
2000-2001	78,839	77,700	98.56	4,132	5.24
2001-2002	85,675	84,219	98.30	4,190	4.89
2002-2003	90,941	89,260	98.15	4,756	5.23
2003-2004	97,321	96,929	99.60	5,090	5.23
2004-2005	101,084	98,914	97.85	4,990	4.94

**CITY OF ARLINGTON, TEXAS
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS (Unaudited)
 (AMOUNTS EXPRESSED IN THOUSANDS)**

Fiscal Year	Real Property		Personal Property		Total ⁽¹⁾		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1995-1996	\$ 7,380,393	\$ 7,380,393	\$1,740,699	\$1,740,699	\$ 9,121,092	\$ 9,121,092	100%
1996-1997	7,830,396	7,830,396	1,873,526	1,873,526	9,703,922	9,703,922	100
1997-1998	8,260,016	8,260,016	1,920,975	1,920,975	10,180,991	10,180,991	100
1998-1999	8,905,619	8,905,619	1,962,967	1,962,967	10,868,586	10,868,586	100
1999-2000	9,466,395	9,466,395	1,948,751	1,948,751	11,415,146	11,415,146	100
2000-2001	10,344,385	10,344,385	2,090,767	2,090,767	12,435,152	12,435,152	100
2001-2002	11,304,547	11,304,547	2,208,832	2,208,832	13,513,379	13,513,379	100
2002-2003	12,099,808	12,099,808	2,244,193	2,244,193	14,344,001	14,344,001	100
2003-2004	12,899,757	12,899,757	2,118,968	2,118,968	15,018,725	15,018,725	100
2004-2005	13,348,990	13,348,990	2,250,330	2,250,330	15,599,320	15,599,320	100

⁽¹⁾ Assessed and estimated actual value of taxable property is obtained from the certified value as of September of each tax year including minimum estimated value of property under protest.

**CITY OF ARLINGTON, TEXAS
TAX REVENUES BY SOURCE - GENERAL FUND
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Fiscal Year</u>	<u>Total Taxes</u>	<u>General Property Tax</u>	<u>General Sales Tax</u>	<u>State Liquor Tax</u>	<u>Criminal Justice Tax</u>	<u>Bingo Tax</u>	<u>Payment In Lieu Of Taxes ⁽¹⁾</u>
1995-1996	\$62,022	\$24,657	\$34,660	\$ 794	\$193	\$142	\$1,576
1996-1997	68,770	28,998	36,976	855	156	139	1,646
1997-1998	72,064	31,573	37,573	872	243	132	1,671
1998-1999	77,009	34,840	39,130	933	255	118	1,733
1999-2000	83,153	36,522	43,384	1,000	247	112	1,888
2000-2001	88,516	40,593	44,436	1,036	255	107	2,089
2001-2002	90,848	46,026	41,173	1,041	245	104	2,259
2002-2003	94,371	51,958	38,695	970	299	111	2,338
2003-2004	102,657	58,972	39,664	982	360	111	2,568
2004-2005	104,208	62,701	40,072	973	360	102	0

⁽¹⁾ Beginning in Fiscal Year 2005 Payment in Lieu of Taxes are classified as transfers instead of taxes.

CITY OF ARLINGTON, TEXAS
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 SEPTEMBER 30, 2005 (Unaudited)
 (AMOUNTS EXPRESSED IN THOUSANDS)

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u> ⁽¹⁾	<u>Percentage Applicable to City</u> ⁽²⁾	<u>Arlington Taxpayers' Share of Debt</u>
Direct-			
City of Arlington	\$ <u>266,499</u>	100.00%	<u>\$266,499</u>
Overlapping-			
Arlington I.S.D. ⁽³⁾	523,355	78.16	409,054
Tarrant County	165,340	18.08	29,893
Tarrant County College District	63,714	18.08	11,519
Tarrant County Hospital District	35,354	18.08	6,392
Kennedale I.S.D. ⁽³⁾	53,702	20.91	11,229
Mansfield I.S.D. ⁽³⁾	476,756	11.66	55,590
Hurst-Euless-Bedford I.S.D. ⁽³⁾	<u>226,367</u>	3.90	<u>8,828</u>
Total Overlapping Debt	<u>\$1,544,588</u>		<u>\$532,505</u>
Total Direct and Overlapping Debt	<u>\$1,811,087</u>		<u>\$799,004</u>

(1) Gross tax supported debt outstanding less applicable amounts available in Debt Service Funds.

(2) Source: Texas Municipal Reports, Compiled and Published by Municipal Advisory Council of Texas

(3) Substantially all of the City's residents are located within the Arlington I.S.D. Although the Fort Worth I.S.D. also has taxing jurisdiction within a portion of the City, reference to this district has been intentionally omitted because less than 1 percent of their total debt is paid by residents of the City.

CITY OF ARLINGTON, TEXAS
PROPERTY TAX RATES OF DIRECT AND
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (Unaudited)

TAX RATES⁽¹⁾
(Per \$100 Assessed Valuation)

<u>Fiscal Year</u>	<u>City of Arlington</u> ⁽²⁾	<u>Tarrant County</u> ⁽³⁾	<u>Arlington Independent School District</u>	<u>Hurst-Eules-Bedford Independent School District</u>	<u>Kennedale Independent School District</u>	<u>Mansfield Independent School District</u>
1995-1996	\$.6400	\$.561903	\$1.34956	\$1.534467	\$1.533	\$1.47782
1996-1997	.6400	.556626	1.34956	1.61690	1.59332	1.589987
1997-1998	.6380	.556596	1.4386	1.606257	1.66	1.722032
1998-1999	.6380	.605316	1.4962	1.606257	1.665641	1.722
1999-2000	.6380	.605316	1.5935	1.6318	1.550816	1.712
2000-2001	.6340	.615265	1.6244	1.6775	1.612795	1.687
2001-2002	.6340	.615265	1.6544	1.6530	1.612795	1.6714
2002-2003	.6340	.64428	1.7405	1.7119	1.623076	1.682
2003-2004	.6480	.647277	1.755	1.6616	1.614421	1.682
2004-2005	.6480	.647277	1.74546	1.723	1.804252	1.772

(1) A single property owner's total tax rate would only include one independent school district's (Arlington, Hurst-Eules-Bedford, Kennedale, or Mansfield) tax rate. Property tax rates are per \$100 assessed valuation.

(2) The City of Arlington, Texas, has the power to levy taxes to the extent of the Constitutional limit permitted by the State of Texas. The State of Texas Constitutional limitation is \$2.50 per hundred dollars valuation for all purposes. This limitation is also stated in the City Charter. Delinquent taxes are subject to a maximum penalty of 12 percent and interest accrued at 12 percent per annum. A tax lien is placed on property for which the taxes have not been paid. The County Office sends tax statements followed by demand letters which set a final date for payment. If payment is not made by the final date, the City of Arlington initiates legal procedures.

(3) This column includes the tax rates for Tarrant County, the Tarrant County Junior College District, and the Tarrant County Hospital District.

**CITY OF ARLINGTON, TEXAS
SPECIAL ASSESSMENT COLLECTIONS
STREET IMPROVEMENTS
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Fiscal Year</u>	<u>Current Assessments Levied</u>	<u>Current and Delinquent Assessments Collected</u>	<u>Ratio of Collections to Total Amount Due</u>	<u>Total Outstanding Delinquent Assessments</u>
1996-1997	\$ -	\$388	22.62%	\$1,327
1997-1998	-	117	8.82	1,210
1998-1999	-	124	10.25	1,086
1999-2000	-	119	10.96	967
2000-2001	-	367	37.95	600
2001-2002	-	72	12.00	528
2002-2003	-	20	3.79	508
2003-2004	-	-	-	508
2004-2005	-	145	28.54	363

OUTLINE OF STREET ASSESSMENT PROGRAM

At the completion of a street improvement project, a resolution is passed by the City Council stating that the job is complete. Following this Council action, all abutting property owners must pay in full their street assessments related to the project within 30 days of the first day of the month following the date of the Council resolution in order to avoid interest charges. If a longer payment period is needed, property owners may be allowed up to ten (10) years to make full payment. Interest is charged at a rate of 8 percent per annum on the unpaid balance during the payment period. Assessments on owner-occupied residential properties are not payable until there is a change in the use of the property.

**CITY OF ARLINGTON, TEXAS
SPECIAL ASSESSMENT COLLECTIONS
SEWER IMPROVEMENTS
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Fiscal Year</u>	<u>Current Assessments Levied</u>	<u>Current and Delinquent Assessments Collected</u>	<u>Ratio of Collections to Total Amount Due</u>	<u>Total Outstanding Current and Delinquent Assessments</u>
1995-1996	\$ -	\$ 7	15.91%	\$37
1996-1997	-	4	10.81	33
1997-1998	-	-	-	33
1998-1999	-	-	-	33
1999-2000	-	25	75.76	8
2000-2001	-	4	50.00	4
2001-2002	-	1	25.00	3
2002-2003	-	-	-	3
2003-2004	-	-	-	3
2004-2005	-	-	-	3

OUTLINE OF SEWER ASSESSMENT PROGRAM

At the completion of a sewer improvement project, a resolution is passed by the City Council stating that the job is complete. Following this Council action, all abutting property owners must pay in full their sewer assessments related to the project within 30 days of the first day of the month following the date of the Council resolution in order to avoid interest charges. If a longer payment period is needed, property owners may be allowed up to three (3) years to make full payment. Interest is charged at a rate of 10 percent per annum on the unpaid balance during the payment period.

**CITY OF ARLINGTON, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS (Unaudited)**

<u>Fiscal Year</u>	<u>Estimated Population ⁽¹⁾</u>	<u>Assessed Value (000's)</u>	<u>Gross Bonded Debt ⁽²⁾ (000's)</u>	<u>Less Debt Service Funds (000's)</u>	<u>Net Bonded Debt (000's)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1995-1996	286,293	\$ 9,121,092	\$239,965	\$2,429	\$237,536	2.60%	\$829.70
1996-1997	289,315	9,703,922	253,970	1,686	252,284	2.60	872.00
1997-1998	293,991	10,180,991	270,835	1,583	269,252	2.64	915.85
1998-1999	309,859	10,868,586	287,035	1,913	285,122	2.62	920.17
1999-2000	332,969	11,415,146	294,180	1,675	292,505	2.56	878.48
2000-2001	339,215	12,435,152	302,590	1,740	300,850	2.42	886.90
2001-2002	346,197	13,513,379	299,650	1,747	297,903	2.20	860.50
2002-2003	351,719	14,344,001	297,820	2,026	295,794	2.06	841.00
2003-2004	355,634	15,018,725	293,705	2,993	290,712	1.94	817.45
2004-2005	361,300	15,599,320	270,075	3,576	266,499	1.71	737.61

(1) Population estimates are based on percent of occupancy in available residences and census data. The method for estimating occupancy rates was revised beginning in FY 1998-1999.

(2) Excludes \$297,990,000 Dallas Cowboys Complex Special Obligations Series 2005A, 2005B, and 2005C, which are not backed by a full faith and credit pledge of ad valorem taxation. Includes self-supporting debt which has a full faith and credit pledge of ad valorem taxation, but which has historically been paid from sources other than ad valorem taxation. For fiscal 2005, the self-supporting debt is \$11,591,448.

**CITY OF ARLINGTON, TEXAS
STATEMENT OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2005 (Unaudited)**

The Home Rule Section of the Texas Constitution, Article 11, Section 5, imposes a maximum tax rate of \$2.50 per \$100 valuation for any one year. The Constitution does not limit the portion of this maximum tax rate that may be used for debt service.

At September 30, 2005, the City had a property tax rate of \$0.648 per \$100 valuation with a tax margin of \$1.852 per \$100 valuation based upon the maximum ad valorem tax rate noted above. Additional revenues up to approximately \$288,899,406 per year could be raised before reaching the maximum allowable tax based on the current year's appraised net taxable value of approximately \$15,599,320,000.

CITY OF ARLINGTON, TEXAS
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL
BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Ratio of Debt Service to General Fund Expenditures</u>
1995-1996	\$22,446	\$12,735	\$35,181	\$ 94,062	37.40%
1996-1997	22,927	13,209	36,136	101,480	35.61
1997-1998	23,095	13,744	36,839	105,840	34.81
1998-1999	23,950	14,857	38,807	113,833	34.09
1999-2000	25,720	15,373	41,093	127,280	32.29
2000-2001	26,730	15,920	42,650	133,496	31.95
2001-2002	27,860	15,663	43,523	144,316	30.16
2002-2003	27,420	15,186	42,606	146,946	28.99
2003-2004	28,270	14,637	42,907	152,923	28.06
2004-2005	28,030	13,914	41,944	164,896	25.44

**CITY OF ARLINGTON, TEXAS
REVENUE BOND COVERAGE
WATER & SEWER FUND
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Fiscal Year</u>	<u>Gross Operating Revenues</u> ⁽¹⁾	<u>Expenses</u> ⁽²⁾	<u>Net Revenue Available for Debt Service</u> ⁽³⁾	<u>Average Annual Debt Service Requirement</u>	<u>Coverage</u> ⁽⁴⁾
1995-1996	\$74,836	\$42,347	\$32,489	\$8,231	3.95
1996-1997	73,531	48,171	25,360	8,232	3.08
1997-1998	81,285	49,716	31,569	6,356	4.97
1998-1999	81,055	50,657	30,398	6,465	4.70
1999-2000	85,784	55,523	30,261	5,959	5.08
2000-2001	74,481 ⁽⁵⁾	55,562	18,919	6,335	2.99
2001-2002	80,747	57,482	23,265	6,664	3.49
2002-2003	81,890	57,309	24,581	6,067	4.05
2003-2004	88,474	57,557	30,917	6,078	5.09
2004-2005	92,144	57,605	34,539	6,615	5.22

(1) Revenue determined on the full accrual basis.

(2) Total expenses less depreciation and bond interest.

(3) Gross operating revenues (1) less expenses (2).

(4) Net revenue available for debt service (3) divided by average annual debt service requirement.

(5) Gross operating revenues in fiscal year 2001 reflect a refund of \$7.0 million.

**CITY OF ARLINGTON, TEXAS
PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Fiscal Year</u>	<u>Proven Value</u> ⁽¹⁾	<u>Construction</u> ⁽²⁾		
		<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
1995-1996	\$ 9,121,092	\$179,020	\$240,764	\$419,784
1996-1997	9,703,922	219,334	162,068	381,402
1997-1998	10,180,991	190,294	191,062	381,356
1998-1999	10,868,586	291,971	174,702	466,673
1999-2000	11,415,146	243,396	322,746	566,142
2000-2001	12,435,152	288,386	165,334	453,720
2001-2002	13,513,379	319,284	280,269	599,553
2002-2003	14,344,001	296,428	183,985	480,413
2003-2004	15,018,725	309,978	133,719	443,697
2004-2005	15,599,320	220,074	113,152	333,226

⁽¹⁾ See Table IX for detail.

⁽²⁾ Appraisal of construction, obtained from City building permits records.

CITY OF ARLINGTON, TEXAS
 EXPENDITURES BY SOURCE - SPECIAL REVENUE
 LAST TEN FISCAL YEARS (Unaudited)
 (AMOUNTS EXPRESSED IN THOUSANDS)

<u>Fiscal Year</u>	<u>Criminal Justice Division</u>	<u>Park Performance</u>	<u>Street Maintenance</u>	<u>U.S. Army Corps of Engineers-Johnson Creek</u>	<u>Community Development Block Grant</u>	<u>Convention and Event Services</u>	<u>Other Special Revenue Funds</u>	<u>Total</u>
1995-1996	\$504	\$4,641	\$ -	\$ -	\$1,957	\$3,494	\$ 7,693	\$18,289
1996-1997	353	4,996	-	-	1,691	3,839	7,513	18,392
1997-1998	271	5,014	-	-	2,072	4,425	11,181	22,963
1998-1999	290	6,544	-	-	3,788	4,816	8,385	23,823
1999-2000	330	7,436	-	-	1,962	5,401	7,573	22,702
2000-2001	438	7,220	6,858	3,541	1,935	5,166	8,497	33,655
2001-2002	555	6,356	6,702	3,515	3,614	5,426	12,373	38,541
2002-2003	165	6,117	7,680	1,465	3,546	5,478	10,631	35,082
2003-2004	160	6,308	7,992	968	3,755	5,347	9,869	34,399
2004-2005	272	6,345	12,968	336	3,188	5,435	10,671	39,215

2004-2005 expenditures include the operations of the following funds:

Arlington Telecable
 Auto Theft Prevention
 Community Development Block Grant
 Convention and Event Services
 Court Security
 Court Technology
 Court Time Payment
 Downtown Tax Increment Financing
 Emergency Physicians' Advisory Board
 Emergency Shelter Grant
 Federal Drug Enforcement Administration
 Federal Emergency Management Agency
 Federal Transit Administration
 Gifts and Donations
 Historic Preservation
 Home Investment Partnership
 Infrastructure Maintenance Reserve
 Law Enforcement Officers Standards and Education
 Local Law Enforcement Block Grant
 Motor Carrier Violations
 North Central Texas Council of Governments
 Park Performance
 Police Restricted
 Street Maintenance
 Supportive Housing Program
 Texas Commission on the Arts
 Texas Criminal Justice Division
 Texas Department of Aviation
 Texas Department of Transportation
 Texas Historical Commission
 Texas Parks and Wildlife
 Texas State Library
 U.S. Army Corps of Engineers - Johnson Creek

CITY OF ARLINGTON, TEXAS
EXPENDITURES BY FUNCTION - SPECIAL REVENUE
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Fiscal Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Public Health</u>	<u>Parks and Recreation</u>	<u>Public Welfare</u>	<u>Operating Expenditures</u>	<u>Capital Outlay</u>	<u>Total</u>
1995-1996	\$1,388	\$ 4,254	\$122	\$ 4,236	\$2,842	\$3,470	\$1,977	\$18,289
1996-1997	3,302	1,659	4	4,998	3,646	3,760	1,023	18,392
1997-1998	2,971	1,706	253	4,837	3,270	4,318	5,608	22,963
1998-1999	2,948	1,765	408	6,392	5,023	4,781	2,506	23,823
1999-2000	2,075	1,983	85	7,371	3,929	5,393	1,866	22,702
2000-2001	2,104	8,611 ⁽¹⁾	77	10,673	3,549	5,374	3,267	33,655
2001-2002	3,919	8,438	68	6,463	5,289	5,970	8,394	38,541
2002-2003	4,048	9,789	188	6,108	3,709	5,471	5,769	35,082
2003-2004	3,322	10,142	102	9,364	5,546	5,758	165	34,399
2004-2005	2,444	16,246	93	7,028	6,543	5,811	1,050	39,215

2004-2005 expenditures include the operations of the following funds:

Arlington Telecable
Auto Theft Prevention
Community Development Block Grant
Convention and Event Services
Court Security
Court Technology
Court Time Payment
Downtown Tax Increment Financing
Emergency Physicians' Advisory Board
Emergency Shelter Grant
Federal Drug Enforcement Administration
Federal Emergency Management Agency
Federal Transit Administration
Gifts and Donations
Historic Preservation
Home Investment Partnership
Infrastructure Maintenance Reserve
Law Enforcement Officers Standards and Education
Local Law Enforcement Block Grant
Motor Carrier Violations
North Central Texas Council of Governments
Park Performance
Police Restricted
Street Maintenance
Supportive Housing Program
Texas Commission on the Arts
Texas Criminal Justice Division
Texas Department of Aviation
Texas Department of Transportation
Texas Historical Commission
Texas Parks and Wildlife
Texas State Library
U.S. Army Corps of Engineers - Johnson Creek

(1) Increase due to addition of street maintenance fund.

TABLE XXII
(Continued on following page)

**CITY OF ARLINGTON, TEXAS
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2005 (Unaudited)**

Date of Incorporation	1884
Date of Adoption of City Charter	January 17, 1920
Form of Government	Council-Manager

Miles of Streets and Sidewalks

Streets - paved	2,477 Miles
Sidewalks	908 Miles

Miles of Wastewater

Storm	240 Miles
Sanitary	1,186 Miles

Fire Protection

Number of Stations	16
Number of Employees	301
Total Service Calls	27,788

Recreation

Parks - Number of Acres (Total System)	4,652
Multi-Purpose Recreation Centers	5
Senior Centers	2
Tennis Courts	49
Swimming Pools	7
Miles of Park Trails	45
Sports Fields - Youth and Adult	54
Basketball Courts - Outdoor	24
Number of Golf Courses	4

Police Protection

Number of Stations	3
Number of Employees	534
Dispatched Calls	146,891

Library

Central Library	1
Branch Libraries	5
Book Stock (Net)	522,703
Circulation Service Transactions	1,580,854

TABLE XXII
(Continued)

CITY OF ARLINGTON, TEXAS
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2005 (Unaudited)

Education

	<u>Public</u>	<u>Universities</u>
Number of School Buildings	74	111
Number of Employees	7,981	6,281
Number of Students		
Registered	62,267	34,787
Number of Non-Teaching Personnel	3,895	
Persons 25 and older:		
Percent High School Graduates	84.9%	
Percent Bachelors or Higher	30.4%	
(Source: 2000 Census of Population and Housing Report)		

Municipal Water System

Number of Accounts	102,421
Average Daily Consumption - MGD	53.55
System Capacity - MGD	174
Miles of Water Mains	1,358
Number of Fire Hydrants	10,195

Number of Sewer Connections

95,479

Number of Street Lights

19,810

Employees (Full Time Positions) - September 30, 2005

2,342

Election

Registered Voters (As of April, 2005)	182,802
Number of Votes Cast in Last Municipal Election	8,607
Percentage of Registered Voters Voting in May 05 Municipal Election	4.71%

CITY OF ARLINGTON, TEXAS
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2005 (Unaudited)

<u>Fiscal Year</u>	<u>Square Miles Incorporated</u>	<u>Population</u> ⁽¹⁾
1996	96.3	286,293
1997	98.7	289,315
1998	98.7	293,991
1999	98.7	309,859
2000	98.7	332,969 ⁽²⁾
2001	98.7	339,215
2002	98.7	346,197
2003	98.7	351,719
2004	98.7	355,634
2005	98.7	361,300 ⁽³⁾

⁽¹⁾ Population estimate based on percent occupancy in available residences. The method for estimating occupancy rates was revised beginning in FY 1998-1999.

⁽²⁾ Actual Census

⁽³⁾ Estimate as of March 31, 2005

Per Capita Personal Income

Source: Bureau of Economic Analysis. (Tarrant County) \$31,054

Unemployment Rate

Source: Bureau of Labor Statistics 5.0%

TABLE XXIII

CITY OF ARLINGTON, TEXAS
 PRINCIPAL TAXPAYERS (Unaudited)
 (AMOUNTS EXPRESSED IN THOUSANDS)

<u>Name</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
General Motors Corporation	Auto Assembly Plant	\$203,387 ⁽¹⁾	1.30%
Parks at Arlington LP	Real Estate Holdings	141,738	.91
TXU Electric Delivery Co.	Public Utility	136,422	.87
McKesson Drug Co.	Pharmaceutical	112,738	.72
Southwestern Bell Telephone	Public Utility	77,454	.50
Six Flags Over Texas	Amusement Park	71,612	.46
HCA - Arlington Inc.	Healthcare	62,640	.40
National Semiconductor	Computer Chip Mfg.	46,610 ⁽¹⁾	.30
USMD Surgical Hospital of Arlington	Healthcare	46,095	.30
Lincoln Square LTD	Real Estate Holdings	<u>40,100</u>	<u>.26</u>
		<u>\$938,796</u>	<u>6.02%</u>

As of October 1, 2005.

⁽¹⁾ Value reflects reduction for abatement.

CITY OF ARLINGTON, TEXAS
ECONOMIC BACKGROUND (Unaudited)

LOCATION

The City of Arlington is located in eastern Tarrant County, Texas, equidistant between Dallas and Fort Worth and directly south of the Dallas/Fort Worth International Airport. The City's location places it at the geographical center of the Dallas-Fort Worth Metroplex.

Several bus and motor freight lines, as well as Union Pacific Railroad, are located in Arlington. Several airports catering to corporate aircraft, privately owned aircraft and air-freight carriers, including Arlington Municipal Airport, a City-owned and operated facility with a 6,080-foot paved runway and parallel taxiway, are located in the metropolitan area. There are also two commercial service airports in the area, DFW International Airport and Dallas Love Field. The City has two east/west Interstate Highways (I-20 & I-30) connecting it with Dallas and Fort Worth and two north/south limited access freeways which provide the City the best highway access in the Metroplex.

Public education is provided principally by the Arlington Independent School District which overlaps all but a small portion of the City. Serving a population of approximately 361,300, the public schools feature six high schools, twelve junior high schools, fifty elementary schools, one pre-kindergarten campus, one immigrant education campus, one alternative school and three discipline-management campuses. A professional staff of 4,086 serves a peak enrollment of 62,267 students.

Tarrant County College opened its Southeast Campus in Arlington during 1996. The 193-acre site features a current enrollment of approximately 9,355 students and has 758 employees. The college offers Associate degrees in Arts, Applied Sciences, and various Technical certificates.

The University of Texas at Arlington, founded in 1895, has a current enrollment of 25,432 students and offers 189 degree programs at the bachelor, master, and doctoral levels. The physical plant, located on a 396 acre campus, includes 107 University academic and dormitory buildings.

POPULATION

Arlington's location has facilitated a phenomenal population growth over the past four decades. Population at the 1950 Census was 7,692; at the 1960 Census, 44,755; at the 1970 Census, 90,643; at the 1980 Census, 160,113; and at the 1990 Census, 261,721. The 2000 Census population for Arlington was 332,969. The current population is estimated at 361,300.

**CITY OF ARLINGTON, TEXAS
ECONOMIC BACKGROUND (Unaudited)**

INDUSTRIAL AND BUSINESS

Arlington is "home" to one of the areas largest planned industrial developments. The Great Southwest Industrial District (GSID), is a 3,300 acre industrial park with 1,855 acres in Arlington.

Approximately 1,500 firms are located in the GSID, with over 900 in Arlington. Some of the nation's finest "Blue-chippers" are located in this sprawling tract that has drawn more industry to Arlington each year since its inception in 1957 than most cities gain in a lifetime.

The GSID has an ideal location with excellent highway access. East-west highways that serve the GSID include I-30, I-20, U.S. 80, and Spur 303, and north-south highways include State 360, State 157, and State 183. The GSID also benefits from its close proximity to the Dallas-Fort Worth International Airport, which is located only 8 miles north of the GSID.

Arlington also has many other smaller developed industrial sites, and others await development. With all of these options for industrial location, Arlington can meet the needs of almost any type of manufacturing or warehousing operation.

Arlington's first industrial boom can be attributed to an industry giant which located in the City in 1951, the General Motors Assembly Plant. Other giants, including such outstanding companies as Bell Helicopter, National SemiConductor, and Siemens Dematic Postal Automation, have locations in Arlington.

Industry has viewed Arlington as the "opportunity frontier" and Arlington has seen industry as an economic blessing which brings highly-skilled personnel to enrich and enhance the City. Additionally, Arlington's low tax rates appeal to industry. Lastly, Arlington is a city where industry is welcomed and treated as a member of a close-knit family, all working for the betterment of the community.

**CITY OF ARLINGTON
SCHEDULE OF INSURANCE IN FORCE
SEPTEMBER 30, 2005 (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Coverage</u>	<u>Limits of Liability</u>
General Liability ⁽¹⁾	\$1,000 per occurrence
Automobile Liability ⁽¹⁾	\$1,000 per occurrence
Law Enforcement Liability ⁽¹⁾	\$1,000 per occurrence
Public Officials Liability ⁽¹⁾	\$1,000 per occurrence
Workers Compensation ⁽²⁾	Statutory
Airport Liability	\$20,000
Property/Automobile Physical Damage/ Contractors Equipment	\$309,851
Electronic Data Processing Equipment	\$21,520
Valuable Papers	\$1,000
Boiler & Machinery	\$10,000
Blanket Bond	\$2,000
Comprehensive Crime Coverage	\$250 per scheduled location

(1) Self-insurance provided by a bond program with a \$3,000 aggregate limit per year.

(2) Self-insured retention of \$350 per claim, with commercial insurance on claims exceeding those amounts.

CITY OF ARLINGTON, TEXAS
 GENERAL FUND BALANCE COMPARED TO ANNUAL EXPENDITURES
 LAST TEN FISCAL YEARS (Unaudited)
 (AMOUNTS EXPRESSED IN THOUSANDS)

<u>Fiscal Year</u>	<u>Total Fund Balance</u>	<u>Annual Expenditures ⁽¹⁾</u>	<u>Total Fund Balance as a Percent of Expenditures</u>
1995-1996	\$10,252	\$ 94,062	10.9%
1996-1997	11,461	101,480	11.3
1997-1998	15,264	105,840	14.4
1998-1999	19,095	113,833	16.8
1999-2000	18,221	127,280	14.3
2000-2001	19,659	133,496	14.7
2001-2002	20,707	144,316	14.3
2002-2003	20,806	146,946	14.2
2003-2004	25,317	152,923	16.6
2004-2005	52,057	164,724	31.6

⁽¹⁾ General Fund operating expenditures, excluding debt service.

**CITY OF ARLINGTON, TEXAS
SALES TAX REVENUE ANALYSIS
LAST TEN FISCAL YEARS (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Fiscal Year</u>	<u>Sales Tax Receipts</u>	<u>Ad Valorem Tax Levy</u>	<u>Sales Tax as a Percent of Ad Valorem Tax Levy</u>	<u>Equivalent Tax Rate ⁽¹⁾</u>
1995-1996	\$34,660	\$58,375	59.4%	\$.380
1996-1997	36,976	62,105	59.5	.381
1997-1998	37,573	64,955	57.8	.369
1998-1999	39,130	69,342	56.4	.360
1999-2000	43,384	72,829	59.6	.380
2000-2001	44,436	78,839	56.4	.358
2001-2002	41,173	85,675	48.1	.305
2002-2003	38,695	90,941	42.5	.270
2003-2004	39,664	97,321	40.8	.264
2004-2005	40,072	101,084	39.6	.257

⁽¹⁾ Calculated by multiplying the ratio of sales tax receipts to the ad valorem tax levy by the City's ad valorem tax rate for each fiscal year. In fiscal 2005 the City's ad valorem tax rate was \$.6480 per \$100 valuation.