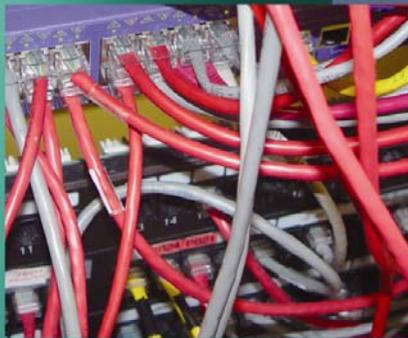


# *City of Arlington, Texas*

## **Comprehensive Annual Financial Report**

*Year Ended September 30, 2006*



Neighborhood  
Services

Strategic  
Support

Community  
and  
Economic  
Development



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

Prepared by the following members  
of the Financial Services Department:

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





**CITY OF ARLINGTON, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006  
 TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION (Unaudited)</b>	
Letter of Transmittal	i
Organizational Chart	vi
Elected Officials and Administrative Officers	viii
<b>FINANCIAL SECTION</b>	
<b>Independent Auditors' Report</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets	15
Statement of Activities	17
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet	19
Reconciliation of the Statement of Net Assets of Governmental Funds to the Balance Sheet	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Budgetary Comparison Statement-General Fund	23
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Assets	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets	26
Statement of Cash Flows	27
<b>Fiduciary Fund Financial Statements</b>	
Statement of Fiduciary Net Assets	28
Statement of Changes in Fiduciary Net Assets	29
<b>Notes to the Financial Statements</b>	30
<b>REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)</b>	
Schedule of TMRS Funding	62
Schedule of Pension Trust-Part-Time Deferred Income Trust Plan	63
Schedule of Disability Income Plan	64
<b>COMBINING FINANCIAL STATEMENTS</b>	
<b>Nonmajor Governmental Funds</b>	
Description of Nonmajor Governmental Funds	65
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	71

**Budgetary Comparison Schedule**

Debt Service Fund	74
Convention and Event Services	75
Park Performance	76
Street Maintenance	77

**Internal Service Funds**

Description of Internal Service Funds	78
Combining Statement of Net Assets	79
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	81
Combining Statement of Cash Flows	83

**Fiduciary Funds**

Description of Fiduciary Funds	85
Combining Statement of Fiduciary Net Assets	86
Combining Statement of Changes in Fiduciary Net Assets	88
Combining Statement of Changes-All Agency Funds	89

**Discretely Presented Component Units**

Description of Discretely Presented Component Units	90
Combining Statement of Net Assets	91
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	92
Combining Statement of Cash Flows	94

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS (Unaudited)**

Capital Assets Used in Operation of Governmental Funds By Sources	96
Capital Assets Used in the Operation of Governmental Funds Schedule by Function and Activity	97
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes in General Fixed Assets	98

**STATISTICAL SECTION (Unaudited)**

	<u>Table</u>	
Net Assets by Component	1	99
Changes in Net Assets	2	100
Fund Balance, Governmental Funds	3	102
Changes in Fund Balances, Governmental Funds	4	104
Taxable Property Value	5	106
Direct-Overlapping Property Tax Rates	6	107
Principal Property Tax Payers	7	108
Property Tax Levies and Collections	8	110
Ratio of Outstanding Debt by Type	9	111
Ratio of General Bonded Debt Outstanding	10	113
Direct and Overlapping Governmental Activities Debt	11	115
Pledged Revenue Coverage	12	116
Demographic and Economic Statistics	13	117
Principal Employers	14	118
Full-time Equivalent City Government Employees by Function/Program	15	120
Operating Indicators by Function/Program	16	122
Capital Asset Statistics by Function/Program	17	124
TMRS Analysis of Funding Progress and Contribution Rates	18	126



March 7, 2007

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, 2006, 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, 2006. 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 363,050. 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 four 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 statement of the Arlington Property Finance Authority, Inc. is "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 legal level of budgetary control is at the 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 4.5 percent (down .45 percent from the same period last year) compared to Dallas at 5.5 percent and Fort Worth at 5.0 percent. Arlington's current unemployment rate of 4.5 percent is .90 percent higher than the unemployment rate of 3.6 percent ten years ago. During this ten year period, unemployment reached a low of 2.8 percent in December 1998 and a high of 7.1 percent in June

2003.

The City has been experiencing job growth as well. Over the last year, the City has added 4,274 new jobs, an increase of 2.2 percent. Residential real estate sales are up 10 percent from last year and the median price for homes is up 4 percent.

The City, however, continues to face challenges, particularly with sales tax growth, 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. Occupancy rates for commercial real estate are varied. Office buildings are experiencing a 13 percent vacancy rate, and the vacancy rate for industrial facilities ranges from 9.7 to 15.4 percent, depending upon the submarket. 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 number of permits for commercial and institutional construction have also declined, however the value of this construction has increased for the year ended September 30, 2006.

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

Classification	2006		2005		2004	
	Value (000's)	Number	Value (000's)	Number	Value (000's)	Number
Residential	\$176,935	1,115	\$197,496	3,112	\$261,212	3,910
Multifamily	11,602	35	12,731	25	38,871	81
Commercial	161,885	77	56,896	167	34,617	218
Institutional	76,074	6	23,622	44	39,470	53
Other	<u>100,402</u>	<u>2,953</u>	<u>42,481</u>	<u>2,360</u>	<u>69,527</u>	<u>2,556</u>
Total	<u>\$526,898</u>	<u>4,186</u>	<u>\$333,226</u>	<u>5,708</u>	<u>\$443,697</u>	<u>6,818</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, coupled with slight economic growth, the current forecast projects smaller deficits. While the City may never see the dramatic growth experienced in the 1990s, slow progress is expected to continue. The multi-year financial forecast assumes the continuation of existing services, competitive pay and benefits for the City's workforce and moderate growth in primary revenue sources. The City expects to continue to improve the outlook with ongoing focus on improving service delivery, expanding neighborhood and community partnerships and building the economic base through ventures such as the Cowboy Stadium and Glorypark.

## **Relevant Financial Policies**

For 2006, the City received approximately \$5 million in upfront gas lease bonuses. It is the City's policy that one-time revenues are not used to fund operating expenditures. Accordingly, the funds received from bonuses has been designated for future one-time projects.

General Fund balance designated for working capital meets the criteria established by the financial policy adopted by Council at one-twelfth of budgeted expenditures as does General Fund balance designated for subsequent years' expenditures which is set at 3% of budgeted expenditures.

## **Major Initiatives**

In April of 2006, the City entered into various oil & gas leases. The leases grant exclusive rights to explore, drill, produce and market oil and gas from designated City property. The leases range in duration from 12 to 18 months and provide for an upfront lease bonus along with future royalty payments which are based on oil and gas production.

In November of 2004, voters authorized the City to provide planning, acquisition, construction and financing for the Dallas Cowboys Complex Development Project. In accordance, with the funding and closing agreement, the City will pay up to \$325 million for the project. As of October 2006, the excavation of the stadium bowl area is complete and concrete is being poured. Commercial establishments in the core project area have been successfully relocated. The Cowboys Stadium is anticipated to be completed by the summer of 2009. The Cowboys will play their first season in Arlington in the fall of 2009.

Related to the Cowboys Complex Development Project, approximately \$4 million in roadway improvements are scheduled for the City's Entertainment District. Baird Farm Road is scheduled to become a six-lane divided boulevard, improving travel through the Entertainment District, and connecting the entertainment attractions north of Interstate-30 with the venues south of the interstate. A new Baird Farm Road Bridge will have entrance and exit ramps and pedestrian friendly walkways. The extension of Baird Farm Road also includes the reconstruction of Copeland Road and the construction of approximately 1,100 parking lot spaces on a 9.8 acre site bound by Pennant on the west and Nolan Ryan Expressway on the east.

Major road improvements are scheduled for Collins Street from Mayfield Road to Pioneer Parkway. The project includes street reconstruction, the addition of fifth and sixth lanes, drainage, sidewalks, pavement markings, median landscaping and irrigation improvements. The \$6.9 million project is scheduled for completion in April of 2007.

Pleasant Ridge Road between Kelly Elliott Road and Bowen Road is scheduled to become a four-lane divided boulevard. Park Springs Boulevard between Pleasant Ridge Road and Interstate-20 will become a four-lane divided boulevard. Pleasant Ridge Road and Park Springs Boulevard are currently two-lane, country-type roads. The \$9.1 million project also includes bridge and drainage improvements, new landscaping, street lights and pavement markings. In addition, an eight-foot wide hike and bike trail will be constructed on the south side of Pleasant Ridge Road between Park Springs Boulevard and Rush Creek. This project is scheduled for completion in October 2008.

## **Certificate of Achievement**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its comprehensive annual financial

report (CAFR) for the year ended September 30, 2005. This was the twenty-eighth year that the City has received this prestigious award. In order to be awarded the Certificate of Achievement, the City published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

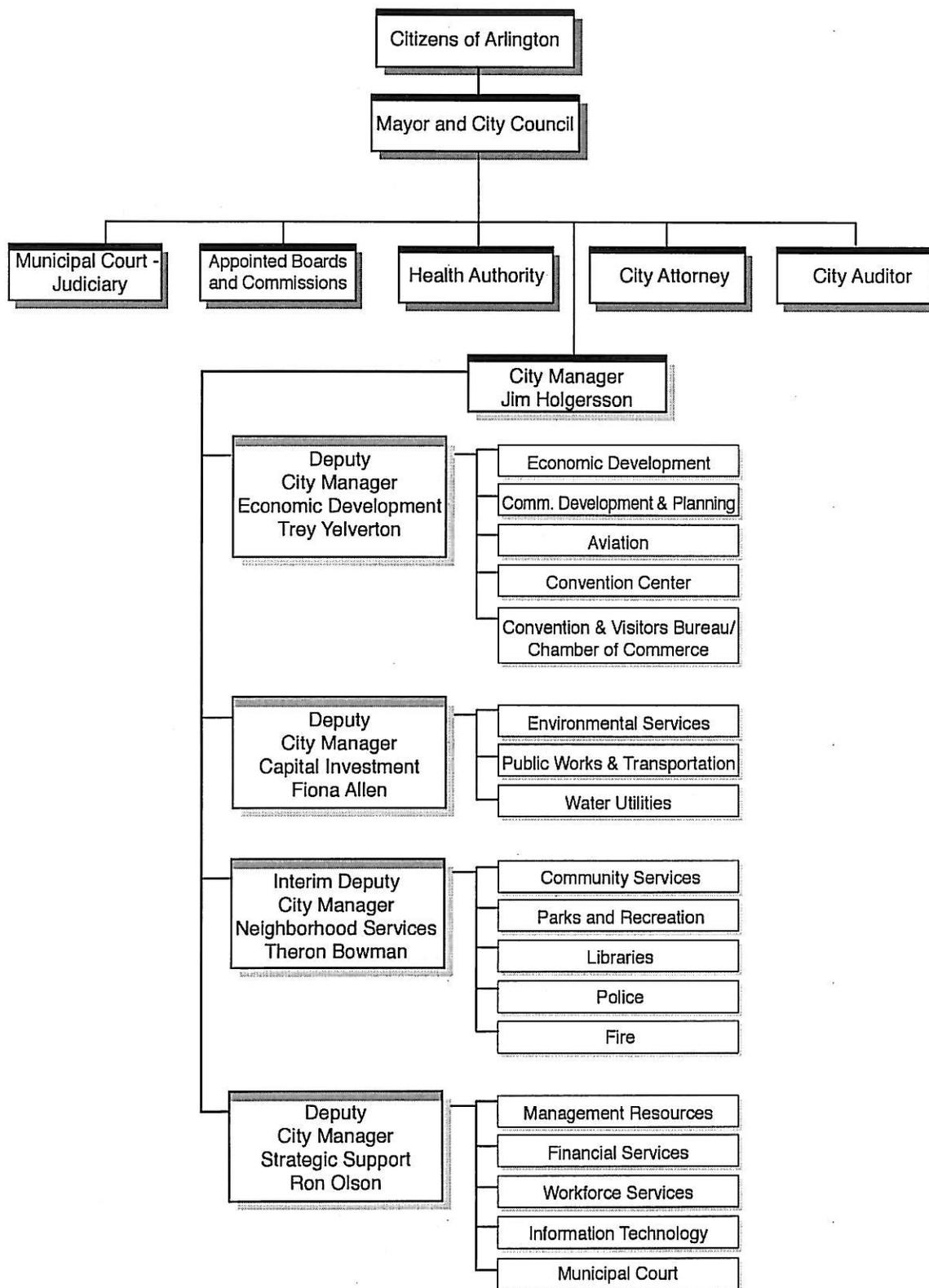
**Acknowledgments**

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,



Anna Mosqueda  
Director of Financial Services



Rev. 4.06

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Arlington  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2005

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



President

Executive Director

# 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 2008

Mel LeBlanc, District 1

Term expires May 2008

Sheri Capehart, District 2

Term expires May 2008

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

**Deputy Mayor Pro Tem**

Term expires May 2008

Gene Patrick, District 8 At Large

Term expires May 2007

**City Manager**

Jim Holgersson

**Chief Financial Officer**

Anna Mosqueda

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of 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, 2006, 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 the respective financial statements based on our audit. We did not audit the financial statements of the Arlington Housing Authority or the Arlington Convention and Visitors Bureau, Inc., which statements reflect total assets constituting 19.22% and 0.72%, respectively, of total component unit assets as of September 30, 2006 and total operating revenues constituting 83.52% and 8.57%, respectively, of total component unit operating revenues for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arlington Housing Authority and Arlington Convention and Visitors Bureau, Inc. is based solely on the reports of the 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 respective 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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison statement 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, the Schedule of Funding Progress – TMRS, the Schedule of Funding Progress – Part Time Deferred Income Trust, and the Schedule of Funding Progress – Disability Income Plan 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 and the other auditors 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 respective financial statements that collectively comprise the City's basic financial statements. 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 based on our audit and reports of other auditors, 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 March 7, 2007, 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*

March 7, 2007

## CITY OF ARLINGTON, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

SEPTEMBER 30, 2006

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, 2006. 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 \$119.1 million or 24.6 percent this year, primarily because of an increase in funding construction in progress of approximately \$95.4 million. The increase in construction in progress is attributable to the ongoing construction of the Dallas Cowboys Complex Development Project (Complex Project). This year, the city recorded an increase in construction costs of \$109.9 million which includes \$70.2 million in contributions from the Cowboys Stadium, L.P.
- The City's increase in total net assets of \$148.8 million for the year ended September 30, 2006 was \$96.5 million higher than the increase of \$52.3 million for the year ended September 30, 2005. This \$96.5 million is primarily attributable to the \$70.2 million in construction contributions for the Complex Project from the Cowboys Stadium, L.P. The balance of the increase is due to a \$16.0 million increase in sales tax revenue and a \$13.9 million increase in interest income.
- As of September 30, 2006, the City of Arlington's governmental funds reported combined ending fund balances of \$411.6 million, a decrease of \$8.7 million in comparison with the prior fiscal year. The majority of this change is due to an increase in overall General Fund revenues of \$22.2 million, offset by an increase in the Stadium Venue Fund's capital outlay (net of the Cowboys Stadium, L.P. contribution) of \$12.2 million.
- At the end of the current fiscal year, unreserved General Fund balance was \$60.9 million compared to \$48.0 million last year. Last year, \$22.7 million of unreserved fund balance was designated for future needs such as working capital requirements and subsequent years' expenditures. Additionally, \$19.9 million of fund balance was designated as landfill lease proceeds, leaving \$5.4 million as unreserved, undesignated fund balance. This year, \$24.7 of unreserved fund balance was designated for future needs and \$20.6 million of landfill proceeds was designated for one-time special projects. A new designation for gas lease proceeds of \$5.0 million was created, leaving \$10.6 million as undesignated and unreserved.
- The City's total debt of \$646.3 million has decreased \$26.1 million during the fiscal year. This year, the City issued \$2 million of short-term commercial paper, and \$8.78 million of Combination Tax and Revenue Certificates of Obligation while paying down \$36.9 million on existing obligations. Of the total debt, \$562.3

million relates to the operation of the general government and \$84.0 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 and transportation, 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 one blended component unit in its report – Arlington Property Finance Authority, Inc. The City includes five discretely presented component units 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.

## 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.

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 \$1.0 billion as of September 30, 2006. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$440.2 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 (88.1 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 debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF ARLINGTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2006

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 481	\$ 483	\$ 86	\$ 82	\$ 567	\$ 565
Capital assets	755	647	451	436	1,206	1,083
Total assets	1,236	1,130	537	518	1,773	1,648
Long-term liabilities	570	586	76	85	646	671
Other liabilities	63	60	21	23	84	83
Total liabilities	633	646	97	108	730	754
Net assets:						
Invested in capital assets, net of related debt	510	409	409	381	919	790
Restricted	26	20	10	10	36	30
Unrestricted	67	55	21	20	88	75
Total net assets	\$ 603	\$ 484	\$ 440	\$ 411	\$ 1,043	\$ 895

**Governmental Activities**

The City's general revenues increased when compared to the prior year by 16.3 percent or \$34.5 million. The primary reason for this increase was due to a \$20.2 million or 11.9 percent increase in overall tax revenue this year vs. last year. Sales tax revenue increased \$16.0 million as a result of a mildly improving local economy. Property tax revenue increased \$3.2 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 \$544.3 million or 3.5 percent while the property tax rate of \$0.6480 per \$100 assessed valuation remained the same as in 2005. Interest income increased \$13.9 million primarily due to investing the proceeds of the Dallas Cowboy Complex Special Obligations, less costs related to the City's portion of construction of the Dallas Cowboy Complex, for a full year this year. They were issued on July 15, 2005 and therefore the proceeds only earned interest income for two and a half months last year.

Table 2  
General Revenues  
(Amounts Expressed In Thousands)

	2006	2005	Increase (Decrease)
Property Taxes	\$ 104,425	\$ 101,235	\$ 3,190
Sales Taxes	76,483	60,476	16,007
Other Taxes	8,319	7,286	1,033
Utility franchise fees	31,140	28,928	2,212
Interest income	19,513	5,642	13,871
Other revenue	6,196	7,986	(1,790)
Total general revenues	\$ 246,076	\$ 211,553	\$ 34,523

**CITY OF ARLINGTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2006**

Governmental and Business-type activities increased the City's net assets by \$148.8 million for the year ended September 30, 2006 and \$52.3 million for the year ended September 30, 2005. 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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$44,184	\$ 36,105	\$ 102,745	\$ 96,628	\$ 146,929	\$ 132,733
Operating grants and contributions	13,846	8,144	-	-	13,846	8,144
Capital grants and contributions	77,683	4,849	5,529	3,676	83,212	8,525
<b>General Revenues:</b>						
Taxes	189,227	168,997	-	-	189,227	168,997
Utility franchise fees	31,140	28,928	-	-	31,140	28,928
Interest Income	19,513	5,642	-	-	19,513	5,642
Other	6,196	7,986	2,301	1,199	8,497	9,185
<b>Total revenues</b>	<b>381,789</b>	<b>260,651</b>	<b>110,575</b>	<b>101,503</b>	<b>492,364</b>	<b>362,154</b>
<b>Expenditures/Expenses:</b>						
General government	31,812	26,906	-	-	31,812	26,906
Public safety	102,363	97,645	-	-	102,363	97,645
Public works	66,019	64,369	-	-	66,019	64,369
Public health	1,697	2,416	-	-	1,697	2,416
Parks and recreation	27,761	23,262	-	-	27,761	23,262
Public welfare	9,408	6,383	-	-	9,408	6,383
Convention and event services	5,094	5,435	-	-	5,094	5,435
Interest and fiscal charges	24,923	13,898	-	-	24,923	13,898
Water and sewer	-	-	74,516	65,220	74,516	65,220
Landfill	-	-	-	4,310	-	4,310
<b>Total expenditures/expenses</b>	<b>269,077</b>	<b>240,314</b>	<b>74,516</b>	<b>69,530</b>	<b>343,593</b>	<b>309,844</b>
<b>Increase in net assets before transfers</b>	<b>112,712</b>	<b>20,337</b>	<b>36,059</b>	<b>31,973</b>	<b>148,771</b>	<b>52,310</b>
Transfers	6,432	40,563	(6,432)	(40,563)	-	-
<b>Increase in net assets</b>	<b>119,144</b>	<b>60,900</b>	<b>29,627</b>	<b>(8,590)</b>	<b>148,771</b>	<b>52,310</b>
<b>Net Assets, October 1,</b>	<b>484,278</b>	<b>423,378</b>	<b>410,617</b>	<b>419,207</b>	<b>894,895</b>	<b>842,585</b>
<b>Net Assets, September 30</b>	<b>\$ 603,422</b>	<b>\$ 484,278</b>	<b>\$ 440,244</b>	<b>\$ 410,617</b>	<b>\$ 1,043,666</b>	<b>\$ 894,895</b>

The most significant governmental expenditure for the City was in the area of public safety, which incurred expenditures of \$102.4 million, representing a \$4.8 million increase when compared to the prior fiscal year. The major components of public safety are police and fire. Police accounted for \$68.1 million in public safety expenditures this year compared to \$64.1 million last year, a 6.2 percent increase. Salary and benefits of \$56.0 million comprised 82.2 percent of Police expenditures for the year ended September 30, 2006 as compared to salary and benefit expenditures of \$54.8 million equaling 85.5 percent of last year's expenditures. The increase in salary and benefit expenditures is the

result of general pay increases. These expenditures were offset by revenues collected from a variety of sources, with the largest amount coming from fines and forfeitures, which were \$7.7 million for the fiscal year ending September 30, 2006, an increase of \$1.4 million or 22.2 percent. Fines and forfeitures revenues increased in 2006 due to a partial resolution of performance issues with the implementation of the new Municipal Court system, resulting in increased efficiencies. Fire accounted for \$33.5 million in public safety expenditures this year, substantially unchanged from \$33.1 million last year. Salary and benefits of \$28.1 million made up 83.9 percent of Fire expenditures for the year ended September 30, 2006 compared to salary and benefit expenditures of \$28.4 million comprising 85.8 percent of last year's expenditures. The decrease in salary and benefit expenditures is primarily attributable to a slight decrease in employee insurance expenditures.

### **Business-type Activities**

Revenues of the City's business-type activities were \$110.5 million for the fiscal year ending September 30, 2006. Revenues increased by approximately \$9.1 million or 9 percent. Expenses for the City's business-type activities were \$80.1 million for the year, an increase of \$8 million or 11.1 percent. The increase in net revenues is due to an increase in water sales as a result of a warmer, drier summer this year.

The City's water and sewer system recorded charges for services of \$102.7 million, an increase of \$10.6 million over last year, and a non-cash revenue source of \$5.5 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 \$102.7 million exceeded expenses of \$74.5 million by \$28.2 million. The most significant expenses of the water and sewer fund were \$13.7 million to purchase water, \$18.1 million for the purchase of sewage treatment and \$12.8 million in salaries and benefits. Overall the City's water and sewer system's net revenues of \$29.5 million (including developer contributions) for this year were 1.4 million, or 5.0 percent higher than last year's net revenue of \$28.1 million.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of the fiscal year 2006, the City had \$1.21 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 \$122.4 million or 11.3 percent over the prior fiscal year. The \$122.4 million increase combines a \$107.7 million increase in Governmental Activities with a \$14.7 million increase in Business-type Activities. The increase in Governmental Activities is mostly due to \$109.9 in capital outlay related to the Cowboys Stadium Complex Project. 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			
	2006	2005	2006	2005	2006	2005
Land	\$ 80,600	\$ 80,600	\$ 4,828	\$ 4,828	\$ 85,428	\$ 85,428
Buildings and improvements	121,901	113,746	1,869	1,922	123,770	115,668
Equipment	17,645	16,192	287	395	17,932	16,587
Construction in progress	244,903	149,522	76,987	76,520	321,890	226,042
Infrastructure	289,373	286,654	-	-	289,373	286,654
Water and sewer system	-	-	367,059	352,660	367,059	352,660
Totals	<u>\$ 754,422</u>	<u>\$ 646,714</u>	<u>\$ 451,030</u>	<u>\$ 436,325</u>	<u>\$ 1,205,452</u>	<u>\$ 1,083,039</u>

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

- Private developer capital contributions of \$5.5 million to the City's water, sewer, and drainage infrastructure in connection with various residential and commercial developments
- Capital outlay of \$109.9 million for the Complex Project, funded in part by a \$70.2 million contribution from the Cowboys Stadium, L.P.
- Water and sewer system capital improvements and expansion totaling \$18.9 million
- A variety of storm drainage and street construction projects with capital outlay totaling \$19.7 million
- Various capital outlays totaling \$3.4 million for improvement of the City's parks and recreation facilities
- Various capital outlays of \$1.5 million for police and fire public safety improvements

**CITY OF ARLINGTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2006**

**Debt**

At year-end, the City had \$644.3 million in General Obligation Bonds, Special Obligation Bonds, Revenue Bonds and Combination Tax and Revenue Certificates of Obligations outstanding, a decrease from last years' \$672.4 million as shown in Table 5.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds (backed by the City)	\$ 229,538	\$ 252,027	\$ -	\$ -	\$ 229,538	\$ 252,027
Combination tax and revenue certificates of obligation (backed by the City)	25,935	20,590	-	-	25,935	20,590
Special tax revenue bonds	304,855	305,609			304,855	305,609
Revenue bonds (backed by fee revenues)	-	-	84,014	94,206	84,014	94,206
<b>Totals</b>	<b>\$ 560,328</b>	<b>\$ 578,226</b>	<b>\$ 84,014</b>	<b>\$ 94,206</b>	<b>\$ 644,342</b>	<b>\$ 672,432</b>

On July 25, 2006, the City issued \$8.78 million of Combination Tax and Revenue Certificates of Obligation to make various capital improvements. Additionally, the City issued \$2.0 million in short term commercial paper for interim funding of the general obligation debt. 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 Aa2 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 obligation long-term debt. The current ratio of net bonded debt to assessed value of all taxable property is 1.6 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 \$10.4 million at September 30, 2006 compared to \$11.5 million at September 30, 2005.

## DALLAS COWBOYS COMPLEX DEVELOPMENT PROJECT

In February of 2005, the City, as landlord, and the Cowboys Stadium, L.P., as tenant, entered into a funding and closing agreement for the Dallas Cowboys Complex Development Project (Complex). Pursuant to the agreement, the City will pay half the cost, up to \$325 million, to build the Complex. In July of 2005, the City issued \$298.0 million Dallas Cowboy Complex Special Obligations, pledging ½ cent sales tax, two percent hotel occupancy tax and five percent car rental tax. The proceeds of the bond sale, along with interest earnings and excess revenues from the pledged taxes, will provide the City's funding for the Complex.

As part of the closing agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (tenant) for lease of the Complex. The lease calls for an initial term of 30 years, after the new stadium opens, at a rental rate of \$2,000,000 per year and contains several renewal options. The lease also provides the tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the tenant capped at \$500,000 per year.

In July of 2006, \$147,865,000 of Dallas Cowboy Complex Admissions and Parking Tax Revenue Bonds, Taxable Series 2006 were issued with a pledge of a 10% admissions tax and a \$3 parking tax for events held at the Cowboys Complex, with additional security provided by a Guaranty Agreement from The Cowboys Stadium L.P. The proceeds of the bond sale, along with interest earnings, will provide a portion of the Cowboy's funding for the project. The bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City's revenue sources. The bonds do not constitute a debt or pledge of the faith and credit of the City and are not reported as a liability in the City's financial statements but are disclosed as conduit debt.

The City and the Dallas Cowboys Football Club, LTD. entered into a franchise agreement that requires the Dallas Cowboys NFL football franchise to remain in Arlington and to play all of the team's home games in the Complex for a minimum of 30 years after the stadium opens. If the lease renewal options are exercised, the Cowboys' obligation to stay in Arlington is extended for the renewal term.

## THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2006, the governmental funds of the City reported a combined fund balance of \$411.6 million. This ending balance includes an increase in fund balance of \$14.1 million in the City's General Fund. In addition, these other changes in fund balances should be noted:

- The City's Debt Service fund balance of \$20.6 million is substantially unchanged from last year's fund balance of \$20.2 million.
- The City recorded contribution in aid of construction for \$70.2 million from the Cowboys Stadium, L.P. and expended \$113.5 million for the Cowboys Stadium Complex Project, contributing to a net decrease in fund balance of \$21.0 million in the Stadium Venue Fund. This fund was created to account for the construction

for the Cowboys Stadium Complex Project and has an ending fund balance of \$247.9 million.

- The City's water and sewer fund net assets of \$439.7 million increased by \$29.5 million over the prior year net asset balance. The increase in net assets is primarily due to operating revenues exceeding operating expenses by \$29.2 million.

### **General Fund Budgetary Highlights**

During FY 2005-06, there were budget amendments for the General Fund. These amendments were in the amount of \$1,208,000. The additional budgeted expenditures were to fund electricity costs, an additional police academy class, and three studies—an IT Management Study, Rush Creek Drainage Study, and Disparity Study (related to minority contract participation).

For FY 2005-06, actual expenditures on a budgetary basis were \$167.9 million compared to the budget amount of \$173.7 million. The \$5.8 million positive variance was due to savings achieved through budgeted but vacant positions throughout various departments.

For FY 2005-06, actual revenues on a budgetary basis were \$182.9 million as compared to the budget amount of \$179.4 million.

The City of Arlington has an actual on a budgetary basis General Fund balance of \$70.1 million as of the fiscal year-end, compared to the budgeted fund balance of \$19.9 million. The variance in fund balance is primarily due to revenue from the landfill lease and from various natural gas lease bonuses.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for the business-type activities. The City is starting to see an improving revenue picture, yet continues an ongoing diligent examination of expenditures. This combination supports an environment of cautious optimism for fiscal 2007. The City is experiencing some positive economic growth and the tax base is growing at a steady rate. Sales tax revenues have stabilized and are expected to increase 5 percent for fiscal 2007. Assessed property tax values continue to grow, but at a slower rate than previous years.

For the 2007 fiscal year, the City continues to face short-term budgetary challenges and has made an effort to identify areas where resources can be reallocated, not added. As a result, the City's total General Fund revenues for 2006-2007 are budgeted at \$186.7 million, up 8.8% over the 2005-2006 period, while total General Fund expenditures are \$191.6 million, up 11.2% for the same time period.

The General Fund's largest single revenue source for the General Fund is property taxes. This revenue represents 39.7 percent of the General Fund's budget. The property tax rate for FY 2007 is \$0.6480 per \$100 valuation, unchanged since 2004. Of this tax rate, 69.0 percent or \$0.4468 is utilized for General Fund activities. The remaining 31.0 percent or \$0.2012 is used for debt service. The General Fund's portion of property tax

**CITY OF ARLINGTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2006**

revenue for FY 2007 is estimated to be \$73.9 million up \$5.8 million or 8.5 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 2007 is estimated at \$44.5 million, up \$4.1 million or 10.1 percent over last year's budgeted figure.

The largest revenue sources for the Water and Sewer Fund is water sales at \$48.0 million. This is the charge for potable 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 2007 range from \$1.32 per 1,000 gallons for the first 2,000 gallons of consumption to \$3.00 per 1,000 gallons of consumption. The rate for fiscal year 2006 ranged from \$1.36 per 1,000 gallons for the first 2,000 gallons of consumption to \$2.80 per 1,000 gallons of consumption. These rates incorporate the cost of raw water, treatment, distribution and maintenance costs. The second largest revenue source for the Water and Sewer Fund is wastewater treatment charges. The total revenue expected is \$41.5 million based on a fiscal year 2007 rate of \$2.58 per 1,000 gallons, \$0.15 higher than last year's rate of \$2.43 per 1,000 gallons. The total revenue for the Water and Sewer Fund is budgeted at \$96.7 million for fiscal year 2007.

**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 Financial Services 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, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 176,769	\$ 13,183	\$ 189,952	\$ 8,717
Investments	-	-	-	12,782
Receivables (net of allowance for uncollectibles):				
Taxes	5,143	-	5,143	-
Sales taxes	14,172	-	14,172	-
Grants	-	-	-	1,694
Leases	-	-	-	18,910
Trade accounts	261	6,837	7,098	-
Franchise fees	7,093	-	7,093	-
Unbilled trade accounts	-	7,424	7,424	-
Special assessments	361	-	361	-
Accrued interest	1,606	-	1,606	21
Settlement agreement	-	-	-	11,228
Other	3,179	130	3,309	212
Internal balances	(535)	535	-	-
Due from component units	232	-	232	-
Due from other governments	3,561	-	3,561	-
Deferred charge - issuance costs	4,196	-	4,196	-
Inventory of supplies	325	404	729	9
Prepaid expenses	184	-	184	27
Restricted assets-				
Cash	48,971	-	48,971	-
Bond contingency-				
Investments	10,303	10,483	20,786	-
Accrued interest receivable	120	103	223	-
Capital construction-				
Investments	199,542	43,205	242,747	-
Accrued interest receivable	1,950	-	1,950	-
Assessments receivable	-	4	4	-
Meter deposits-				
Investments	-	4,129	4,129	-
Closure/Post-closure trust fund	4,722	-	4,722	-
Capital Assets-				
Land	80,600	4,828	85,428	-
Buildings and improvements	190,378	2,833	193,211	2,739
Water and sewer system	-	528,277	528,277	-
Machinery and equipment	50,325	9,889	60,214	1,175
Infrastructure	760,720	-	760,720	-
Construction in progress	244,903	76,987	321,890	-
Accumulated depreciation	(572,504)	(171,784)	(744,288)	(1,881)
<b>Total Assets</b>	<b>\$ 1,236,577</b>	<b>\$ 537,467</b>	<b>\$ 1,774,044</b>	<b>\$ 55,633</b>

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, 2006  
(CONTINUED)  
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 9,257	\$ 4,465	\$ 13,722	\$ 1,301
Retainage payable	651	-	651	-
Due to primary government	-	-	-	202
Due to other governments	24	-	24	-
Unearned revenue	17,517	-	17,517	2
Accrued interest	1,548	-	1,548	-
Commercial Paper	2,000	-	2,000	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	973	973	-
Retainage payable	-	769	769	-
Accrued interest	-	1,210	1,210	-
Revenue bonds payable, current	-	3,170	3,170	-
Meter deposits	-	4,132	4,132	-
Non-current liabilities				
Due within one year:				
Estimated claims payable	5,815	-	5,815	-
Sales tax payable	149	-	149	74
General obligation debt	24,415	-	24,415	-
Accrued compensated absences	1,303	112	1,415	-
Capital lease obligation	533	-	533	-
Revenue bonds	-	6,340	6,340	-
Due in more than one year:				
Arbitrage rebate	45	-	45	-
Estimated claims payable	4,629	-	4,629	-
Sales tax payable	783	-	783	386
Bonds payable	-	-	-	17,180
General obligation debt	535,913	-	535,913	-
Landfill closure accrued liabilities	4,722	-	4,722	-
Accrued compensated absences	22,124	1,548	23,672	-
Capital lease obligation	1,727	-	1,727	-
Revenue bonds	-	74,504	74,504	-
<b>Total Liabilities</b>	<b>633,155</b>	<b>97,223</b>	<b>730,378</b>	<b>19,145</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	510,287	409,452	919,739	2,012
Restricted for debt service	20,639	9,273	29,912	11,449
Restricted for use of impact fees	5,155	-	5,155	-
Unrestricted	67,341	21,519	88,860	23,027
<b>Total Net Assets</b>	<b>\$ 603,422</b>	<b>\$ 440,244</b>	<b>\$ 1,043,666</b>	<b>\$ 36,488</b>

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, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 31,812	\$ 21,668	\$ 234	\$ -
Public safety	102,363	8,206	1,984	-
Public works	66,019	3,025	877	7,512
Public health	1,697	71	12	-
Parks and recreation	27,761	8,558	-	70,171
Public welfare	9,408	-	10,739	-
Convention and event services	5,094	2,656	-	-
Interest and fiscal charges	24,923	-	-	-
<b>Total Governmental Activities</b>	<u>269,077</u>	<u>44,184</u>	<u>13,846</u>	<u>77,683</u>
<b>Business-Type Activities:</b>				
Water and sewer	74,516	102,745	-	5,529
<b>Total Business-Type Activities</b>	<u>74,516</u>	<u>102,745</u>	<u>-</u>	<u>5,529</u>
<b>Total Primary Government</b>	<u>\$ 343,593</u>	<u>\$ 146,929</u>	<u>\$ 13,846</u>	<u>\$ 83,212</u>
<b>Component Units:</b>				
Arlington Sports Facilities				
Development Authority, Inc.	\$ 3,015	\$ 2,583	\$ -	\$ -
Arlington Housing Authority	22,712	-	27,282	-
Arlington Convention and Visitors Bureau	2,960	2,384	415	-
Arlington Housing Finance Authority	-	-	1	-
<b>Total Component Units</b>	<u>\$ 28,687</u>	<u>\$ 4,967</u>	<u>\$ 27,698</u>	<u>\$ -</u>

General Revenues:
Property taxes
Sales taxes
Criminal justice tax
State liquor tax
Bingo tax
Downtown TIF tax
Occupancy tax
Utility franchise fees
Interest
Net increase (decrease) in fair value of investments
Other
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**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (9,910)	\$ -	\$ (9,910)	\$ -
(92,173)	-	(92,173)	-
(54,605)	-	(54,605)	-
(1,614)	-	(1,614)	-
50,968	-	50,968	-
1,331	-	1,331	-
(2,438)	-	(2,438)	-
(24,923)	-	(24,923)	-
<u>(133,364)</u>	<u>-</u>	<u>(133,364)</u>	<u>-</u>
-	33,758	33,758	-
-	<u>33,758</u>	<u>33,758</u>	<u>-</u>
<u>\$ (133,364)</u>	<u>\$ 33,758</u>	<u>\$ (99,606)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (432)
-	-	-	4,570
-	-	-	(161)
-	-	-	1
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,978</u>
104,425	-	104,425	-
76,483	-	76,483	-
354	-	354	-
1,003	-	1,003	-
95	-	95	-
732	-	732	-
6,135	-	6,135	-
31,140	-	31,140	-
19,513	2,175	21,688	2,056
(293)	126	(167)	(53)
6,489	-	6,489	-
6,432	(6,432)	-	-
<u>252,508</u>	<u>(4,131)</u>	<u>248,377</u>	<u>2,003</u>
119,144	29,627	148,771	5,981
484,278	410,617	894,895	30,507
<u>\$ 603,422</u>	<u>\$ 440,244</u>	<u>\$ 1,043,666</u>	<u>\$ 36,488</u>

**CITY OF ARLINGTON, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF SEPTEMBER 30, 2006  
(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>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 64,903	\$ 5,806	\$ 46,842	\$ 79,907	\$ 197,458
Closure/Post-closure restricted cash	4,722	-	-	-	4,722
Investments	-	10,303	199,542	-	209,845
Receivables (net of allowance for uncollectibles)					
Taxes	3,576	393	-	1,174	5,143
Sales taxes	8,082	4,060	-	2,030	14,172
Franchise fees	7,093	-	-	-	7,093
Special assessments	-	-	-	361	361
Accrued interest	1,606	120	1,950	-	3,676
Other	1,612	-	-	1,567	3,179
Due from other funds	3,124	-	-	-	3,124
Due from component units	232	-	-	-	232
Due from other governments	-	-	-	3,561	3,561
Inventory of supplies, at cost	240	-	-	-	240
Prepaid expenditures	5	-	-	179	184
<b>Total Assets</b>	<u>\$ 95,195</u>	<u>\$ 20,682</u>	<u>\$ 248,334</u>	<u>\$ 88,779</u>	<u>\$ 452,990</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 4,146	\$ 43	\$ 417	\$ 3,574	\$ 8,180
Retainage payable	3	-	-	648	651
Due to other funds	-	-	-	3,124	3,124
Due to other governments	-	-	-	24	24
Deferred revenue-					
Taxes	3,221	-	-	-	3,221
Closure/Post-closure trust fund	4,722	-	-	-	4,722
Landfill	8,459	-	-	-	8,459
Gas lease	7,268	-	-	-	7,268
Other	1,262	-	-	4,458	5,720
<b>Total Liabilities</b>	<u>29,081</u>	<u>43</u>	<u>417</u>	<u>11,828</u>	<u>41,369</u>
<b>Fund Balances:</b>					
Reserved for encumbrances	4,463	-	5,469	31,123	41,055
Reserved for debt service	-	20,639	-	-	20,639
Reserved for inventory	240	-	-	-	240
Reserved for prepaids	5	-	-	179	184
Reserved for capital projects	-	-	242,448	37,868	280,316
Reserved for street maintenance	-	-	-	3,899	3,899
Reserved for utility rate case	500	-	-	-	500
Reserved for court technology	-	-	-	29	29
Reserved for court security	-	-	-	111	111
Reserved for juvenile case manager	-	-	-	40	40
Unreserved-					
General fund					
Designated for working capital	15,964	-	-	-	15,964
Designated for subsequent years' expenditures	5,747	-	-	-	5,747
Designated for arbitrage	33	-	-	-	33
Designated for compensated absences	1,280	-	-	-	1,280
Designated for other post employment benefits	1,718	-	-	-	1,718
Designated for landfill lease proceeds	20,573	-	-	-	20,573
Designated for gas lease proceeds	5,020	-	-	-	5,020
Undesignated	10,571	-	-	-	10,571
Special revenue funds					
Designated for working capital	-	-	-	2,045	2,045
Designated for capital maintenance	-	-	-	18	18
Undesignated	-	-	-	1,639	1,639
<b>Total Fund Balances</b>	<u>66,114</u>	<u>20,639</u>	<u>247,917</u>	<u>76,951</u>	<u>411,621</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 95,195</u>	<u>\$ 20,682</u>	<u>\$ 248,334</u>	<u>\$ 88,779</u>	<u>\$ 452,990</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, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)**

**Total fund balance per balance sheet** \$ 411,621

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 (excluding 11,610 recorded in the internal service funds.) 742,812

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 11,873

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. 27,006

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 \$11,620 recorded in the internal service funds). (589,890)

**Net assets of governmental activities** \$ 603,422

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, 2006**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	General	Debt Service	Stadium Venue	Other Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 112,846	\$ 60,284	\$ -	\$ 16,541	\$ 189,671
Licenses and permits	5,074	-	-	-	5,074
Utility franchise fees	31,140	-	-	-	31,140
Fines and forfeitures	7,675	-	-	-	7,675
Leases, rents and concessions	13,307	-	-	-	13,307
Service charges	5,198	-	-	14,843	20,041
Interest revenue	3,432	1,660	10,265	3,202	18,559
Net increase (decrease) in fair value of investments	(67)	(38)	(314)	105	(314)
Contributions	-	-	70,171	7,512	77,683
Intergovernmental revenues	-	-	234	13,075	13,309
Other	800	116	-	1,978	2,894
<b>Total Revenues</b>	<u>179,405</u>	<u>62,022</u>	<u>80,356</u>	<u>57,256</u>	<u>379,039</u>
<b>EXPENDITURES</b>					
Current-					
General government	30,495	-	-	344	30,839
Public safety	99,917	-	-	3,855	103,772
Public works	22,123	-	-	14,004	36,127
Public health	1,365	-	-	319	1,684
Public welfare	-	-	-	9,483	9,483
Parks and recreation	14,427	-	-	6,834	21,261
Convention and event services	-	-	-	5,094	5,094
Capital Outlay	-	-	113,518	30,955	144,473
Debt service-					
Principal retirement	-	26,160	-	-	26,160
Interest and fiscal charges	-	25,428	-	-	25,428
<b>Total Expenditures</b>	<u>168,327</u>	<u>51,588</u>	<u>113,518</u>	<u>70,888</u>	<u>404,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,078</u>	<u>10,434</u>	<u>(33,162)</u>	<u>(13,632)</u>	<u>(25,282)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of certificates of obligation	-	-	-	8,780	8,780
Issuance of commercial paper	-	-	-	2,000	2,000
Transfers in	7,062	2,139	12,150	4,912	26,263
Transfers out	(4,083)	(12,150)	-	(4,223)	(20,456)
<b>Total Other Financing Sources and Uses</b>	<u>2,979</u>	<u>(10,011)</u>	<u>12,150</u>	<u>11,469</u>	<u>16,587</u>
<b>Net Change in Fund Balances</b>	<u>14,057</u>	<u>423</u>	<u>(21,012)</u>	<u>(2,163)</u>	<u>(8,695)</u>
<b>Fund Balances, October 1,</b>	<u>52,057</u>	<u>20,216</u>	<u>268,929</u>	<u>79,114</u>	<u>420,316</u>
<b>Fund Balances, September 30</b>	<u>\$ 66,114</u>	<u>\$ 20,639</u>	<u>\$ 247,917</u>	<u>\$ 76,951</u>	<u>\$ 411,621</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, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)**

**Net change in fund balance - total governmental funds** \$ (8,695)

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. 109,309

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (437)

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. 17,659

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. (1,375)

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. 2,683

**Change in net assets of governmental activities** \$ 119,144

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, 2006  
 (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
<b>REVENUES</b>						
Taxes	\$ 112,754	\$ 112,754	\$ 112,846	\$ -	\$ 112,846	\$ 92
Licenses and permits	4,685	4,685	5,074	-	5,074	389
Utility franchise fees	28,778	28,778	31,140	-	31,140	2,362
Fines and forfeitures	7,665	7,665	7,675	-	7,675	10
Leases, rents and concessions	7,691	7,691	13,307	800	14,107	6,416
Service charges	8,260	8,260	5,198	3,435	8,633	373
Interest revenue	1,777	1,777	3,432	-	3,432	1,655
Other revenue	-	-	800	(800)	-	-
Net increase (decrease) in the fair value of investments	-	-	(67)	67	-	-
<b>Total Revenues</b>	<u>171,610</u>	<u>171,610</u>	<u>179,405</u>	<u>3,502</u>	<u>182,907</u>	<u>11,297</u>
<b>EXPENDITURES</b>						
Current-						
General government	39,559	40,509	30,495	587	31,082	9,427
Public safety	91,765	92,023	99,917	(37)	99,880	(7,857)
Public works	24,809	24,809	22,123	(652)	21,471	3,338
Public health	1,407	1,407	1,365	10	1,375	32
Parks and recreation	14,936	14,936	14,427	(369)	14,058	878
<b>Total Expenditures</b>	<u>172,476</u>	<u>173,684</u>	<u>168,327</u>	<u>(461)</u>	<u>167,866</u>	<u>5,818</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<u>(866)</u>	<u>(2,074)</u>	<u>11,078</u>	<u>3,963</u>	<u>15,041</u>	<u>17,115</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	4,060	4,060	7,062	-	7,062	3,002
Transfers out	(3,160)	(3,160)	(4,083)	-	(4,083)	(923)
<b>Total Other Financing Sources (Uses)</b>	<u>900</u>	<u>900</u>	<u>2,979</u>	<u>-</u>	<u>2,979</u>	<u>2,079</u>
<b>Net Change In Fund Balances</b>	<u>34</u>	<u>(1,174)</u>	<u>14,057</u>	<u>3,963</u>	<u>18,020</u>	<u>19,194</u>
<b>Fund Balances, October 1</b>	<u>21,086</u>	<u>21,086</u>	<u>52,057</u>		<u>52,057</u>	<u>30,971</u>
<b>Fund Balances, September 30</b>	<u>\$ 21,120</u>	<u>\$ 19,912</u>	<u>\$ 66,114</u>	<u>\$ 3,963</u>	<u>\$ 70,077</u>	<u>\$ 50,165</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, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Business-type Activities Enterprise Funds</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Water and Sewer</b>	
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 13,183	\$ 28,282
Receivables (net of allowances for uncollectibles):		
Trade accounts	6,837	261
Unbilled trade accounts	7,424	-
Other	130	-
Inventory of supplies, at cost	404	85
Subtotal	<u>27,978</u>	<u>28,628</u>
Restricted Assets:		
Bond contingency- Investments	10,270	-
Capital construction- Investments	41,075	-
<b>Total Current Assets</b>	<u>79,323</u>	<u>28,628</u>
<b>Non-Current Assets:</b>		
Restricted Assets:		
Bond contingency- Investments	213	-
Accrued interest	103	-
Capital construction- Investments	2,130	-
Assessments receivable	4	-
Meter deposit investments	4,129	-
Capital Assets:		
Land	4,828	-
Buildings and improvements	2,833	467
Water and sewer system	528,277	-
Machinery and equipment	9,889	33,328
Construction-in-progress	76,987	-
Accumulated depreciation	<u>(171,784)</u>	<u>(22,185)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>451,030</u>	<u>11,610</u>
<b>Total Noncurrent Assets</b>	<u>457,609</u>	<u>11,610</u>
<b>Total Assets</b>	<u>\$ 536,932</u>	<u>\$ 40,238</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, 2006  
(CONTINUED)  
(AMOUNTS EXPRESSED IN THOUSANDS)

	<u>Business-type Activities Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
	<u>Water and Sewer</u>		
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 4,465	\$	1,077
Accrued compensated absences- Current	112		12
Revenue bonds payable from unrestricted assets	6,340		-
Capital lease obligation	-		215
<b>Current Liabilities Payable From Restricted Assets:</b>			
Accounts payable and accrued liabilities	973		-
Retainage	769		-
Accrued interest	1,210		-
Estimated claims payable	-		5,815
Revenue bonds payable	3,170		-
Meter deposits	4,132		-
<b>Total Current Liabilities</b>	<u>21,171</u>		<u>7,119</u>
<b>Noncurrent Liabilities:</b>			
Estimated claims payable	-		4,629
Compensated absences	1,548		176
Revenue bonds payable from unrestricted assets	74,504		-
Capital lease obligation	-		773
<b>Total Noncurrent Liabilities</b>	<u>76,052</u>		<u>5,578</u>
<b>Total Liabilities</b>	<u>97,223</u>		<u>12,697</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	387,534		10,573
Restricted for debt service	9,273		-
Unrestricted	42,902		16,968
<b>Total Net Assets</b>	<u>\$ 439,709</u>	<u>\$</u>	<u>27,541</u>
Reconciliation to government-wide statements of net assets:			
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	535		
<b>Net assets of business-type activities</b>	<u>\$ 440,244</u>		

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

(continued)

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

	<u>Business-type Activities</u> <u>Enterprise Funds</u>		
	<u>Water and</u> <u>Sewer</u>		<u>Governmental</u> <u>Activities-</u> <u>Internal</u> <u>Service Funds</u>
<b>Operating Revenues:</b>			
Water sales	\$ 58,571		\$ -
Sewer service	38,052		-
Service charges	-		34,660
Sundry	6,122		333
<b>Total Operating Revenues</b>	<u>102,745</u>		<u>34,993</u>
<b>Operating Expenses:</b>			
Purchase of water	13,738		-
Purchase of sewage treatment	18,179		-
Salaries and wages	11,398		1,502
Employees' retirement	1,448		210
Supplies	2,937		3,770
Maintenance and repairs	2,764		2,264
Utilities	3,831		616
Claims	-		19,674
Legal and professional	-		494
Franchise fees	5,007		-
Depreciation	10,378		2,946
Miscellaneous services	3,869		2,573
<b>Total Operating Expenses</b>	<u>73,549</u>		<u>34,049</u>
<b>Operating Income</b>	<u>29,196</u>		<u>944</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	2,175		1,047
Net increase in the fair value of investments	126		21
Gain on sale of assets	-		188
Interest expense and fiscal charges	(1,097)		(13)
<b>Total Nonoperating Revenues</b>	<u>(1,097)</u>		<u>(13)</u>
<b>(Expenses)</b>	<u>1,204</u>		<u>1,243</u>
Income before transfers and contributions	30,400		2,187
Contributions in aid of construction	5,529		-
Transfers in	-		2,925
Transfers out	(6,432)		(2,300)
<b>Change in Net Assets</b>	<u>29,497</u>		<u>2,812</u>
<b>Total Net Assets, October 1</b>	<u>410,212</u>		<u>24,729</u>
<b>Total Net Assets, September 30</b>	<u>\$ 439,709</u>		<u>\$ 27,541</u>
Net change in net assets - total proprietary funds	\$ 29,497		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	130		
Change in net assets of business-type activities	<u>\$ 29,627</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, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Business-type Activities- Enterprise Funds</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Water and Sewer</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 101,905	\$ 35,157
Cash payments to suppliers	(47,974)	(30,318)
Cash payments to employees	(12,949)	(1,764)
<b>Net Cash Provided By Operating Activities</b>	<u>40,982</u>	<u>3,075</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in	-	2,925
Transfers out	(6,432)	(2,300)
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<u>(6,432)</u>	<u>625</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(19,569)	(2,324)
Principal payments on capital lease	-	(108)
Interest payments on capital lease	-	(13)
Proceeds from sales of capital assets	-	255
Repayment of long-term debt	(10,280)	-
Interest payment long-term debt	(4,312)	-
<b>Net Cash Provided By (Used For) Capital And Related Financing Activities</b>	<u>(34,161)</u>	<u>(2,190)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from interest earnings	2,876	1,047
Net increase (decrease) in the fair value of investments	126	21
Purchase of investments	(88,028)	(5,444)
Maturities/sales of investments	85,294	7,873
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>268</u>	<u>3,497</u>
<b>Net Increase (Decrease) In Cash And Cash Equivalents Cash And Cash Equivalents, October 1</b>	<u>657</u>	<u>5,007</u>
<b>Cash And Cash Equivalents, September 30</b>	<u>12,526</u>	<u>23,275</u>
	<u>\$ 13,183</u>	<u>\$ 28,282</u>
<b>Reconciliation of operating income to net cash provided by (used for ) operating activities:</b>		
Operating income	\$ 29,196	\$ 944
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,378	2,946
Gain on sale of assets	-	255
Interest earnings capitalized	(756)	-
Interest expense capitalized	2,965	-
Amortization of bond premium	(57)	-
Amortization of deferred loss on bond refunding	88	-
Provision for bad debts	195	-
(Increase) decrease in- Receivables	(840)	(91)
Inventory of supplies	28	(4)
Increase (decrease) in- Accounts payable and accrued liabilities	(111)	152
Estimated claims payable	-	(1,075)
Retainage payable	(348)	-
Meter deposits	136	-
Accrued compensated absences	108	(52)
Total adjustments	11,786	2,131
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 40,982</u>	<u>\$ 3,075</u>
<b>Noncash investing, capital, and financing activities:</b>		
Contributions of capital assets from developers	5,529	-

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, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 14,781
Investments		
Money market fund	16,799	-
U. S. Government bonds	180	-
Corporate bonds	360	-
Fixed income mutual bond funds	7,024	-
Common stock mutual bond funds	50,459	285
Balanced mutual funds	10,377	-
Self directed brokerage accounts	5,318	-
Total Investments	<u>90,517</u>	<u>285</u>
<b>Total Assets</b>	<u>90,517</u>	<u>15,066</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	-	14,781
IRC 401 deferred compensation plans	-	285
<b>Total Liabilities</b>	<u>-</u>	<u>15,066</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 90,517</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, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 2,193
Employee contributions	4,443
Net appreciation in fair value of investments	4,938
<b>Total Additions</b>	<u>11,574</u>
<b>DEDUCTIONS</b>	
Benefits	10,512
Plan administration	40
<b>Total Deductions</b>	<u>10,552</u>
<b>Increase in Net Assets</b>	1,022
<b>Net Assets, October 1</b>	89,495
<b>Net Assets, September 30</b>	<u>\$ 90,517</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, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Arlington, Texas (the "City") was incorporated April 19, 1884 and the city charter was adopted 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 Arlington Property Finance Authority, Inc. (the "APFA"), a component unit, have been "blended" with those of the City because its 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.

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 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. 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, which 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.

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 fund are charges to customers for sales and services. Operating expenses for the enterprise fund 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 City's only Enterprise Fund is the Water and Sewer Fund. This fund 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.

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 Funds are 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.

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.

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.

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 2006, approximately \$2,209,000 of interest costs, net of \$756,000 of interest earned, were capitalized as capital assets in the Water and Sewer Fund as part of the costs of constructing various projects. Interest expensed (net of capitalized interest) and interest earned in fiscal 2006 for the Water and Sewer Fund amounted to approximately \$1,097,000 and \$2,175,000, 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. The General Fund is typically used to liquidate the liability for governmental activities' compensated absences.

#### 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.

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.

#### M. New Accounting Pronouncements

During fiscal year 2006, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement required that the City report the effects of capital asset impairments in the financial statements when impairments that are determined to be other than temporary occur. There were no impairments during 2006.

Statement No. 46, *Net Assets Restricted by Legislation, an Amendment of GASB 34*. This statement clarifies the definition set forth by GASB 34 as it relates to "restricted net assets" in the financial statements. The restrictions are legally enforceable and mandated by parties external to the government (citizens, judiciary.)

Statement No. 47 ("GASB 47"), *Accounting for Termination Benefits*. This is effective for the City in two parts: (1) for those benefits that relate to other post-employment benefits, the City is to implement at the same time as GASB 45 (see below) and (2) for other termination benefits, which was effective for the City in fiscal year 2006. This statement defines the accounting for voluntary and involuntary termination benefits. During fiscal year 2006 there was no effect from implementation of this statement.

The GASB has issued the following statements which will be effective in future years as described below:

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective in fiscal year 2008, which establishes standards for

the measurement, recognition, and display of other post employment benefits expense/expenditures, related liabilities and note disclosures in the financial statements.

Statement No. 47, *Accounting for Termination Benefits*. This is effective for the City in two parts: (1) for those benefits that relate to other post-employment benefits, the City is to implement at the same time as GASB 45 and (2) for other termination benefits, the effective date was fiscal 2006. This statement defines the accounting for voluntary and involuntary termination benefits (i.e. early retirement incentives). For voluntary termination benefits, an accrual of these costs is warranted when the termination terms have been accepted by the employee and the costs can be estimated. For involuntary termination occurrences, the liability should be recorded when the termination costs, such as severance, can be estimated and a plan for involuntary termination has been approved by the City. The plan for involuntary termination should include the number and classes of employees affected, employee location, date of proposed termination, and types of benefits that are expected to be paid to terminated employees.

Statement No. 48, *Sales and Pledges of Receivables and Future Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement is effective for the City beginning in fiscal year 2008. This Statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The Statement also requires enhanced disclosures pertaining to future revenues that have been pledged or sold, provides guidance on sales of receivables and future revenues within the same financial reporting entity, and provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This is effective for the City beginning in fiscal year 2009. This statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and be required to estimate its expected outlays for pollution remediation if it knows a site is polluted.

**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 \$589,890,000 difference are as follows (amounts in thousands):

Bonds payable	\$550,685
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(4,196)
Commercial paper payable	2,000
Premium general obligation debt	12,661
Deferred loss refunding	(3,018)
Accrued interest payable	1,548
Arbitrage rebate	45
Sales tax payable	932
Landfill closure	4,722
Compensated absences	23,239
Capital leases	<u>1,272</u>
 Net adjustment to reduce fund balance - total governmental funds To arrive at net assets - governmental activities	  <u>\$589,890</u>

Another element of that reconciliation explains the "other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds". The details of this \$11,873,000 difference are as follows (amounts in thousands):

	<u>Deferred &amp; Unearned</u>	<u>Unearned</u>
Taxes	\$ 3,221	\$ -
Closure/Post-closure	4,722	-
Landfill	8,459	8,459
Gas lease	7,268	7,268
Grant revenue	3,478	1,790
Other	<u>2,242</u>	<u>-</u>
	<u>\$29,390</u>	<u>\$ 17,517</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 \$109,309,000 difference are as follows (amounts in thousands):

Capital outlay	\$143,546
Capital maintenance expense	1,382
Depreciation expense	<u>(35,619)</u>
 Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	  <u>\$109,309</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 \$17,659,000 difference are as follows (amounts in thousands):

Debt issued or incurred:	
Issuance of general obligation bonds	(\$8,780)
Issuance of commercial paper	(2,000)
Less: issuance cost	1,323
Amortization of deferred loss on bond refunding	(544)
Principal repayments:	
General obligation debt	26,160
Capital lease	438
Amortization of bond premium	<u>1,062</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>(\$ 17,659)</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 \$1,375,000 difference are as follows (amounts in thousands):

Compensated absences	(\$ 1,354)
Arbitrage	(33)
Accrued interest expense	102
Amortization of issuance cost	(239)
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>(\$ 1,375)</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 fund 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 2006, the City Council approved budgetary expenditure amendments for the General Fund in the amount of \$1,208,000. These additional expenditures were to fund electricity costs, an additional police academy class and three studies. These studies include an IT Management Study, the Disparity Study related to minority contract participation,

and a Rush Creek Drainage Study. The Street Maintenance Fund appropriations were increased by \$1,932,689 in order to bring budgeted expenditures in line with actual and estimated revenues. The Convention and Events Services fund appropriations were increased by \$100,000 for enhancing the arts and \$50,000 for the Arlington Downtown Management Corporation. The increase in appropriations will be offset by the increased performance in hotel occupancy tax revenue.

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 project-length 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, 2006, the Federal Transit fund deficit of \$337,000, the Texas Department of Transportation fund deficit of \$385,000, the Home Investment Partnership fund deficit of \$114,000, the Disaster Assistance fund deficit of \$52,000, and the FEMA fund deficit of \$1,655,000 will be funded by Federal and State Grants, reimbursements from which will replenish the fund balance in the following fiscal year. Included in Other Special Revenue are the following with fund deficits: the Texas Department of Aviation fund deficit of \$5,000, the North Texas Council of Governments fund deficit of \$11,000, and the Auto Theft fund deficit of \$6,000. These fund balances will also be replenished in the following fiscal year from reimbursements funded by Federal and State Grants.

### **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, 2006. At year-end, the carrying amount of the City's demand deposits (excluding Component Units) was \$15,252,632 (bank balance, \$1,223,227). The City's bank balance (excluding Component Units) was covered by collateral with a fair value of \$10,019,727. 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. The balance in cash on hand was \$77,000 at year end.

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, 2006, the City had the following investments listed by investment policy fund groups:

Fund	Fair Value	Weighted average Maturity (in days)
General Operating/Internal Pool	\$240,847,076	165
Cowboy Stadium Complex Project	237,398,756	252
Debt Service and Working Capital Reserve	6,183,813	513
Cowboy Stadium Complex Debt Service Reserve	12,272,103	286
Self-Insurance	2,115,877	31
<b>Total Investments</b>	<b>\$498,817,625</b>	

As of September 30, 2006, the Component Units of the City had the following investments listed by investment policy fund groups:

Fund	Fair Value	Weighted average Maturity (in days)
Debt Service Sinking	\$11,254,479	760

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

As of September 30, 2006, the fiduciary funds of the City had the following investments listed by investment policy fund groups (amounts in thousands):

Fund	Fair Value	Weighted average Maturity (in days)
Pension Trust Funds	\$ 90,517	n/a
Agency Funds	15,066	n/a
<b>Total Investments</b>	<b>\$ 105,583</b>	

*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. All securities are AAA rated. As of September 30, 2006, the City's portfolio was invested as follows:

Issuer	Book	% of Portfolio
FFCB	\$ 5,070,037	1.01%
FHLB	57,802,123	11.55%
FHLMC	91,036,473	18.19%
FNMA	59,200,981	11.83%
Fidelity/ Wells Fargo MMA	39,393,808	7.87%
Texpool	36,970,075	7.38%
US Treasury	211,103,862	42.17%
<b>Totals</b>	<b>\$ 500,577,359</b>	<b>100.00%</b>

## 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, 2005, upon which the original FY06 levy was based, was \$16,143,410,000.

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, 2006, the City had a tax rate of \$0.6480 (\$0.4244 for general government and \$0.2236 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 \$298,279,782 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately \$16,143,410,000.

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, 2006 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 &amp; Sewer</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 9,502	\$ 393	\$ -	\$ -	\$1,174	\$11,069
Trade Accounts	7,093	-	-	9,099	-	16,192
Unbilled Trade Accounts	-	-	-	7,424	-	7,424
Special Assessments	-	-	-	-	361	361
Sales Taxes	8,082	4,060	-	-	2,030	14,172
Accrued Interest	1,606	120	1,950	-	-	3,676
Other	<u>1,612</u>	<u>-</u>	<u>-</u>	<u>130</u>	<u>1,593</u>	<u>3,335</u>
Gross Receivables	27,895	4,573	1,950	16,653	5,158	56,229
Less: Allowance for Uncollectibles	<u>(5,926)</u>	<u>-</u>	<u>-</u>	<u>(2,262)</u>	<u>(26)</u>	<u>(8,214)</u>
Net total receivables	<u>\$21,969</u>	<u>\$4,573</u>	<u>\$1,950</u>	<u>\$14,391</u>	<u>\$5,132</u>	<u>\$48,015</u>

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	(Amounts expressed in thousands)			
	<u>Balance at Beginning Of Year</u>	<u>Transfers And Additions</u>	<u>Transfers And Retirements</u>	<u>Balance at End Of Year</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 80,600	\$ -	\$ -	\$ 80,600
Construction in progress-other	118,453	32,015	(46,570)	103,898
Construction in progress-stadium	<u>31,069</u>	<u>113,494</u>	<u>(3,558)</u>	<u>141,005</u>
Total capital assets, not being depreciated	<u>230,122</u>	<u>145,509</u>	<u>(50,128)</u>	<u>325,503</u>
Capital assets, being depreciated:				
Buildings	121,501	13,293	-	134,794
Improvements other than buildings	55,584	-	-	55,584
Equipment	46,525	6,843	(3,043)	50,325
Infrastructure	<u>729,648</u>	<u>31,072</u>	<u>-</u>	<u>760,720</u>
Total capital assets, being depreciated	<u>953,258</u>	<u>51,208</u>	<u>(3,043)</u>	<u>1,001,423</u>
Less accumulated depreciation for:				
Buildings	44,403	5,138	-	49,541
Improvements other than buildings	18,936	-	-	18,936
Equipment	30,333	5,074	(2,727)	32,680
Infrastructure	<u>442,994</u>	<u>28,353</u>	<u>-</u>	<u>471,347</u>
Total accumulated depreciation	<u>536,666</u>	<u>38,565</u>	<u>(2,727)</u>	<u>572,504</u>
Total capital assets, being depreciated, net	<u>416,592</u>	<u>12,643</u>	<u>(316)</u>	<u>428,919</u>
Governmental activities capital assets, net	<u>\$646,714</u>	<u>\$158,152</u>	<u>(\$50,444)</u>	<u>\$754,422</u>

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
<b>Total Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,828	\$ -	\$ -	\$ 4,828
Construction in progress	<u>76,520</u>	<u>19,359</u>	<u>(18,892)</u>	<u>76,987</u>
Total capital assets, not being depreciated	<u>81,348</u>	<u>19,359</u>	<u>(18,892)</u>	<u>81,815</u>
Capital assets, being depreciated:				
Buildings and improvements	2,833	-	-	2,833
Water and sewer system	503,723	24,554	-	528,277
Machinery and equipment	<u>9,827</u>	<u>62</u>	<u>-</u>	<u>9,889</u>
Total capital assets, being depreciated	<u>516,383</u>	<u>24,616</u>	<u>-</u>	<u>540,999</u>
Less accumulated depreciation for:				
Buildings and improvements	911	53	-	964
Water and sewer system	151,063	10,155	-	161,218
Machinery and equipment	<u>9,432</u>	<u>170</u>	<u>-</u>	<u>9,602</u>
Total accumulated depreciation	<u>161,406</u>	<u>10,378</u>	<u>-</u>	<u>171,784</u>
Total capital assets, being depreciated, net	<u>354,977</u>	<u>14,238</u>	<u>-</u>	<u>369,215</u>
Business-type activities capital assets, net	<u>\$436,325</u>	<u>\$33,597</u>	<u>(\$18,892)</u>	<u>\$451,030</u>

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

Governmental activities:	
General Government	\$ 2,703
Public Safety	652
Parks and recreation	3,012
Public works	29,246
Public health	6
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,946</u>
Total depreciation expense – governmental activities	<u>\$38,565</u>
Business-type activities:	
Water and sewer	<u>\$ 10,378</u>
Total depreciation expense – business-type activities	<u>\$ 10,378</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
<b>Arlington Sports Facilities Development Authority, Inc.:</b>				
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>1,260</u>	<u>109</u>	<u>-</u>	<u>1,369</u>
Total accumulated depreciation	<u>1,260</u>	<u>109</u>	<u>-</u>	<u>1,369</u>
Total capital assets, being depreciated, net	<u>1,479</u>	<u>(109)</u>	<u>-</u>	<u>1,370</u>
Arlington Sports Facility Development Authority, Inc. activities capital assets, net	<u>\$1,479</u>	<u>(\$109)</u>	<u>\$ -</u>	<u>\$1,370</u>
	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
<b>Arlington Housing Authority, Inc.:</b>				
Capital assets, not being depreciated:				
Machinery and equipment	<u>\$ 678</u>	<u>\$ 34</u>	<u>\$ 40</u>	<u>\$672</u>
Total capital assets, not being depreciated	<u>678</u>	<u>34</u>	<u>40</u>	<u>672</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>242</u>	<u>30</u>	<u>46</u>	<u>226</u>
Total accumulated depreciation	<u>242</u>	<u>30</u>	<u>46</u>	<u>226</u>
Total capital assets, being depreciated, net	<u>436</u>	<u>4</u>	<u>(6)</u>	<u>446</u>
Arlington Housing Authority, Inc. activities capital assets, net	<u>\$ 436</u>	<u>\$ 4</u>	<u>\$ (6)</u>	<u>\$446</u>
	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
<b>Arlington Convention and Visitors Bureau, Inc.:</b>				
Capital assets, not being depreciated:				
Machinery and equipment	<u>\$378</u>	<u>\$ 125</u>	<u>\$ -</u>	<u>\$503</u>
Total capital assets, not being depreciated	<u>378</u>	<u>125</u>	<u>-</u>	<u>503</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>247</u>	<u>39</u>	<u>-</u>	<u>286</u>
Total accumulated depreciation	<u>247</u>	<u>39</u>	<u>-</u>	<u>286</u>
Total capital assets, being depreciated, net	<u>131</u>	<u>86</u>	<u>-</u>	<u>217</u>
Arlington Convention and Visitors Bureau, Inc. activities capital assets, net	<u>\$131</u>	<u>\$86</u>	<u>\$ -</u>	<u>\$217</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 811 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 to TMRS, P.O. Box 149153, Austin, Texas, 78714.

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 4/1/06):

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 cost 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 2006, the City's annual pension cost of \$14,512,396 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 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.

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>
9/30/04	\$13,955,035	100.00%	-
9/30/05	\$14,671,901	100.00%	-
9/30/06	\$14,512,396	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 savings 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, 2006, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$88,825,000.

The City's total payroll during fiscal 2006 was \$124,238,000. The current year contribution was calculated based on a covered payroll of \$71,153,000, resulting in a required and actual employer contribution of \$1,778,000 and actual employee contributions of \$4,360,000. The employer contribution represents 2.5 percent of the covered payroll. The employee contribution represents approximately 6.1 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2006. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

#### 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 pension plan administered by the City of Arlington's Workforce Services 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.

The following table discloses three-year historical trend information relating to the Part-Time Deferred Income Trust Plan.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
9/30/04	\$75,000	100.00%	-
9/30/05	\$87,000	100.00%	-
9/30/06	\$67,000	100.00%	-

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 the International City Management Associations Retirement Corporation (the "ICMA"). In addition, the City offers its executive employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is also administered by 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 other post-employment benefit 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. No liability has been recorded for any difference between actual contributions and annual required contributions determined by the actuary. This will be done upon implementation of Government Accounting Standards Board Statement No. 45.

The following table discloses three-year historical trend information relating to the Disability Income Plan.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
9/30/04	\$309,000	100.00%	-
9/30/05	\$288,000	100.00%	-
9/30/06	\$348,000	100.00%	-

City contributions for the above plans for the year ended September 30, 2006, are as follows (amounts in thousands):

TMRS	\$14,512
THRIFT	1,778
PTDIT	67
DIP	348
	<u>\$16,705</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>\$1,340</u>	<u>\$88,825</u>	<u>\$352</u>	<u>\$90,517</u>
Total Assets	<u>\$1,340</u>	<u>\$88,825</u>	<u>\$352</u>	<u>\$90,517</u>
NET ASSETS, Held in Trust For Pension Benefits	<u>\$1,340</u>	<u>\$88,825</u>	<u>\$352</u>	<u>\$90,517</u>

	<u>Statement of Changes in Net Assets</u>			
	<u>Part-Time Deferred Income Trust</u>	<u>Thrift Savings Plan</u>	<u>Disability Income Plan</u>	<u>Total</u>
ADDITIONS				
Employer contributions	\$ 67	\$ 1,778	\$348	\$ 2,193
Employee contributions	82	4,361	-	4,443
Net appreciation in fair value of investments	<u>64</u>	<u>4,857</u>	<u>17</u>	<u>4,938</u>
Total Additions	<u>\$ 213</u>	<u>\$10,996</u>	<u>\$365</u>	<u>\$11,574</u>
DEDUCTIONS				
Benefits	85	10,143	284	10,512
Plan administration	<u>17</u>	<u>6</u>	<u>17</u>	<u>40</u>
Total Deductions	<u>102</u>	<u>10,149</u>	<u>301</u>	<u>10,552</u>
Increase in Net Assets	111	847	64	1,022
NET ASSETS, October 1	<u>1,229</u>	<u>87,978</u>	<u>288</u>	<u>89,495</u>
NET ASSETS, September 30	<u>\$1,340</u>	<u>\$88,825</u>	<u>\$352</u>	<u>\$90,517</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, 510 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 three 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 \$2,298,584 were recognized for postretirement health care.

## 6. DEBT AND LIABILITIES

### General Short-Term Debt

During fiscal 2005, the City authorized a \$30,000,000 commercial paper program for interim funding of general obligation debt. During fiscal year 2006 the City issued \$2,000,000 of commercial paper with interest rates ranging from 3.55 percent to 3.65 percent. This debt will mature on November 15, 2006.

General short-term debt balances and transactions for the year ended September 30, 2006 are as follows (amounts in thousands):

	Balance, October 1, 2005	Additions	Retirements and Other	Balance, September 30, 2006
Commercial Paper	<u>\$ -</u>	<u>\$2,000</u>	<u>\$ -</u>	<u>\$2,000</u>

### General Long-Term Debt

The City issued \$8,780,000 of Combination Tax and Revenue Certificates of Obligation, Series 2006, during FY 2006 at an effective interest rate of 4.48 percent, with all issuances scheduled to mature serially from 2007 to 2026. 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, 2006, this liability is reported at \$932,082 in the governmental activities and \$460,542 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.

General long-term and special obligation debt balances and transactions and other long term obligations for the year ended September 30, 2006 are as follows (amounts in thousands):

	Balance, October 1, 2005	Additions	Retirements and Other	Balance, September 30, 2006	Due Within One Year
General obligation debt <sup>(1)</sup>	\$249,895	\$ -	(\$23,135)	\$226,760	\$20,885
Special tax revenue debt <sup>(2)</sup>	297,990	-	-	297,990	-
Certificates of obligation <sup>(1)</sup>	20,180	8,780	(3,025)	25,935	3,530
Premium on general bonds	6,481	-	(685)	5,796	-
Premium on special bonds	7,242	-	(377)	6,865	-
Deferred loss on refunding	(3,562)	-	544	(3,018)	-
Accrued compensated absences	22,125	2,467	(1,165)	23,427	1,303
Capital lease obligation	2,175	631	(546)	2,260	533
Arbitrage rebate	12	33	-	45	-
Claims payable	11,519	4,618	(5,693)	10,444	5,815
Landfill Closure Liability	4,330	392	-	4,722	-
Sales tax payable	1,081	-	(149)	932	149
Total	<u>\$619,468</u>	<u>\$16,921</u>	<u>(\$34,231)</u>	<u>\$602,158</u>	<u>\$32,195</u>

(1) The general obligation debt of \$252,695 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 2026, 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, 2006 are as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 24,415	\$ 12,142	\$ 36,557
2008	23,400	10,968	34,368
2009	21,510	9,822	31,332
2010	20,160	8,794	28,954
2011	20,160	7,852	28,012
2012-2016	86,230	25,570	111,800
2017-2021	47,385	8,174	55,559
2022-2026	<u>9,435</u>	<u>871</u>	<u>10,306</u>
	<u>\$252,695</u>	<u>\$84,193</u>	<u>\$336,888</u>

General obligation debt authorized and unissued as of September 30, 2006, amounted to \$114,245,000.

- (2) The special obligation debt of \$297,990 consists of tax exempt special tax bonds and taxable special tax and revenue bonds. The bonds, together with excess funds and interest, provided for the City's share of project costs for the Cowboy's Stadium. 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 in payable monthly.

The principal and interest requirements of the above special obligation debt at September 30, 2006, are as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	7,415	12,033	19,448
2012-2016	40,005	55,421	95,426
2017-2021	11,995	48,160	60,155
2022-2026	-	47,243	47,243
2027-2031	14,880	47,243	62,123
2032-2035	<u>213,515</u>	<u>29,193</u>	<u>242,708</u>
	<u>\$297,990</u>	<u>\$288,680</u>	<u>\$586,670</u>

#### Debt of the Enterprise Funds

The City did not issue Water and Wastewater System Revenue Bonds during fiscal year 2006

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, 2006, are as follows (amounts in thousands):

	Balance, October 1, 2005	Additions	Retirements and Other	Balance, September 30, 2006	Due Within One Year
Waterworks and Sewer System- Revenue bonds	\$94,790	\$ -	(\$10,280)	\$84,510	\$9,510
Deferred loss on refunding	(584)	-	88	(496)	-
Compensated Absences	1,552	108	-	1,660	112
Total	<u>\$95,758</u>	<u>\$ 108</u>	<u>(\$10,192)</u>	<u>\$85,674</u>	<u>\$9,622</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, 2006, 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>
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	6,295	2,411	8,706
2012-2016	26,100	8,251	34,351
2017-2021	17,390	3,141	20,531
2022-2024	4,250	337	4,587
	<u>\$84,510</u>	<u>\$26,657</u>	<u>\$111,167</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, 2006, \$17,179,900 in Bonds were outstanding. Proceeds from the Bonds were used toward the development of the Texas Rangers sports facility.

The principal and interest requirement of the above special obligation debt at September 30, 2006, is as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$17,180	\$ -	\$17,180

#### **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, 2006, previously defeased debt still outstanding amounted to \$71,740,000.

## 8. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2006, is as follows (amounts in thousands):

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$3,124	\$ -
Nonmajor Funds	<u>-</u>	<u>3,124</u>
	<u>\$3,124</u>	<u>\$3,124</u>

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2007.

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	\$ 4,083	\$ 7,062
Debt Service Fund	12,150	2,139
Stadium Venue Fund	<u>-</u>	<u>12,150</u>
Total Major Governmental Funds	16,233	21,351
Water and Sewer Fund	6,432	-
Nonmajor Funds	4,223	4,912
Internal Service Funds	<u>2,300</u>	<u>2,925</u>
Total All Funds	<u>\$29,188</u>	<u>\$29,188</u>

The combined Water and Sewer, Convention and Event Services and Arlington Property Finance Authority transferred \$4,060,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred \$3,160,000 to Street Maintenance Fund, Special Transportation (Handitran), and other special revenue funds to cover budgeted operating expenses.

The Debt Service Fund transferred \$12,150,000 in revenue not required for debt service to the Stadium Venue Fund for construction.

The Debt Service Fund received budgeted transfers of \$2,255,000 from the Convention and Event Services, Water and Sewer and Park Performance Funds to cover debt service repayments.

## 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 \$4,722,000 reported as a landfill closure and post-closure accrued liability at September 30, 2006, represents the cumulative amount reported to date based on the use of approximately 59 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 \$3,300,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2006. 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. 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 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, 2006, 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, 2006. 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>Spent-to-Date</u>	<u>Remaining Commitment</u>
Street Construction	\$ 35,014	\$ 18,473
Park Construction	18,109	224
Police Construction	13,868	474
Traffic Construction	5,307	765
Water and Sewer Construction	76,987	4,632
Stadium Venue	<u>141,006</u>	<u>5,469</u>
	<u>\$290,291</u>	<u>\$30,037</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 wherein the plaintiff alleges that his termination violated the Family Medical Leave Act and the case was tried to a jury in April 2004. Judgment in the amount of \$1.1 million was rendered against the City. The case was appealed and remanded by the 5<sup>th</sup> Circuit. The case is currently before the trial court on issues of damages and the effect of the plaintiff's failure to disclose the judgment in a bankruptcy he filed during the appeal. The bankruptcy trustee now owns the Judgment and it is anticipated that a settlement will be negotiated with the bankruptcy trustee in an amount not to exceed \$250,000. However, if a settlement is not reached with the trustee, it is anticipated that damages awarded by the trial court will not exceed \$800,000. The City will continue to vigorously defend if settlement is unsuccessful.

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.

A motion to dismiss is pending. 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 Association<sup>TM</sup> 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, 2006, 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	\$(192,122)	9/1/2016	(Aa2/AA/AA)
Series 2005B	82,132,500	9/1/2005	3.719%	BMA	(191,939)	9/1/2016	(Aa2/AA/AA)
					(384,061)		

*Fair value.* The Swaps had a negative fair value as of September 30, 2006 of (\$384,060). 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, 2006, 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, 2006, 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, 2006, 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 Complex Special Obligations, Series 2005B

Fiscal Year Ended September 30	Principal	Interest	Interest Rate Swaps, Net	Total
2007	\$ -	\$ 6,242,070	(\$133,055)	\$ 6,109,015
2008	-	6,242,070	(133,055)	6,109,015
2009	-	6,242,070	(133,055)	6,109,015
2010	-	6,242,070	(133,055)	6,109,015
2011	-	6,242,070	(133,055)	6,109,015
2012-2016	-	31,210,350	(534,606)	30,675,744
2017-2021	-	31,210,350	-	31,210,350
2022-2026	-	31,210,350	-	31,210,350
2027-2031	-	31,210,350	-	31,210,350
2032-2035	164,265,000	24,188,021	-	188,453,021
Total	\$ 164,265,000	\$ 180,239,771	(\$1,199,881)	\$ 343,304,890

#### 11. DALLAS COWBOYS COMPLEX DEVELOPMENT PROJECT

In November of 2004, the voters authorized the City to provide the planning, acquisition, construction and financing for the Dallas Cowboys Complex Development Project (Complex), approving an increase in the City's sales tax of ½ cent, a two percent increase in the hotel occupancy tax and a five percent short-term

motor vehicle rental tax. The Complex will be a multi-functional enclosed facility with a retractable roof and seating for approximately 80,000. In accordance with the funding and closing agreement, the City of Arlington will pay half, up to \$325 million, to build the Complex. The Complex is anticipated to be completed by the summer of 2009.

**Stadium Lease-** As part of the closing agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (tenant) for lease of the Complex. The lease calls for an initial term of 30 years, after the new stadium opens, at a rental rate of \$2,000,000 per year. The lease contains several renewal options at guaranteed annual rental payments of \$1,000,000 per year for the first 10-year option and \$1,250,000 per year for all remaining renewals. The lease also provides the tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the tenant, capped at \$500,000 per year. The lease is accounted for as an operating lease.

**City Debt-** On July 15, 2005 the City issued \$297,990,000 Dallas Cowboy Complex Special Obligations pledging the ½ cent sales tax, two percent 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.

**Conduit Debt-** On July 11, 2006, \$147,865,000 of Dallas Cowboy Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2006 were issued with a pledge of a 10% admissions tax and a \$3 parking tax for events held at the Cowboys Complex, with additional security provided by a Guaranty Agreement from The Cowboys Stadium, L.P. The proceeds of this bond sale, along with interest earnings, will provide a portion of the Cowboy's funding for the complex, as well as capitalized interest, a reserve, and various costs of issuance and insurance. The bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City's revenue sources. The bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported as a liability in the City's financial statements but are disclosed here as conduit debt.

**Franchise-** The City and the Dallas Cowboys Football Club, LTD. entered into a franchise agreement that requires the Dallas Cowboys NFL football franchise to remain in Arlington and to play all of the team's home games in the Complex for a minimum of 30 years after the stadium opens. If the lease renewal options are exercised, the Cowboys' obligation to stay in Arlington is extended for the renewal term.

## **12. 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.

For fiscal year 2006, a \$1,384,000 transfer was made from the Worker's Compensation fund to provide for an ending fund balance equal to one year ultimate loss estimate which will protect against unexpected fluctuations in cost or reserve needs. The City will continue to make annual transfers in future years from the General Fund and the Water Fund based on actuarial projections of Ultimate Losses. 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 4.0 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately \$3,338,000 at September 30, 2006.

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 4.0 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately \$4,406,000 at September 30, 2006.

Group Health

Group medical benefits are paid through the Group Health Fund. 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 \$2,700,000 at September 30, 2006.

Changes in the balances of claims liabilities during fiscal 2006 and 2005 were as follows (amounts in thousands):

<u>Fiscal 2006</u>	<u>October 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>September 30</u>
APFA	\$ 2,559	\$ 2,093	\$ (1,314)	\$ 3,338
Workers' Compensation	6,034	(1,039)	(589)	4,406
Group Health	<u>2,926</u>	<u>17,545</u>	<u>(17,771)</u>	<u>2,700</u>
	<u>\$11,519</u>	<u>\$18,599</u>	<u>(\$19,674)</u>	<u>\$10,444</u>
<u>Fiscal 2005</u>				
APFA	\$ 2,753	\$ 40	\$ (234)	\$ 2,559
Workers' Compensation	5,806	2,912	(2,684)	6,034
Group Health	<u>2,490</u>	<u>18,571</u>	<u>(18,135)</u>	<u>2,926</u>
	<u>\$11,049</u>	<u>\$21,523</u>	<u>(\$21,053)</u>	<u>\$11,519</u>

**13. 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 \$2,260 and is reported as capital lease obligations current liabilities (\$533) and capital lease obligations non-current liabilities (\$1,727) 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):

Year ending <u>September 30, 2006</u>	<u>Rental Payments</u>
2007	\$ 661
2008	686
2009	653
2010	298
2011-12	<u>178</u>
Total minimum future lease payments	2,476
Less: Amount representing interest	<u>(216)</u>
Present value of net minimum lease payments	<u>\$2,260</u>

The City's investment in equipment under capital lease arrangements as of September 30, 2006 is \$3,092,000.

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, 2006, amounted to \$301.

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>
2007	\$64	\$64	\$0
2008	<u>2</u>	<u>2</u>	<u>0</u>
	<u>\$66</u>	<u>\$66</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 2006 were approximately \$244,000.

**14. 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>
2006	\$ 800,000
2007	800,000
2008	800,000
2009	800,000
2010	900,000
2011to 2015	5,000,000
2016 to 2020	5,000,000
2021 to 2024	<u>4,000,000</u>
	18,100,000
Less Discount	<u>6,872,000</u>
	<u>\$11,228,000</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.

#### 15. 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, 2006 the lease receivable balance was \$18,909,715.

Minimum future rentals are as follows:

<u>September 30</u>	
2007	\$ 2,000,000
2008	2,000,000
2009	2,000,000
2010	2,000,000
2011	2,000,000
2012-2016	10,000,000
2017-2021	10,000,000
2022-2023	<u>5,055,556</u>
	35,055,556
Less Discount	<u>16,145,841</u>
Minimum future lease rentals	<u>\$18,909,715</u>

#### 16. 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, 2006, for all discretely presented component units is as follows (amounts in thousands):

Condensed Statement of Net Assets

	Arlington Sports Facilities Development Authority, Inc.	Housing Authority	Nonmajor Discretely Presented Component Units	Total Discretely Presented Component Units
Current and other assets	\$42,749	\$10,249	\$602	\$53,600
Capital assets	<u>1,370</u>	<u>446</u>	<u>217</u>	<u>2,033</u>
Total assets	<u>44,119</u>	<u>10,695</u>	<u>819</u>	<u>55,633</u>
Long-term liabilities outstanding	17,566	-	-	17,566
Other liabilities	<u>516</u>	<u>871</u>	<u>192</u>	<u>1,579</u>
Total liabilities	<u>18,082</u>	<u>871</u>	<u>192</u>	<u>19,145</u>
Net assets:				
Invested in capital assets, net of related debt	1,370	446	196	2,012
Restricted	11,449	-	-	11,449
Unrestricted	<u>13,218</u>	<u>9,378</u>	<u>431</u>	<u>23,027</u>
Total net assets	<u>\$26,037</u>	<u>\$9,824</u>	<u>\$627</u>	<u>\$36,488</u>

Condensed Statement of Activities

	Arlington Sports Facilities Development Authority, Inc.	Housing Authority	Nonmajor Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	<u>\$ 3,015</u>	<u>\$22,712</u>	<u>\$2,960</u>	<u>\$28,687</u>
Program Revenues:				
Charges for services	2,583	-	2,384	4,967
Operating grants and contributions	<u>-</u>	<u>27,282</u>	<u>416</u>	<u>27,698</u>
Net Program (Expense) Revenue	<u>(432)</u>	<u>4,575</u>	<u>(160)</u>	<u>3,978</u>
Interest Revenues	1,948	80	28	2,056
Other NonTax General Revenues	<u>(40)</u>	<u>(13)</u>	<u>-</u>	<u>(53)</u>
Change in Net Assets	1,476	4,637	(132)	5,981
Net Assets, October 1, as restated	<u>24,561</u>	<u>5,187</u>	<u>759</u>	<u>30,507</u>
Net Assets, September 30	<u>\$26,037</u>	<u>\$ 9,824</u>	<u>\$ 627</u>	<u>\$36,488</u>

In fiscal year 2005, Arlington Housing Authority's (AHA) revenues in excess of related housing assistance payment (HAP) expenses were initially recorded as a payable to HUD. During 2006, additional guidance was provided by HUD indicating that such amounts should be included in the unreserved net assets account to allow the funds to be available for future HAP expenses. The reduction of revenue recorded during 2005 was adjusted by increasing the beginning fund balances for 2006.

Arlington Housing Authority beginning net assets as previously stated	\$3,244
Adjustment	<u>1,943</u>
Arlington Housing Authority beginning net assets, as restated	<u>\$5,187</u>

**CITY OF ARLINGTON, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS - TMRS  
 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):

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Unit Credit</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Percent</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
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%
12/31/05	334,823	447,440	112,617	74.8%	113,823	98.9%

**CITY OF ARLINGTON, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS - PART-TIME DEFERRED INCOME TRUST  
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:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Funded Percent</b>	<b>Excess Funded AAL (EAAL)</b>	<b>Annual Covered Payroll</b>	<b>EAAL as a Percentage of Covered Payroll</b>
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 FUNDING PROGRESS - 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 (amounts expressed in thousands, except for percentages):

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
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.

**DOWNTOWN TAX INCREMENT FINANCING** - This fund was established to facilitate redevelopment in the downtown area.

**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.

**DISASTER ASSISTANCE FUND** - This fund accounts for money received from the Federal Emergency Management Agency. These funds are used to provide assistance for declared natural disasters.

**FEDERAL EMERGENCY MANAGEMENT AGENCY FUND** - This fund accounts for money received from the Department of Homeland Security. These funds are used to support the Emergency Operations Center.

**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, Emergency Shelter Grant, Arlington Telecable, Texas Commission on the Arts, Law Enforcement Officers Standards and Education, Court Security, Court Time Payment, Police Restricted Fund, 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, US Army Corps of Engineers, Supportive Housing Fund, Texas Parks and Wildlife, 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, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Special Revenue					
	Federal Transit Administration	Street Maintenance	Downtown TIF	Texas Department of Transportation	Community Development Block Grant	Home Investment Partnership
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 10,202	\$ 3,223	\$ -	\$ 77	\$ -
Receivables (net of allowances for uncollectibles)						
Taxes	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Sales taxes	-	2,030	-	-	-	-
Other	-	66	-	-	688	-
Prepaid expenditures	1	-	-	-	-	-
Due from other governments	394	-	-	385	159	412
<b>Total Assets</b>	<u>\$ 395</u>	<u>\$ 12,298</u>	<u>\$ 3,223</u>	<u>\$ 385</u>	<u>\$ 924</u>	<u>\$ 412</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 46	\$ 1,270	\$ -	\$ 1	\$ 105	\$ 3
Retainage payable	-	148	-	-	18	-
Due to other funds	349	-	-	384	-	367
Due to other governments	-	-	-	-	24	-
Deferred revenue	337	-	-	385	777	156
<b>Total Liabilities</b>	<u>732</u>	<u>1,418</u>	<u>-</u>	<u>770</u>	<u>924</u>	<u>526</u>
<b>FUND BALANCES</b>						
Reserved for encumbrances	-	4,936	7	1,272	837	462
Reserved for prepaids	1	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-	-
Reserved for street maintenance	-	3,899	-	-	-	-
Reserved for court technology	-	-	-	-	-	-
Reserved for court security	-	-	-	-	-	-
Reserved for juvenile case manager	-	-	-	-	-	-
Unreserved-						
Designated for working capital	-	2,045	-	-	-	-
Designated for special revenue funds	(338)	-	3,216	(1,657)	(837)	(576)
Designated for capital maintenance	-	-	-	-	-	-
<b>Total Fund Balance</b>	<u>(337)</u>	<u>10,880</u>	<u>3,223</u>	<u>(385)</u>	<u>-</u>	<u>(114)</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 395</u>	<u>\$ 12,298</u>	<u>\$ 3,223</u>	<u>\$ 385</u>	<u>\$ 924</u>	<u>\$ 412</u>

Special Revenue						Capital Projects		
Disaster Assistance	FEMA	Texas Criminal Justice Division	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Streets Capital Projects	Police
\$ -	\$ -	\$ -	\$ 411	\$ 426	\$ 4,005	\$ 6,262	\$ 26,932	\$ 358
-	-	-	-	1,174	-	-	-	-
-	-	-	-	-	-	-	361	-
-	-	-	-	-	-	-	-	-
-	-	-	60	63	128	-	4	-
-	3	-	164	-	11	-	-	-
65	1,953	30	-	-	163	-	-	-
<u>\$ 65</u>	<u>\$ 1,956</u>	<u>\$ 30</u>	<u>\$ 635</u>	<u>\$ 1,663</u>	<u>\$ 4,307</u>	<u>\$ 6,262</u>	<u>\$ 27,297</u>	<u>\$ 358</u>
\$ -	\$ 48	\$ 3	\$ 184	\$ 64	\$ 107	\$ 124	\$ 1,035	\$ 27
-	-	-	-	-	5	62	272	-
52	1,815	27	-	-	130	-	-	-
-	-	-	-	-	-	-	-	-
65	1,748	-	201	405	23	-	361	-
117	3,611	30	385	469	265	186	1,668	27
-	928	-	38	104	359	117	18,473	474
-	3	-	164	-	11	-	-	-
-	-	-	-	-	-	5,959	7,156	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	29	-	-	-
-	-	-	-	-	111	-	-	-
-	-	-	-	-	40	-	-	-
-	-	-	-	-	-	-	-	-
(52)	(2,586)	-	48	929	3,492	-	-	-
-	-	-	-	161	-	-	-	(143)
<u>(52)</u>	<u>(1,655)</u>	<u>-</u>	<u>250</u>	<u>1,194</u>	<u>4,042</u>	<u>6,076</u>	<u>25,629</u>	<u>331</u>
<u>\$ 65</u>	<u>\$ 1,956</u>	<u>\$ 30</u>	<u>\$ 635</u>	<u>\$ 1,663</u>	<u>\$ 4,307</u>	<u>\$ 6,262</u>	<u>\$ 27,297</u>	<u>\$ 358</u>

CITY OF ARLINGTON, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Capital Projects						Total Nonmajor Governmental Funds
	Fire	Library	Stormwater Utility	Park	Traffic	Airport	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,402	\$ 2,797	\$ 2,816	\$ 11,489	\$ 7,484	\$ 2,023	\$ 79,907
Receivables (net of allowances for uncollectibles)							
Taxes	-	-	-	-	-	-	1,174
Special assessments	-	-	-	-	-	-	361
Sales tax	-	-	-	-	-	-	2,030
Other	-	-	552	6	-	-	1,567
Prepaid expenditures	-	-	-	-	-	-	179
Due from other governments	-	-	-	-	-	-	3,561
<b>Total Assets</b>	<u>\$ 1,402</u>	<u>\$ 2,797</u>	<u>\$ 3,368</u>	<u>\$ 11,495</u>	<u>\$ 7,484</u>	<u>\$ 2,023</u>	<u>\$ 88,779</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 5	\$ 92	\$ 189	\$ 60	\$ 211	\$ -	\$ 3,574
Retainage payable	-	68	10	49	16	-	648
Due to other funds	-	-	-	-	-	-	3,124
Due to other governments	-	-	-	-	-	-	24
Deferred revenue	-	-	-	-	-	-	4,458
<b>Total Liabilities</b>	<u>5</u>	<u>160</u>	<u>199</u>	<u>109</u>	<u>227</u>	<u>-</u>	<u>11,828</u>
<b>FUND BALANCES</b>							
Reserved for encumbrances	268	1,193	665	224	765	1	31,123
Reserved for prepaids	-	-	-	-	-	-	179
Reserved for capital projects	1,129	1,444	2,504	11,162	6,492	2,022	37,868
Reserved for street maintenance	-	-	-	-	-	-	3,899
Reserved for court technology	-	-	-	-	-	-	29
Reserved for court security	-	-	-	-	-	-	111
Reserved for juvenile case manager	-	-	-	-	-	-	40
Unreserved-							
Designated for working capital	-	-	-	-	-	-	2,045
Designated for special revenue funds	-	-	-	-	-	-	1,639
Designated for capital maintenance	-	-	-	-	-	-	18
<b>Total Fund Balance</b>	<u>1,397</u>	<u>2,637</u>	<u>3,169</u>	<u>11,386</u>	<u>7,257</u>	<u>2,023</u>	<u>76,951</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,402</u>	<u>\$ 2,797</u>	<u>\$ 3,368</u>	<u>\$ 11,495</u>	<u>\$ 7,484</u>	<u>\$ 2,023</u>	<u>\$ 88,779</u>



**CITY OF ARLINGTON, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Special Revenue					
	Federal Transit Administration	Street Maintenance	Downtown TIF	Texas Department of Transportation	Community Development Block Grant	Home Investment Partnership
<b>REVENUES</b>						
Taxes	\$ -	\$ 11,035	\$ 732	\$ -	\$ -	\$ -
Service charges	174	-	-	-	-	-
Intergovernmental	1,147	-	-	724	2,942	1,312
Interest revenue	-	400	138	-	-	-
Net increase (decrease) in the fair value of investments	-	10	2	-	-	-
Contributions	-	-	-	-	-	-
Other	7	-	-	-	(210)	95
<b>Total Revenues</b>	<u>1,328</u>	<u>11,445</u>	<u>872</u>	<u>724</u>	<u>2,732</u>	<u>1,407</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	43	-	-	-
Public safety	-	-	-	298	-	-
Public works	-	12,333	-	-	-	-
Public health	-	-	-	-	-	-
Public welfare	2,031	-	-	-	2,732	1,405
Parks and recreation	-	-	-	-	-	-
Convention and event services	-	-	-	-	-	-
Capital outlay	-	-	-	680	-	-
<b>Total Expenditures</b>	<u>2,031</u>	<u>12,333</u>	<u>43</u>	<u>978</u>	<u>2,732</u>	<u>1,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(703)</u>	<u>(888)</u>	<u>829</u>	<u>(254)</u>	<u>-</u>	<u>2</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of certificates of obligation	-	-	-	-	-	-
Issuance of comm paper/loc	-	-	-	-	-	-
Transfers in	563	2,701	-	147	-	-
Transfers out	-	(89)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>563</u>	<u>2,612</u>	<u>-</u>	<u>147</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	<u>(140)</u>	<u>1,724</u>	<u>829</u>	<u>(107)</u>	<u>-</u>	<u>2</u>
Fund Balance, October 1	<u>(197)</u>	<u>9,156</u>	<u>2,394</u>	<u>(278)</u>	<u>-</u>	<u>(116)</u>
Fund Balance, September 30	<u>\$ (337)</u>	<u>\$ 10,880</u>	<u>\$ 3,223</u>	<u>\$ (385)</u>	<u>\$ -</u>	<u>\$ (114)</u>

Special Revenue						Capital Projects			
Disaster Assistance	FEMA	Texas Criminal Justice Division	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Police	Streets Capital Projects	Fire
\$ -	\$ -	\$ -	\$ -	\$ 4,774	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	7,147	2,656	602	-	-	-	-
3,707	912	186	-	-	2,145	-	-	-	-
-	-	-	13	29	88	254	24	1,039	72
-	-	-	-	-	1	9	2	38	5
-	-	-	-	-	-	-	-	7,382	-
3	-	-	11	-	1,386	-	-	61	-
<u>3,710</u>	<u>912</u>	<u>186</u>	<u>7,171</u>	<u>7,459</u>	<u>4,222</u>	<u>263</u>	<u>26</u>	<u>8,520</u>	<u>77</u>
-	-	-	-	-	301	-	-	-	-
-	2,088	215	-	-	1,254	-	-	-	-
-	-	-	-	-	1,671	-	-	-	-
-	-	-	-	-	319	-	-	-	-
2,812	-	-	-	-	503	-	-	-	-
-	-	-	6,834	-	-	-	-	-	-
-	-	-	-	5,094	-	-	-	-	-
-	-	-	-	-	124	1,547	407	18,027	1,045
<u>2,812</u>	<u>2,088</u>	<u>215</u>	<u>6,834</u>	<u>5,094</u>	<u>4,172</u>	<u>1,547</u>	<u>407</u>	<u>18,027</u>	<u>1,045</u>
898	(1,176)	(29)	337	2,365	50	(1,284)	(381)	(9,507)	(968)
-	-	-	-	-	-	550	-	8,230	-
-	-	-	-	-	-	-	-	-	-
-	-	33	-	-	892	133	-	-	-
-	-	-	(293)	(1,503)	(452)	-	-	(63)	-
-	-	33	(293)	(1,503)	440	683	-	8,167	-
898	(1,176)	4	44	862	490	(601)	(381)	(1,340)	(968)
(950)	(479)	(4)	206	332	3,552	6,677	712	26,969	2,365
<u>\$ (52)</u>	<u>\$ (1,655)</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 1,194</u>	<u>\$ 4,042</u>	<u>\$ 6,076</u>	<u>\$ 331</u>	<u>\$ 25,629</u>	<u>\$ 1,397</u>

**CITY OF ARLINGTON, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Capital Projects					Total Nonmajor Governmental Funds
	Library	Stormwater Utility	Park	Traffic	Airport	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,541
Service charges	-	2,852	1,412	-	-	14,843
Intergovernmental	-	-	-	-	-	13,075
Interest revenue	171	98	447	326	103	3,202
Net increase (decrease) in the fair value of investments	8	1	14	11	4	105
Contributions	-	-	-	130	-	7,512
Other	-	-	504	-	121	1,978
<b>Total Revenues</b>	<u>179</u>	<u>2,951</u>	<u>2,377</u>	<u>467</u>	<u>228</u>	<u>57,256</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	344
Public safety	-	-	-	-	-	3,855
Public works	-	-	-	-	-	14,004
Public health	-	-	-	-	-	319
Public welfare	-	-	-	-	-	9,483
Parks and recreation	-	-	-	-	-	6,834
Convention and event services	-	-	-	-	-	5,094
Capital outlay	2,355	1,702	3,415	1,326	327	30,955
<b>Total Expenditures</b>	<u>2,355</u>	<u>1,702</u>	<u>3,415</u>	<u>1,326</u>	<u>327</u>	<u>70,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,176)</u>	<u>1,249</u>	<u>(1,038)</u>	<u>(859)</u>	<u>(99)</u>	<u>(13,632)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of certificates of obligation	-	-	-	-	-	8,780
Issuance of comm paper/loc	-	-	2,000	-	-	2,000
Transfers in	-	-	43	-	400	4,912
Transfers out	-	(386)	(541)	(108)	(788)	(4,223)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(386)</u>	<u>1,502</u>	<u>(108)</u>	<u>(388)</u>	<u>11,469</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	<u>(2,176)</u>	<u>863</u>	<u>464</u>	<u>(967)</u>	<u>(487)</u>	<u>(2,163)</u>
Fund Balance, October 1	4,813	2,306	10,922	8,224	2,510	79,114
Fund Balance, September 30	<u>\$ 2,637</u>	<u>\$ 3,169</u>	<u>\$ 11,386</u>	<u>\$ 7,257</u>	<u>\$ 2,023</u>	<u>\$ 76,951</u>

**CITY OF ARLINGTON, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)**

	Budgeted Amounts		Actual Amounts		Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual	Adjustments to Budgetary Basis		
<b>REVENUES</b>						
Taxes	\$ 36,663	\$ 36,663	\$ 60,284	\$ (24,226)	\$ 36,058	\$ (605)
Interest revenue	-	-	1,660	(727)	933	933
Net increase (decrease) in fair value of investments	-	-	(38)	42	4	4
Other revenue	-	-	116	(120)	(4)	(4)
<b>Total Revenues</b>	<u>36,663</u>	<u>36,663</u>	<u>62,022</u>	<u>(25,031)</u>	<u>36,991</u>	<u>328</u>
<b>EXPENDITURES</b>						
Debt Service-						
Principal retirement	26,160	26,160	26,160	-	26,160	-
Interest and fiscal charges	13,229	13,229	25,428	(12,454)	12,974	(255)
Bond issuance costs	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>39,389</u>	<u>39,389</u>	<u>51,588</u>	<u>(12,454)</u>	<u>39,134</u>	<u>(255)</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(2,726)</u>	<u>(2,726)</u>	<u>10,434</u>	<u>(12,577)</u>	<u>(2,143)</u>	<u>583</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	2,255	2,255	2,139	120	2,259	4
Transfers out	-	-	(12,150)	12,150	-	-
<b>Total Other Financing Sources</b>	<u>2,255</u>	<u>2,255</u>	<u>(10,011)</u>	<u>12,270</u>	<u>2,259</u>	<u>4</u>
<b>Net Change In Fund Balances</b>	<u>(471)</u>	<u>(471)</u>	<u>423</u>	<u>(307)</u>	<u>116</u>	<u>587</u>
<b>Fund Balances - Beginning</b>	<u>3,372</u>	<u>3,372</u>	<u>20,216</u>	<u>16,640</u>	<u>36,856</u>	<u>33,484</u>
<b>Fund Balances - Ending</b>	<u>\$ 2,901</u>	<u>\$ 2,901</u>	<u>\$ 20,639</u>	<u>\$ 16,333</u>	<u>\$ 36,972</u>	<u>\$ 34,071</u>

**CITY OF ARLINGTON, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 CONVENTION AND EVENT SERVICES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006  
 (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
<b>REVENUES</b>						
Taxes	\$ 4,300	\$ 4,450	\$ 4,774	\$ -	\$ 4,774	\$ 324
Service charges	2,383	2,383	2,656	-	2,656	273
Interest revenue	-	-	29	-	29	29
<b>Total Revenues</b>	<b>6,683</b>	<b>6,833</b>	<b>7,459</b>	<b>-</b>	<b>7,459</b>	<b>626</b>
<b>EXPENDITURES</b>						
Current-						
Convention & event services	4,984	5,134	5,094	(13)	5,081	53
<b>Total Expenditures</b>	<b>4,984</b>	<b>5,134</b>	<b>5,094</b>	<b>(13)</b>	<b>5,081</b>	<b>53</b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b>1,699</b>	<b>1,699</b>	<b>2,365</b>	<b>13</b>	<b>2,378</b>	<b>679</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(1,620)	(1,620)	(1,503)	(117)	(1,620)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,620)</b>	<b>(1,620)</b>	<b>(1,503)</b>	<b>(117)</b>	<b>(1,620)</b>	<b>-</b>
<b>Net Change In Fund Balances</b>	<b>79</b>	<b>79</b>	<b>862</b>	<b>(104)</b>	<b>758</b>	<b>679</b>
<b>Fund Balances - Beginning</b>	<b>332</b>	<b>332</b>	<b>332</b>	<b>-</b>	<b>332</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 411</b>	<b>\$ 411</b>	<b>\$ 1,194</b>	<b>\$ (104)</b>	<b>\$ 1,090</b>	<b>\$ 679</b>

**CITY OF ARLINGTON, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 PARK PERFORMANCE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006  
 (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
<b>REVENUES</b>						
Service charges	\$ 7,770	\$ 7,770	\$ 7,147	\$ -	\$ 7,147	\$ (623)
Other	-	-	11	-	11	11
Interest revenue	-	-	13	-	13	13
<b>Total Revenues</b>	<u>7,770</u>	<u>7,770</u>	<u>7,171</u>	<u>-</u>	<u>7,171</u>	<u>(599)</u>
<b>EXPENDITURES</b>						
Current-						
Parks and recreation	7,368	7,368	6,834	6	6,840	528
<b>Total Expenditures</b>	<u>7,368</u>	<u>7,368</u>	<u>6,834</u>	<u>6</u>	<u>6,840</u>	<u>528</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<u>402</u>	<u>402</u>	<u>337</u>	<u>(6)</u>	<u>331</u>	<u>(71)</u>
<b>OTHER FINANCING USES</b>						
Transfers out	(250)	(250)	(293)	-	(293)	(43)
<b>Total Other Financing Uses</b>	<u>(250)</u>	<u>(250)</u>	<u>(293)</u>	<u>-</u>	<u>(293)</u>	<u>(43)</u>
<b>Net Change In Fund Balances</b>	<u>152</u>	<u>152</u>	<u>44</u>	<u>(6)</u>	<u>38</u>	<u>(114)</u>
<b>Fund Balances - Beginning</b>	<u>206</u>	<u>206</u>	<u>206</u>	<u>-</u>	<u>206</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 358</u>	<u>\$ 358</u>	<u>\$ 250</u>	<u>\$ (6)</u>	<u>\$ 244</u>	<u>\$ (114)</u>

**CITY OF ARLINGTON, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
STREET MAINTENANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2006  
(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
<b>REVENUES</b>						
Taxes	\$ 10,110	\$ 10,615	\$ 11,035	\$ -	\$ 11,035	\$ 420
Interest revenue	26	26	400	-	400	374
Net increase (decrease) in the fair value of investments	-	-	10	-	10	10
<b>Total Revenues</b>	<u>10,136</u>	<u>10,641</u>	<u>11,445</u>	<u>-</u>	<u>11,445</u>	<u>804</u>
<b>EXPENDITURES</b>						
Current-						
Public works	12,285	14,217	12,333	497	12,830	1,387
<b>Total Expenditures</b>	<u>12,285</u>	<u>14,217</u>	<u>12,333</u>	<u>497</u>	<u>12,830</u>	<u>1,387</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<u>(2,149)</u>	<u>(3,576)</u>	<u>(888)</u>	<u>(497)</u>	<u>(1,385)</u>	<u>2,191</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	2,701	2,701	2,701	-	2,701	-
Transfers out	-	-	(89)	89	-	-
<b>Total Other Financing Sources</b>	<u>2,701</u>	<u>2,701</u>	<u>2,612</u>	<u>89</u>	<u>2,701</u>	<u>-</u>
<b>Net Change In Fund Balances</b>	<u>552</u>	<u>(875)</u>	<u>1,724</u>	<u>(408)</u>	<u>1,316</u>	<u>2,191</u>
<b>Fund Balances - Beginning</b>	<u>9,156</u>	<u>9,156</u>	<u>9,156</u>	<u>-</u>	<u>9,156</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 9,708</u>	<u>\$ 8,281</u>	<u>\$ 10,880</u>	<u>\$ (408)</u>	<u>\$ 10,472</u>	<u>\$ 2,191</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, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 520	\$ 1,742	\$ 4,401
Receivables (net of allowances for uncollectibles)			
Trade accounts	-	261	-
Inventory of supplies, at cost	66	19	-
<b>Total Current Assets</b>	<b>586</b>	<b>2,022</b>	<b>4,401</b>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Buildings and improvements	-	467	-
Machinery and equipment	1,181	31,406	-
Less accumulated depreciation	(572)	(21,300)	-
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>609</b>	<b>10,573</b>	<b>-</b>
<b>Total Assets</b>	<b>1,195</b>	<b>12,595</b>	<b>4,401</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	90	508	2
Estimated claims payable	-	-	1,653
Accrued compensated absences	12	-	-
Capital lease obligation	113	-	-
<b>Total Current Liabilities</b>	<b>215</b>	<b>508</b>	<b>1,655</b>
<b>Noncurrent Liabilities:</b>			
Estimated claims payable	-	-	1,685
Accrued compensated absences	49	24	-
Capital lease obligation	531	-	-
<b>Total Noncurrent Liabilities</b>	<b>580</b>	<b>24</b>	<b>1,685</b>
<b>Total Liabilities</b>	<b>795</b>	<b>532</b>	<b>3,340</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	10,573	-
Unrestricted	400	1,490	1,061
<b>Total Net Assets</b>	<b>\$ 400</b>	<b>\$ 12,063</b>	<b>\$ 1,061</b>

<u>Technology Services</u>	<u>Workers' Compensation</u>	<u>Group Health</u>	<u>Total</u>
\$ 644	\$ 9,078	\$ 11,897	\$ 28,282
-	-	-	261
-	-	-	85
<u>644</u>	<u>9,078</u>	<u>11,897</u>	<u>28,628</u>
-	-	-	467
741	-	-	33,328
(313)	-	-	(22,185)
<u>428</u>	<u>-</u>	<u>-</u>	<u>11,610</u>
<u>1,072</u>	<u>9,078</u>	<u>11,897</u>	<u>40,238</u>
298	172	7	1,077
-	1,462	2,700	5,815
-	-	-	12
102	-	-	215
<u>400</u>	<u>1,634</u>	<u>2,707</u>	<u>7,119</u>
-	2,944	-	4,629
103	-	-	176
242	-	-	773
<u>345</u>	<u>2,944</u>	<u>-</u>	<u>5,578</u>
<u>745</u>	<u>4,578</u>	<u>2,707</u>	<u>12,697</u>
-	-	-	10,573
327	4,500	9,190	16,968
<u>\$ 327</u>	<u>\$ 4,500</u>	<u>\$ 9,190</u>	<u>\$ 27,541</u>

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

	General Services	Fleet Services	Arlington Property Finance Authority
<b>OPERATING REVENUES:</b>			
Service charges	\$ 1,994	\$ 6,151	\$ 53
Sundry	-	30	-
<b>Total Operating Revenues</b>	<u>1,994</u>	<u>6,181</u>	<u>53</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	412	159	-
Employees' retirement	59	20	-
Supplies	1,121	2,373	-
Maintenance and repairs	86	846	-
Utilities	17	104	-
Claims	-	-	1,314
Legal and professional	-	-	192
Depreciation	96	2,702	-
Miscellaneous services	123	1,609	27
<b>Total Operating Expenses</b>	<u>1,914</u>	<u>7,813</u>	<u>1,533</u>
<b>OPERATING INCOME (LOSS)</b>	<u>80</u>	<u>(1,632)</u>	<u>(1,480)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest revenue	-	-	160
Net increase (decrease) in the fair value of investments	-	-	12
Gain (Loss) on sale of assets	(11)	199	-
Interest expense and fiscal charges	(1)	-	-
<b>Total Non-operating Revenues         (Expenses)</b>	<u>(12)</u>	<u>199</u>	<u>172</u>
<b>Income (Loss) Before Transfers</b>	68	(1,433)	(1,308)
Transfers In	-	1,541	1,384
Transfers Out	-	-	(783)
<b>Change In Net Assets</b>	<u>68</u>	<u>108</u>	<u>(707)</u>
<b>Total Net Assets, October 1</b>	332	11,955	1,768
<b>Total Net Assets, September 30</b>	<u>\$ 400</u>	<u>\$ 12,063</u>	<u>\$ 1,061</u>

<u>Technology Services</u>	<u>Workers' Compensation</u>	<u>Group Health</u>	<u>Total</u>
\$ 4,184	\$ 4,088	\$ 18,190	\$ 34,660
-	-	303	333
<u>4,184</u>	<u>4,088</u>	<u>18,493</u>	<u>34,993</u>
931	-	-	1,502
131	-	-	210
275	1	-	3,770
1,332	-	-	2,264
495	-	-	616
-	589	17,771	19,674
-	201	101	494
148	-	-	2,946
814	-	-	2,573
<u>4,126</u>	<u>791</u>	<u>17,872</u>	<u>34,049</u>
<u>58</u>	<u>3,297</u>	<u>621</u>	<u>944</u>
-	396	491	1,047
-	9	-	21
-	-	-	188
<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(13)</u>
<u>(12)</u>	<u>405</u>	<u>491</u>	<u>1,243</u>
46	3,702	1,112	2,187
-	-	-	2,925
<u>(133)</u>	<u>(1,384)</u>	<u>-</u>	<u>(2,300)</u>
<u>(87)</u>	<u>2,318</u>	<u>1,112</u>	<u>2,812</u>
414	2,182	8,078	24,729
<u>\$ 327</u>	<u>\$ 4,500</u>	<u>\$ 9,190</u>	<u>\$ 27,541</u>

CITY OF ARLINGTON, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
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>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,998	\$ 6,320	\$ 74
Cash payments to suppliers	(1,384)	(4,719)	(912)
Cash payments to employees	(480)	(176)	-
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>134</u>	<u>1,425</u>	<u>(838)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	-	1,541	1,384
Transfers out	-	-	(783)
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<u>-</u>	<u>1,541</u>	<u>601</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(8)	(2,415)	-
Principal payments on capital lease	(9)	-	-
Interest payments on capital lease	(1)	-	-
Proceeds from sales of capital assets	-	255	-
<b>Net Cash Used For Capital and Related Financing Activities</b>	<u>(18)</u>	<u>(2,160)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from interest earnings	-	-	160
Net increase (decrease) in the fair value of investments	-	-	12
Purchase of investments	-	-	(5,444)
Maturities/sales of investments	-	-	7,873
<b>Net Cash Provided By Investing Activities</b>	<u>-</u>	<u>-</u>	<u>2,601</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	116	806	2,364
Cash and cash equivalents at October 1	404	936	2,037
Cash and cash equivalents at September 30	<u>\$ 520</u>	<u>\$ 1,742</u>	<u>\$ 4,401</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities</b>			
<b>Operating Income (Loss)</b>	<u>\$ 80</u>	<u>\$ (1,632)</u>	<u>\$ (1,480)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	96	2,702	-
Gain on sale of assets	-	255	-
(Increase) decrease in-			
Receivables	4	(116)	21
Inventory of supplies	(4)	-	-
Increase (decrease) in-			
Accounts payable and accrued liabilities	(33)	213	(158)
Estimated claims payable	-	-	779
Accrued compensated absences	(9)	3	-
Total adjustments	<u>54</u>	<u>3,057</u>	<u>642</u>
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>\$ 134</u>	<u>\$ 1,425</u>	<u>\$ (838)</u>

<u>Technology Services</u>	<u>Workers' Compensation</u>	<u>Group Health</u>	<u>Totals</u>
\$ 4,184	\$ 4,088	\$ 18,493	\$ 35,157
(2,773)	(2,437)	(18,093)	(30,318)
(1,108)	-	-	(1,764)
<u>303</u>	<u>1,651</u>	<u>400</u>	<u>3,075</u>
-	-	-	2,925
(133)	(1,384)	-	(2,300)
<u>(133)</u>	<u>(1,384)</u>	<u>-</u>	<u>625</u>
99	-	-	(2,324)
(99)	-	-	(108)
(12)	-	-	(13)
-	-	-	255
<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(2,190)</u>
-	396	491	1,047
-	9	-	21
-	-	-	(5,444)
-	-	-	7,873
<u>-</u>	<u>405</u>	<u>491</u>	<u>3,497</u>
158	672	891	5,007
486	8,406	11,006	23,275
<u>\$ 644</u>	<u>\$ 9,078</u>	<u>\$ 11,897</u>	<u>\$ 28,282</u>
<u>\$ 58</u>	<u>\$ 3,297</u>	<u>\$ 621</u>	<u>\$ 944</u>
148	-	-	2,946
-	-	-	255
-	-	-	(91)
-	-	-	(4)
143	(18)	5	152
-	(1,628)	(226)	(1,075)
(46)	-	-	(52)
<u>245</u>	<u>(1,646)</u>	<u>(221)</u>	<u>2,131</u>
<u>\$ 303</u>	<u>\$ 1,651</u>	<u>\$ 400</u>	<u>\$ 3,075</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, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Pension Trust Funds</u>			<u>Total</u>
	<u>Part-Time Deferred Income Trust</u>	<u>Thrift Savings Plan</u>	<u>Disability Income Plan</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Investments:				
Money market fund	45	16,742	12	16,799
U.S. Government securities	142	-	38	180
Corporate bonds	285	-	75	360
Fixed income mutual funds	520	6,365	139	7,024
Common stock mutual funds	348	50,023	88	50,459
Balanced mutual funds	-	10,377	-	10,377
Self-directed brokerage accounts	-	5,318	-	5,318
Total investments	<u>1,340</u>	<u>88,825</u>	<u>352</u>	<u>90,517</u>
<b>Total Assets</b>	<u>\$ 1,340</u>	<u>\$ 88,825</u>	<u>\$ 352</u>	<u>\$ 90,517</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	-	-	-	-
IRC 401 deferred compensation plans	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>				
Held in trust for employee benefits	<u>\$ 1,340</u>	<u>\$ 88,825</u>	<u>\$ 352</u>	<u>\$ 90,517</u>

Agency Funds

<u>Payroll</u>	<u>Escrow Fund</u>	<u>Escheat Fund</u>	<u>Total</u>
\$ 7,404	\$ 7,123	\$ 254	\$ 14,781
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
285	-	-	285
-	-	-	-
-	-	-	-
<u>285</u>	<u>-</u>	<u>-</u>	<u>285</u>
<u>\$ 7,689</u>	<u>\$ 7,123</u>	<u>\$ 254</u>	<u>\$ 15,066</u>

\$ 7,404	\$ 7,123	\$ 254	\$ 14,781
285	-	-	285
<u>\$ 7,689</u>	<u>\$ 7,123</u>	<u>\$ 254</u>	<u>\$ 15,066</u>

CITY OF ARLINGTON, TEXAS  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds			Total
	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	
<b>ADDITIONS</b>				
Employer contributions	\$ 67	\$ 1,778	\$ 348	\$ 2,193
Employee contributions	82	4,361	-	4,443
Net appreciation in fair value of investments	64	4,857	17	4,938
<b>Total Additions</b>	<u>213</u>	<u>10,996</u>	<u>365</u>	<u>11,574</u>
<b>DEDUCTIONS</b>				
Benefits	85	10,143	284	10,512
Plan administration	17	6	17	40
<b>Total Deductions</b>	<u>102</u>	<u>10,149</u>	<u>301</u>	<u>10,552</u>
<b>Increase in Net Assets</b>	111	847	64	1,022
<b>Net Assets, October 1</b>	1,229	87,978	288	89,495
<b>Net Assets, September 30</b>	<u>\$ 1,340</u>	<u>\$ 88,825</u>	<u>\$ 352</u>	<u>\$ 90,517</u>

CITY OF ARLINGTON, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Balance October 1, 2005	Additions	Deductions	Balance September 30, 2006
<b>PAYROLL FUND</b>				
Assets				
Cash and cash equivalents	\$ 3,705	\$ 219,670	\$ 215,971	\$ 7,404
Investments	266	19	-	285
Total assets	<u>\$ 3,971</u>	<u>\$ 219,689</u>	<u>\$ 215,971</u>	<u>\$ 7,689</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 3,705	\$ 219,670	\$ 215,971	\$ 7,404
Accounts payable and accrued liabilities - IRC 401 defined contribution	266	19	-	285
Total liabilities	<u>\$ 3,971</u>	<u>\$ 219,689</u>	<u>\$ 215,971</u>	<u>\$ 7,689</u>
<b>ESCROW FUND</b>				
Assets				
Cash and cash equivalents	\$ 4,192	\$ 24,792	\$ 21,861	\$ 7,123
Total assets	<u>\$ 4,192</u>	<u>\$ 24,792</u>	<u>\$ 21,861</u>	<u>\$ 7,123</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 4,192	\$ 24,792	\$ 21,861	\$ 7,123
Total liabilities	<u>\$ 4,192</u>	<u>\$ 24,792</u>	<u>\$ 21,861</u>	<u>\$ 7,123</u>
<b>ESCHEAT FUND</b>				
Assets				
Cash and cash equivalents	\$ 199	\$ 115	\$ 60	\$ 254
Total assets	<u>\$ 226</u>	<u>\$ 115</u>	<u>\$ 60</u>	<u>\$ 254</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 199	\$ 115	\$ 60	\$ 254
Total liabilities	<u>\$ 226</u>	<u>\$ 115</u>	<u>\$ 60</u>	<u>\$ 254</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
Assets				
Cash and cash equivalents	\$ 8,096	\$ 244,577	\$ 237,892	\$ 14,781
Investments	266	19	-	285
Total assets	<u>\$ 8,362</u>	<u>\$ 244,596</u>	<u>\$ 237,892</u>	<u>\$ 15,066</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 8,096	\$ 244,577	\$ 237,892	\$ 14,781
Accounts payable and accrued liabilities - IRC 401 defined contribution	266	19	-	285
Total Liabilities	<u>\$ 8,362</u>	<u>\$ 244,596</u>	<u>\$ 237,892</u>	<u>\$ 15,066</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, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Arlington Sports Facilities Development Authority, Inc.	Arlington Housing Authority	Arlington Convention and Visitors Bureau, Inc.	Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Total
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 1,377	\$ 6,774	\$ 149	\$ 414	\$ 3	\$ 8,717
Investments	11,023	1,759	-	-	-	12,782
Receivables (net of allowances for uncollectibles):						
Grants	-	1,694	-	-	-	1,694
Lease	18,910	-	-	-	-	18,910
Accrued interest	2	19	-	-	-	21
Settlement agreement	11,228	-	-	-	-	11,228
Other	209	-	3	-	-	212
Inventory	-	-	9	-	-	9
Prepaid expenses	-	3	24	-	-	27
<b>Total Current Assets</b>	<b>42,749</b>	<b>10,249</b>	<b>185</b>	<b>414</b>	<b>3</b>	<b>53,600</b>
<b>Non-Current Assets:</b>						
Restricted Cash	-	-	-	-	-	-
Capital Assets-						
Buildings and improvements	2,739	-	-	-	-	2,739
Machinery and equipment	-	672	503	-	-	1,175
Accumulated depreciation	(1,369)	(226)	(286)	-	-	(1,881)
<b>Total Non-Current Assets</b>	<b>1,370</b>	<b>446</b>	<b>217</b>	<b>-</b>	<b>-</b>	<b>2,033</b>
<b>Total Assets</b>	<b>44,119</b>	<b>10,695</b>	<b>402</b>	<b>414</b>	<b>3</b>	<b>55,633</b>
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts payable and accrued liabilities	442	669	190	-	-	1,301
Due to primary government	-	202	-	-	-	202
Deferred revenue	-	-	2	-	-	2
Sales tax payable	74	-	-	-	-	74
<b>Total Current Liabilities</b>	<b>516</b>	<b>871</b>	<b>192</b>	<b>-</b>	<b>-</b>	<b>1,579</b>
<b>Non-Current Liabilities:</b>						
Sales tax payable - due in more than one year	386	-	-	-	-	386
Bonds payable - due in more than one year	17,180	-	-	-	-	17,180
<b>Total Non-Current Liabilities</b>	<b>17,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,566</b>
<b>Total Liabilities</b>	<b>18,082</b>	<b>871</b>	<b>192</b>	<b>-</b>	<b>-</b>	<b>19,145</b>
<b>NET ASSETS</b>						
Invested in capital assets (net of related debt)	1,370	446	196	-	-	2,012
Restricted for debt service	11,449	-	-	-	-	11,449
Unrestricted	13,218	9,378	14	414	3	23,027
<b>Total Net Assets</b>	<b>\$ 26,037</b>	<b>\$ 9,824</b>	<b>\$ 210</b>	<b>\$ 414</b>	<b>\$ 3</b>	<b>\$ 36,488</b>

**CITY OF ARLINGTON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	Business-type Activities Component Units		
	Arlington Sports Facilities Development Authority, Inc.	Arlington Housing Authority	Arlington Convention and Visitors Bureau, Inc.
<b>Operating revenues:</b>			
Intergovernmental revenue	\$ -	\$ 27,282	\$ 415
Service charges	2,583	-	2,384
Other revenue	-	-	-
<b>Total Operating Revenues</b>	<u>2,583</u>	<u>27,282</u>	<u>2,799</u>
<b>Operating expenses:</b>			
Housing assistance payments	-	20,670	-
General and administrative	-	1,968	395
Program services	-	-	2,565
Depreciation	109	30	-
Miscellaneous services	2,906	39	-
<b>Total Operating Expenses</b>	<u>3,015</u>	<u>22,707</u>	<u>2,960</u>
<b>Operating income</b>	<u>(432)</u>	<u>4,575</u>	<u>(161)</u>
<b>Nonoperating Revenues (expenses):</b>			
Interest revenue	1,948	80	10
Net increase (decrease) in the fair value of investments	(40)	(13)	-
Interest expense and fiscal charges	-	(5)	-
<b>Total Nonoperating Revenues</b>	<u>1,908</u>	<u>62</u>	<u>10</u>
<b>Net income</b>	<u>1,476</u>	<u>4,637</u>	<u>(151)</u>
<b>Total Net Assets, October 1, as restated</b>	<u>24,561</u>	<u>5,187</u>	<u>361</u>
<b>Total Net Assets, September 30</b>	<u>\$ 26,037</u>	<u>\$ 9,824</u>	<u>\$ 210</u>

Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Total
\$ 1	\$ -	\$ 27,698
-	-	4,967
-	-	-
<u>1</u>	<u>-</u>	<u>32,665</u>
-	-	20,670
-	-	2,363
-	-	2,565
-	-	139
-	-	2,945
<u>-</u>	<u>-</u>	<u>28,682</u>
<u>1</u>	<u>-</u>	<u>3,983</u>
18	-	2,056
-	-	(53)
-	-	(5)
<u>18</u>	<u>-</u>	<u>1,998</u>
19	-	5,981
395	3	30,507
<u>\$ 414</u>	<u>\$ 3</u>	<u>\$ 36,488</u>

CITY OF ARLINGTON, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 COMPONENT UNITS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Arlington Sports Facilities Development Authority	Arlington Housing Finance Corporation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,239	\$ -
Cash received from HUD	-	-
Other operating cash receipts	-	-
Cash payments to suppliers	(151)	-
Cash payments to employees	-	-
Cash payments for housing assistance	-	-
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>3,088</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	-	-
Transfers out	(2,800)	-
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<u>(2,800)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	-	-
Principal payments on capital lease	-	-
Interest payments on capital lease	-	-
Proceeds from sales of capital assets	-	-
<b>Net Cash Used For Capital and Related Financing Activities</b>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from interest earnings	1,948	-
Net increase (decrease) in the fair value of investments	(40)	-
Purchase of investments	(2,312)	-
Maturities/sales of investments	-	-
<b>Net Cash Provided By Investing Activities</b>	<u>(404)</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(116)	-
Cash and cash equivalents at October 1	1,493	395
Cash and cash equivalents at September 30	<u>\$ 1,377</u>	<u>\$ 395</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities</b>		
<b>Operating Income (Loss)</b>	<u>\$ 2,368</u>	<u>\$ 154</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	109	-
Unrealized (gain) loss on investments	-	-
(Increase) decrease in-		
Restricted Cash	-	-
Receivables	656	-
Inventory of supplies	-	-
Prepaid Expenses	-	-
Increase (decrease) in-		
Accounts payable and accrued liabilities	29	-
Estimated claims payable	-	-
Accrued compensated absences	-	-
Deferred revenue	-	-
Other accrued expenses	(74)	-
Total adjustments	<u>720</u>	<u>-</u>
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>\$ 3,088</u>	<u>\$ 154</u>

Arlington Industrial Development Corporation	Totals
\$ -	\$ 3,239
-	-
-	-
-	(151)
-	-
-	-
<u>-</u>	<u>3,088</u>
-	-
<u>-</u>	<u>(2,800)</u>
<u>-</u>	<u>(2,800)</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
-	1,948
-	(40)
-	(2,312)
-	-
<u>-</u>	<u>(404)</u>
-	(116)
3	1,891
<u>\$ 3</u>	<u>\$ 1,775</u>
<u>\$ -</u>	<u>\$ 2,522</u>
-	109
-	-
-	-
-	656
-	-
-	-
-	29
-	-
-	-
-	-
<u>-</u>	<u>(74)</u>
<u>-</u>	<u>720</u>
<u>\$ -</u>	<u>\$ 3,242</u>



**CITY OF ARLINGTON, TEXAS  
 CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS - BY SOURCES (Unaudited)  
 AS OF SEPTEMBER 30, 2006  
 (AMOUNTS EXPRESSED IN THOUSANDS)**

**GOVERNMENTAL FUNDS CAPITAL ASSETS:**

Land	\$ 72,166
Buildings	103,436
Improvements other than buildings	74,257
Machinery and equipment	16,575
Construction-in-progress	177,648
Infrastructure	<u>760,720</u>
<b>Total Governmental Funds Capital Assets</b>	<b><u><u>\$ 1,204,802</u></u></b>

**INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS:**

General fund	\$ 266,434
Capital Project Fund	<u>938,368</u>
<b>Total Governmental Funds Capital Assets</b>	<b><u><u>\$ 1,204,802</u></u></b>

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, 2006  
(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>
<b>ADMINISTRATIVE:</b>					
Technology services	\$ 7,663	\$ -	\$ -	\$ -	\$ 7,663
Tax	6	-	-	-	6
City administration	70,185	6,002	60,036	3,676	471
Convention center	178	-	-	-	178
<b>Total Administration</b>	<u>78,032</u>	<u>6,002</u>	<u>60,036</u>	<u>3,676</u>	<u>8,318</u>
<b>OPERATIONS:</b>					
Fire	4,029	-	1,987	-	2,042
Municipal court	1,409	-	-	-	1,409
Police	6,670	-	4,947	-	1,723
Parks and recreation	148,038	60,509	20,477	65,700	1,352
Communication services	88	-	-	-	88
Airport	26,057	5,655	15,700	4,702	-
<b>Total Operations</b>	<u>186,291</u>	<u>66,164</u>	<u>43,111</u>	<u>70,402</u>	<u>6,614</u>
<b>DEVELOPMENT:</b>					
Community development	497	-	289	-	208
Engineering services	137	-	-	-	137
Transportation	1,477	-	-	179	1,298
<b>Total Development</b>	<u>2,111</u>	<u>-</u>	<u>289</u>	<u>179</u>	<u>1,643</u>
<b>Total Capital Assets</b>					
<b>Allocated to Functions</b>	<u>266,434</u>	<u>\$ 72,166</u>	<u>\$ 103,436</u>	<u>\$ 74,257</u>	<u>\$ 16,575</u>
<b>INFRASTRUCTURE</b>	<u>760,720</u>				
<b>CONSTRUCTION IN PROGRESS</b>	<u>251,731</u>				
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 1,278,885</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, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Function and Activity</u>	<u>Governmental Funds</u>			<u>Governmental Funds</u>
	<u>Capital Assets</u> <u>October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets</u> <u>September 30, 2006</u>
<b>ADMINISTRATIVE:</b>				
Technology services	\$ 5,920	\$ 1,743	\$ -	\$ 7,663
Tax	6	-	-	6
City administration	66,509	3,676	-	70,185
Convention center	178	-	-	178
<b>Total Administration</b>	<u>72,613</u>	<u>5,419</u>	<u>-</u>	<u>78,032</u>
<b>OPERATIONS:</b>				
Fire	3,634	395	-	4,029
Municipal court	838	571	-	1,409
Police	5,632	1,038	-	6,670
Parks and recreation	139,443	8,595	-	148,038
Communication services	88	-	-	88
Airport	25,031	1,026	-	26,057
<b>Total Operations</b>	<u>174,666</u>	<u>11,625</u>	<u>-</u>	<u>186,291</u>
<b>DEVELOPMENT:</b>				
Community development	454	43	-	497
Engineering services	137	-	-	137
Transportation	1,477	-	-	1,477
<b>Total Development</b>	<u>2,068</u>	<u>43</u>	<u>-</u>	<u>2,111</u>
<b>INFRASTRUCTURE</b>	<u>729,648</u>	<u>31,072</u>	<u>-</u>	<u>760,720</u>
<b>CONSTRUCTION IN PROGRESS</b>	<u>149,522</u>	<u>148,779</u>	<u>(46,570)</u>	<u>251,731</u>
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 1,097,447</u>	<u>\$ 196,938</u>	<u>\$ (46,570)</u>	<u>\$ 1,278,885</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  
NET ASSETS BY COMPONENT  
Last Five Fiscal Years  
(accrual basis of accounting)  
(Unaudited) (In Thousands)

Table 1

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 357,316	\$ 321,615	\$ 317,946	\$ 408,969	\$ 510,287
Restricted	2,259	419	2,993	25,738	25,794
Unrestricted	28,636	78,838	98,332	49,571	67,341
<b>Total governmental activities net assets</b>	<u>\$ 388,211</u>	<u>\$ 400,872</u>	<u>\$ 419,271</u>	<u>\$ 484,278</u>	<u>\$ 603,422</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 307,741	\$ 325,159	\$ 350,885	\$ 380,515	\$ 409,452
Restricted	-	9,638	9,460	10,041	9,273
Unrestricted	67,329	58,105	58,862	20,061	21,519
<b>Total business-type activities net assets</b>	<u>\$ 375,070</u>	<u>\$ 392,902</u>	<u>\$ 419,207</u>	<u>\$ 410,617</u>	<u>\$ 440,244</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 665,057	\$ 646,774	\$ 668,831	\$ 789,484	\$ 919,739
Restricted	2,259	10,057	12,453	35,779	35,067
Unrestricted	95,965	136,943	157,194	69,632	88,860
<b>Total primary government net assets</b>	<u>\$ 763,281</u>	<u>\$ 793,774</u>	<u>\$ 838,478</u>	<u>\$ 894,895</u>	<u>\$ 1,043,666</u>

Source: City of Arlington Financial Services Department

CITY OF ARLINGTON, TEXAS  
 CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS  
 (accrual basis of accounting)  
 (Unaudited) (In Thousands)

Table 2

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$ 34,330	\$ 28,511	\$ 30,646	\$ 26,906	\$ 31,812
Public safety	90,417	89,554	93,852	97,645	102,363
Public works	55,327	57,768	55,350	64,369	66,019
Public health	2,100	1,424	1,321	2,416	1,697
Parks and recreational	20,669	21,327	20,633	23,262	27,761
Public welfare	5,288	7,282	5,410	6,383	9,408
Convention and event services	5,426	5,478	5,347	5,435	5,094
Interest on long term debt	15,674	15,102	14,548	13,898	24,923
<b>Total governmental activities expenses</b>	<b>229,231</b>	<b>226,446</b>	<b>227,107</b>	<b>240,314</b>	<b>269,077</b>
<b>Business-type activities:</b>					
Water and sewer	68,106	68,282	67,232	65,220	74,516
Landfill	7,743	1,731	2,207	4,310	-
<b>Total business-type activities expenses</b>	<b>75,849</b>	<b>70,013</b>	<b>69,439</b>	<b>69,530</b>	<b>74,516</b>
<b>Total primary government expenses</b>	<b>\$ 305,080</b>	<b>\$ 296,459</b>	<b>\$ 296,546</b>	<b>\$ 309,844</b>	<b>\$ 343,593</b>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
General government	\$ 9,121	\$ 11,911	\$ 7,775	\$ 15,449	\$ 21,668
Public safety	7,966	8,068	9,145	6,851	8,206
Public works	8,341	4,395	6,059	3,001	3,025
Public health	227	65	1,093	65	71
Parks and recreational	8,190	6,636	7,161	8,243	8,558
Public welfare	-	-	14	-	-
Convention and event services	5,635	2,347	2,422	2,496	2,656
Operating grants and contributions	9,430	8,728	7,758	8,144	13,846
Capital grants and contributions	12,509	8,525	5,730	4,849	77,683
<b>Total governmental activities program revenues</b>	<b>\$ 61,419</b>	<b>\$ 50,675</b>	<b>\$ 47,157</b>	<b>\$ 49,098</b>	<b>\$ 135,713</b>
<b>Business-type activities:</b>					
<b>Charges for services:</b>					
Water and sewer	80,747	81,890	88,474	92,144	102,745
Landfill	7,897	7,728	6,733	4,484	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	6,636	6,064	6,656	3,676	5,529
Other	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>95,280</b>	<b>95,682</b>	<b>101,863</b>	<b>100,304</b>	<b>108,274</b>
<b>Total primary government program revenues</b>	<b>\$ 156,699</b>	<b>\$ 146,357</b>	<b>\$ 149,020</b>	<b>\$ 149,402</b>	<b>\$ 243,987</b>
			(continued)	(continued)	

CITY OF ARLINGTON, TEXAS  
 CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS  
 (accrual basis of accounting)  
 (Unaudited) (In Thousands)

Table 2

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (167,812)	\$ (175,771)	\$ (179,950)	\$ (191,216)	\$ (133,364)
Business-type activities	19,431	25,669	32,424	30,774	33,758
Total Primary government net expense	<u>\$ (148,381)</u>	<u>\$ (150,102)</u>	<u>\$ (147,526)</u>	<u>\$ (160,442)</u>	<u>\$ (99,606)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Property taxes	\$ 134,489	\$ 145,689	\$ 157,143	\$ 101,235	\$ 104,425
Sales taxes	-	-	-	60,476	76,483
Other taxes	-	-	-	7,286	8,319
Franchise fees	29,667	29,181	29,321	28,928	31,140
Investment earnings	3,888	2,040	1,957	5,642	19,513
Net increase (decrease) in fair value	(380)	(10)	(355)	(1,244)	(293)
Other	3,585	2,278	3,045	4,900	6,489
Special Item	-	-	-	4,330	-
Transfers	4,705	9,254	7,238	40,563	6,432
Total governmental activities	<u>175,954</u>	<u>188,432</u>	<u>198,349</u>	<u>252,116</u>	<u>252,508</u>
Business-type activities:					
Investment earnings	2,394	1,456	1,287	1,255	2,175
Gain on sale/retirement of capital assets	(251)	(39)	(223)	(77)	126
Miscellaneous	-	-	55	21	-
Special Item	-	-	-	-	-
Transfers	(4,705)	(9,254)	(7,238)	(40,563)	(6,432)
Total Business-type activities	<u>(2,562)</u>	<u>(7,837)</u>	<u>(6,119)</u>	<u>(39,364)</u>	<u>(4,131)</u>
Total primary government	<u>\$ 173,392</u>	<u>\$ 180,595</u>	<u>\$ 192,230</u>	<u>\$ 212,752</u>	<u>\$ 248,377</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 8,142	\$ 12,661	\$ 18,399	\$ 60,900	\$ 119,144
Business-type activities	16,869	17,832	26,305	(8,590)	29,627
Total primary government	<u>\$ 25,011</u>	<u>\$ 30,493</u>	<u>\$ 44,704</u>	<u>\$ 52,310</u>	<u>\$ 148,771</u>
				(concluded)	(concluded)

Source: City of Arlington Financial Services Department

CITY OF ARLINGTON, TEXAS  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (Unaudited) (In Thousands)

	Fiscal Year				
	1997	1998	1999	2000	2001
General fund					
Reserved for other					
Encumbrances	\$ 2,187	\$ 2,381	\$ 1,432	\$ 1,129	\$ 1,379
Inventory	629	549	508	489	336
Prepays	20	69	32	39	24
Street maintenance	-	-	1,930	350	-
Capital outlay	-	-	500	-	-
Utility rate case	401	502	477	500	500
Special transportation	-	902	816	-	-
Working capital	5,119	8,189	10,835	11,335	11,389
Net increase in fair value investment	-	2	-	-	-
Unreserved					
Telecommunications	416	299	194	195	357
Working capital	-	-	-	-	-
Subsequent years' expenditure	2,689	2,371	2,371	2,633	2,633
Arbitrage	-	-	-	-	-
Compensated absences	-	-	-	-	-
Other post employment benefits	-	-	-	-	-
Landfill lease proceeds	-	-	-	-	-
Gas lease proceeds	-	-	-	-	-
Undesignated	-	-	-	1,551	3,041
Total general fund	<u>\$ 11,461</u>	<u>15,264</u>	<u>\$ 19,095</u>	<u>\$ 18,221</u>	<u>\$ 19,659</u>
All Other Governmental Funds					
Reserved for other					
Encumbrances	\$ 26,819	\$ 26,085	\$ 26,102	\$ 21,347	\$ 31,219
Debt services	1,686	1,583	1,913	1,675	1,740
Prepays	8	2	2	-	-
Capital maintenance	-	-	140	210	253
Capital projects	53,927	57,747	37,236	37,995	36,854
Street maintenance	-	-	-	-	1,356
Capital outlay	-	-	-	-	624
Court technology	-	-	-	-	-
Court security	-	-	-	-	-
Juvenile case manager	-	-	-	-	-
Net increase in fair value investment	-	96	-	-	-
Unreserved					
Working capital	-	-	-	-	-
Special revenue funds					
Working capital	-	-	-	-	-
Capital maintenance	-	-	-	-	-
Undesignated	1,228	2,567	2,017	1,713	1,148
Total all other governmental funds	<u>\$ 83,668</u>	<u>\$ 88,080</u>	<u>\$ 67,410</u>	<u>\$ 62,940</u>	<u>\$ 73,194</u>

Source: City of Arlington Financial Services Department

Table 3

Fiscal Year				
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 1,526	\$ 656	\$ 1,786	\$ 3,230	\$ 4,463
279	112	113	254	240
48	67	46	46	5
-	-	-	-	-
-	-	-	-	-
500	500	500	500	500
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
754	102	329	274	-
12,195	12,981	13,585	14,373	15,964
3,429	4,821	5,018	5,174	5,747
824	320	38	12	33
1,152	1,247	1,411	1,125	1,280
-	-	1,718	1,718	1,718
-	-	-	19,887	20,573
-	-	-	-	5,020
-	-	773	5,464	10,571
<u>\$ 20,707</u>	<u>\$ 20,806</u>	<u>\$ 25,317</u>	<u>\$ 52,057</u>	<u>\$ 66,114</u>
				-
\$ 22,115	\$ 17,241	\$ 7,514	\$ 21,577	\$ 36,592
2,259	2,538	2,993	20,216	20,639
3	3	36,476	185	179
468	253	-	-	-
40,587	50,867	26,727	318,632	280,316
379	394	482	1,709	3,899
229	442	-	-	-
-	-	292	162	29
-	-	-	224	111
-	-	-	-	40
-	-	-	-	-
-	1,759	-	-	-
-	3,848	3,998	2,045	2,045
-	-	54,474	161	18
2,487	-	161	3,348	1,639
<u>\$ 68,527</u>	<u>\$ 77,345</u>	<u>\$ 133,117</u>	<u>\$ 368,259</u>	<u>\$ 345,507</u>

CITY OF ARLINGTON, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (Unaudited) (In Thousands)

	Fiscal Year			
	1997	1998	1999	2000
<b>REVENUES:</b>				
Taxes:	\$ 106,113	\$ 109,818	\$ 116,018	\$ 124,026
Licenses and permits	2,627	2,823	3,220	3,173
Franchise fees	19,799	21,422	23,187	26,639
Fines and forfeitures	3,333	4,163	5,129	5,135
Leases, rents, and concessions	656	706	694	697
Service charges	15,584	16,939	17,518	19,169
Investment income	4,715	6,331	5,357	5,416
Net increase (decrease) in fair value of investment				
Contributions	3,066	2,960	2,579	3,066
Intergovernmental	7,772	9,825	9,838	8,025
Escrow reorganization	17	-	-	-
Miscellaneous	765	1,944	2,373	1,986
<b>Total Revenues</b>	<b>164,447</b>	<b>176,931</b>	<b>185,913</b>	<b>197,332</b>
<b>EXPENDITURES:</b>				
General government	19,655	19,795	21,785	23,991
Public safety	59,452	61,894	66,467	72,539
Public works	18,027	18,274	19,074	22,796
Public health	1,466	1,880	2,062	1,904
Public welfare	3,646	3,270	5,023	3,929
Parks and recreational	12,843	13,764	15,958	17,564
Convention and event services	-	-	-	-
Operating expenditures	3,760	4,318	4,781	5,393
Capital outlay	28,668	52,286	65,792	49,637
Debt Service:				
Principal retirement	22,927	23,095	23,950	25,720
Interest and fiscal charges	13,209	13,744	14,857	15,373
Bond issuance cost	-	-	-	-
<b>Total expenditures</b>	<b>183,653</b>	<b>212,320</b>	<b>239,749</b>	<b>238,846</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(19,206)</b>	<b>(35,389)</b>	<b>(53,836)</b>	<b>(41,514)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bonds issued*	40,890	39,960	33,150	32,865
Capital lease	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Payment of escrow for refunding	-	-	-	-
Transfers in	7,279	10,587	11,014	14,539
Transfers out	(4,816)	(6,943)	(7,167)	(11,234)
<b>Total other financing sources (uses)</b>	<b>43,353</b>	<b>43,604</b>	<b>36,997</b>	<b>36,170</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 24,147</b>	<b>\$ 8,215</b>	<b>\$ (16,839)</b>	<b>\$ (5,344)</b>
Debt service as a percentage of noncapital expenditures	23.3%	23.0%	22.3%	21.7%

Source: City of Arlington Financial Services Department

\* Note: Bond issued includes general obligation bonds and certificates of obligation and commercial paper  
 Investment income includes net increase (decrease in fair value of investments)

Table 4

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 131,167	\$ 134,429	\$ 145,239	\$ 156,958	\$ 169,345	\$ 189,671
3,498	3,837	3,833	4,160	4,476	5,074
31,201	29,635	29,163	29,371	28,928	31,140
5,919	6,787	7,475	7,318	6,259	7,675
866	3,548	2,908	3,026	5,207	13,307
24,925	24,479	19,424	19,424	20,175	20,041
5,773	3,331	1,931	1,550	4,020	18,559
					(314)
1,956	4,078	2,358	2,653	1,664	77,683
11,363	17,229	14,895	10,426	9,216	13,309
-	-	-	-	-	-
2,678	3,238	2,135	2,596	4,292	2,894
<u>219,346</u>	<u>230,591</u>	<u>229,361</u>	<u>237,482</u>	<u>253,582</u>	<u>379,039</u>
26,370	28,393	28,433	30,148	31,094	30,839
80,015	91,606	90,934	95,499	99,656	103,772
25,031	59,756	27,874	27,535	36,971	36,127
1,928	1,999	1,239	1,252	1,435	1,684
3,549	6,311	3,585	5,546	6,543	9,483
21,617	29,981	18,565	21,865	21,755	21,261
-	5,426	5,471	5,312	5,435	5,094
5,374	-	-	-	-	-
39,960	-	38,362	24,169	57,271	144,473
					-
26,730	27,860	27,420	28,270	28,030	26,160
15,920	15,663	15,186	14,637	14,632	25,428
-	-	133	-	-	-
<u>246,494</u>	<u>266,995</u>	<u>257,202</u>	<u>254,233</u>	<u>302,822</u>	<u>404,321</u>
<u>(27,148)</u>	<u>(36,404)</u>	<u>(27,841)</u>	<u>(16,751)</u>	<u>(49,240)</u>	<u>(25,282)</u>
35,535	24,920	25,590	24,155	303,365	10,780
-	-	1,159	301	1,626	-
-	-	-	633	-	-
36,540	-	17,840	-	68,000	-
-	-	2,778	-	12,577	-
(36,540)	-	(18,835)	-	(72,240)	-
17,284	14,479	25,922	24,324	51,301	26,263
(13,979)	(9,231)	(17,692)	(14,676)	(15,317)	(20,456)
<u>38,840</u>	<u>30,168</u>	<u>36,762</u>	<u>34,737</u>	<u>349,312</u>	<u>16,587</u>
<u>\$ 11,692</u>	<u>\$ (6,236)</u>	<u>\$ 8,921</u>	<u>\$ 17,986</u>	<u>\$ 300,072</u>	<u>\$ (8,695)</u>
20.7%	16.3%	19.5%	18.7%	17.4%	19.9%

CITY OF ARLINGTON, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 Last Ten Fiscal Years  
 (Unaudited)

Table 5

Fiscal Year	Estimated Market Value		Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property		
1997	\$ 7,830,395,901	\$ 1,873,525,952	\$ 9,703,921,853	\$ 0.6380
1998	8,260,015,483	1,920,975,312	10,180,990,795	0.6380
1999	8,905,619,207	1,962,966,620	10,868,585,827	0.6380
2000	9,466,395,471	1,948,750,826	11,415,146,297	0.6340
2001	10,344,385,656	2,090,767,102	12,435,152,758	0.6340
2002	11,304,546,333	2,208,832,174	13,513,378,507	0.6340
2003	12,099,808,133	2,244,193,172	14,344,001,305	0.6480
2004	12,899,757,009	2,118,967,590	15,018,724,599	0.6480
2005	13,349,818,463	2,249,501,932	15,599,320,395	0.6480
2006	13,930,396,036	2,213,014,381	16,143,410,417	0.6480

Source: City of Arlington Financial Services Department

CITY OF ARLINGTON, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of assessed value)  
 Last Ten Fiscal Years  
 (Unaudited)

Table 6

Fiscal Year	City Direct Rates			Overlapping Rates				
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Arlington Independent School District <sup>1</sup>	HEB Independent School District <sup>1</sup>	Kennedale Independent School District <sup>1</sup>	Mansfield Independent School District <sup>1</sup>	Tarrant County <sup>2</sup>
1997	\$ 0.2986	\$ 0.3414	\$ 0.6400	\$ 1.35	\$ 1.62	\$ 1.59	\$ 1.59	\$ 0.56
1998	0.3103	0.3277	0.6380	1.44	1.61	1.66	1.72	0.56
1999	0.3200	0.3180	0.6380	1.49	1.61	1.67	1.72	0.61
2000	0.3200	0.3180	0.6380	1.59	1.63	1.55	1.71	0.61
2001	0.3276	0.3064	0.6340	1.62	1.68	1.61	1.69	0.62
2002	0.3429	0.2911	0.6340	1.65	1.65	1.61	1.67	0.62
2003	0.3620	0.2720	0.6340	1.74	1.71	1.62	1.68	0.64
2004	0.3879	0.2601	0.6480	1.76	1.66	1.61	1.68	0.65
2005	0.4023	0.2457	0.6480	1.75	1.72	1.80	1.77	0.65
2006	0.4244	0.2236	0.6480	1.61	1.60	1.72	1.69	0.65

**Note:**

1. A single property owner's total tax rate would only include one independent school district's (Arlington, Hurst-Euless-Bedford, Kennedale, or Mansfield) tax rate.
2. This column includes the tax rates for Tarrant County, the Tarrant County Journior College District, and the Tarrant County Hospital District

Source: City of Arlington Financial Services Department

CITY OF ARLINGTON, TEXAS  
 PRINCIPAL PROPERTY TAX PAYERS  
 Current Year and Ten Years Ago  
 (Unaudited)

Taxpayer	2006 <sup>(a)</sup>	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value <sup>a</sup>
General Motors Corp. <sup>(1)</sup>	\$ 181,325,036	1.16 %
TXU Electric Delivery	141,993,856	0.91
Parks At Arlington	140,830,000	0.90
Mckesson Drug Co.	112,737,838	0.72
Southwestern Bell Telephone	78,177,764	0.50
Six Flags Over Texas	71,611,786	0.46
USMD Surgical Hospital	46,094,895	0.30
HCA - Arlington Inc	45,800,000	0.29
National Semiconductor <sup>(1)</sup>	46,094,895	0.30
Lincoln Square LTD	40,010,000	0.26
<b>Total</b>	<b>\$ 904,676,070</b>	<b>5.80 %</b>

**Note:**

<sup>(a)</sup>Tax Year

<sup>(1)</sup> Value reflects reduction for abatement

<sup>(2)</sup> Value reflects reduction for abatement of \$45,267,539

<sup>(3)</sup> Value reflects reduction for abatement of \$131,040,383

<sup>(4)</sup> Value reflects reduction for abatement of \$15,783,441

**Source:** City of Arlington Financial Services Department

Table 7

1997		
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value<sup>b</sup></u>
General Motors Corp. <sup>(2)</sup>	\$ 136,251,807	1.40 %
Texas Utilities Co	105,020,557	1.08
Southwestern Bell Telephone	86,636,021	0.89
Six Flags Over Texas	77,628,248	0.80
Parks at Arlington LP	62,588,359	0.64
National Semiconductor <sup>(3)</sup>	50,302,106	0.52
Doskocil Manufacturing <sup>(4)</sup>	34,461,384	0.36
Johnson & Johnson Medical	32,627,911	0.34
Square Associates LTD	31,973,785	0.33
Equitable Life Assurance	26,030,000	0.27
Total	<u>\$ 643,520,178</u>	<u>6.63 %</u>

CITY OF ARLINGTON, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years  
(Unaudited)

Table 8

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
		Amount	% of Levy		Amount	% of Levy
1997	\$ 62,105,100	\$ 61,443,173	98.93	\$ 489,455	\$ 62,352,168	100.40
1998	64,954,721	64,125,387	98.72	661,376	65,026,883	100.11
1999	69,341,577	68,616,960	98.96	550,647	69,465,710	100.18
2000	72,828,633	71,724,897	98.48	897,209	73,180,874	100.48
2001	78,838,868	77,699,648	98.56	907,420	78,884,410	100.06
2002	85,674,820	84,218,512	98.30	1,122,148	85,605,894	99.92
2003	90,940,968	89,259,973	98.15	1,257,825	90,844,263	99.89
2004	97,321,335	96,929,494	99.60	(251,872)	98,550,430	101.26
2005	101,083,596	98,914,959	97.85	735,596	101,310,283	100.22
2006	104,610,406	102,395,260	97.88	559,425	104,239,487	99.65

**Source:** City of Arlington Financial Services Department  
Cumulative Tax Collection Comparison,  
Disclosure



CITY OF ARLINGTON, TEXAS  
RATIO OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Water and Sewer Revenue Bonds	Total Primary Government	Percentage of Personal Income <sup>a</sup>
1997	\$ 234,770,000	\$ 19,200,000	\$ -	\$ 112,950,000	\$ 366,920,000	1.06 %
1998	233,580,000	37,255,000	-	86,410,000	357,245,000	0.95
1999	243,650,000	43,385,000	-	93,460,000	380,495,000	0.95
2000	252,305,000	41,875,000	-	83,060,000	377,240,000	0.86
2001	256,425,000	46,165,000	-	90,955,000	393,545,000	0.84
2002	256,795,000	42,855,000	-	94,575,000	394,225,000	0.83
2003	258,190,000	39,630,000	-	83,650,000	381,470,000	0.78
2004	258,960,000	34,745,000	-	87,935,000	381,640,000	0.73
2005	232,475,000	37,600,000	297,990,000	94,790,000	662,855,000	1.28
2006	226,760,000	25,935,000	299,990,000	84,510,000	637,195,000	1.23

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
<sup>a</sup>See Table 13 for personal income and population data.

Certificates of Obligation include Tax and Revenue certificates

Other Obligations include Special Tax Revenue Bonds and Revenue Bonds and Commercial Paper

**Source:** City of Arlington Financial Services Department

Table 9

---

<u>Estimated Population</u>		<u>Per Capita<sup>a</sup></u>
289,315	\$	1,268
293,991		1,215
309,859		1,228
332,969		1,133
339,215		1,160
346,197		1,139
351,719		1,085
355,634		1,073
361,300		1,835
362,393		1,758

CITY OF ARLINGTON, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	General Bonded Debt Outstanding			
	General Obligation Bonds	Certificates of Obligations	Commercial Paper	Total
1997	\$ 234,770,000	\$ 19,200,000		\$ 253,970,000
1998	233,580,000	37,255,000		270,835,000
1999	243,650,000	43,385,000		287,035,000
2000	252,305,000	41,875,000		294,180,000
2001	256,425,000	46,165,000		302,590,000
2002	256,795,000	42,855,000		299,650,000
2003	258,190,000	39,630,000		297,820,000
2004	258,960,000	34,745,000		293,705,000
2005	232,475,000	37,600,000		270,075,000
2006	226,760,000	25,935,000	2,000,000	254,695,000

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

<sup>a</sup>See Table 5 for property value data.

<sup>b</sup>See Table 13 for population data.

**Source:** City of Arlington Financial Services Department

Table 10

---

Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>	Estimated Population
2.62 % \$	878	289,315
2.66	921	293,991
2.64	926	309,859
2.58	884	332,969
2.43	892	339,215
2.22	866	346,197
2.08	847	351,719
1.96	826	355,634
1.73	748	361,300
1.58	703	362,393

CITY OF ARLINGTON, TEXAS  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 As of September 30, 2006  
 (Unaudited)

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Direct			
City of Arlington	\$ 254,695,000	100.00%	\$ 254,695,000
Overlapping			
Arlington I.S.D.	\$ 488,704,921	78.16%	\$ 381,971,766
Tarrant County	167,040,000	16.85%	28,146,240
Tarrant County Junior College District	58,289,276	16.85%	9,821,743
Tarrant County Hospital District	67,580,000	16.85%	11,387,230
Kennedale I.S.D.	53,295,000	20.91%	11,143,984
Mansfield I.S.D.	567,110,130	11.66%	66,125,041
Hurst-Euless-Bedford I.S.D.	218,295,475	3.90%	<u>8,513,524</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 771,804,528</u></u>

**Source:** City of Arlington Financial Services Department

**Note:** Net Debt Service Reserve Fund

CITY OF ARLINGTON, TEXAS  
 PLEDGED-REVENUE COVERAGE  
 Last Ten Fiscal Years  
 (In Thousands)  
 (Unaudited)

Table 12

Fiscal Year	Waterworks and Sewer System Revenue Bonds					Times Coverage <sup>(4)</sup>
	Total Revenues <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue <sup>(3)</sup>	Average Annual Requirement		
1997	\$ 77,825	\$ 48,171	\$ 29,654	\$ 8,232	3.60	
1998	85,112	49,716	35,396	6,356	5.57	
1999	83,629	50,657	32,972	6,465	5.10	
2000	89,049	55,523	33,526	5,959	5.63	
2001	77,028 <sup>(5)</sup>	55,562	21,466	6,335	3.39	
2002	82,064	57,482	24,582	6,664	3.69	
2003	82,925	57,309	25,616	6,067	4.22	
2004	89,413	57,556	31,857	6,078	5.24	
2005	93,399	55,139	38,260	6,615	5.78	
2006	104,920	63,171	41,749	6,176	6.76	

- Note:** <sup>(1)</sup> Revenue determined on the full accrual basis and include nonoperating interest  
<sup>(2)</sup> Total expenses less depreciation and bond interest  
<sup>(3)</sup> Gross operating revenues (1) less expenses (2)  
<sup>(4)</sup> Net revenue available for debt service (3) divided by average annual debt service requirement  
<sup>(5)</sup> Gross operating revenues in fiscal year 2001 reflect a refund of \$7.0 million

Source: City of Arlington Financial Services Department

CITY OF ARLINGTON, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 Last Ten Calendar Years  
 (Unaudited)

Table 13

Year	Estimated Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1997	289,315	\$34,479,701	\$ 25,440	*	54,961	3.1%
1998	293,991	37,753,717	27,193	*	56,234	2.9%
1999	309,859	40,231,412	28,285	*	57,433	2.7%
2000	332,969	44,068,188	30,300	33.1	59,342	2.9%
2001	339,215	47,011,291	31,577	*	60,760	3.9%
2002	346,197	47,735,316	31,295	*	62,104	5.3%
2003	351,719	49,151,450	31,565	*	62,345	5.5%
2004	355,634	51,951,087	32,735	*	62,531	4.5%
2005	361,300	51,951,087	32,735	*	62,267	5.0%
2006	362,393	51,951,087	32,735	*	63,397	4.5%

**Note:**

2000 Population estimate is the Actual Census

Personal Income not reported for 2005, 2006

2005 Population estimate as of March 31, 2005

2006 Population estimate as of March 31, 2006

2006 School Enrollment estimated by NCTCOG

2006 Unemployment rate reported by Texas Workforce Commission Sept 2006

**Sources:** City of Arlington Financial Services Department



CITY OF ARLINGTON, TEXAS  
 PRINCIPAL EMPLOYERS,  
 Current Year and Ten Years Ago  
 (Unaudited)

2006

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Arlington Independent School District	8,000	4.03%
University of Texas at Arlington	5,700	2.87%
Six Flags over Texas	3,200	1.61%
General Motors Corp	3,000	1.51%
The Parks at Arlington (Mall)	3,000	1.51%
City of Arlington	2,617	1.32%
Chase Bank	1,900	0.96%
Texas Rangers Baseball Club	1,800	0.91%
Arlington Memorial Hospital	1,300	0.66%
Americredit	1,300	0.66%
Providian Financial	1,200	0.60%
Wal-Mart	1,200	0.60%
National Semiconductor	1,100	0.55%
<b>Total</b>	<b>35,317</b>	<b>17.79%</b>

**Note:** 2006 Employment is 198,362  
 1997 Employment is 173,503

**Source:** City of Arlington Financial Services Department

Table 14

1997		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Arlington Independent School District	6,023	3.47%
University of Texas at Arlington	4,453	2.57%
General Motors Corp	2,300	1.33%
Six Flags Over Texas	4,250	2.45%
Arlington Memorial Hospital	1,600	0.92%
City of Arlington	2,049	1.18%
Harris Methodist Health Plan	1,400	0.81%
Hughes Training	1,050	0.61%
National Semiconductor	1,300	0.75%
Texas Rangers Baseball Club	950	0.55%
Southwestern Bell Telephone	800	0.46%
Columbia Medical Center	850	0.49%
Brinker International	771	0.44%
	<u>27,796</u>	<u>16.03%</u>

CITY OF ARLINGTON, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,  
 Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal Year				
	1997	1998	1999	2000	2001
General government					
Administrative services	2.0	2.0	2.0	2.0	-
Mayor & council	3.0	3.0	3.0	3.0	3.0
City secretary's office	5.0	5.0	5.0	4.0	-
Budget & risk mgmt	6.0	6.0	6.0	6.0	-
City attorney's office	29.0	30.0	30.0	31.0	30.0
City manager's office	12.0	12.0	12.0	13.0	12.0
Public information officer	4.0	5.0	5.0	6.0	6.0
Auditor's office	4.0	4.0	4.0	4.0	5.0
Human resources	18.0	18.0	18.0	19.0	19.0
Municipal court	3.0	3.0	3.0	3.0	4.0
Public works	-	-	-	-	-
Community Center	6.0	-	-	-	-
Police	569.0	572.0	590.0	629.0	653.0
Communication services	101.0	105.0	105.0	100.0	100.0
Fire	287.0	306.0	301.0	301.0	302.0
Engineering services	56.0	74.0	74.0	80.0	79.0
Neighborhood services (community development 2000)	91.0	97.0	97.0	100.0	71.0
Planning and development services	19.0	21.0	21.0	21.0	55.0
Park and recreation	97.0	116.0	127.0	128.0	133.0
Park performance	36.0	56.0	71.0	76.0	76.0
Transportation	119.0	119.0	122.0	124.0	128.0
Street maintenance	-	-	-	-	-
Support services	31.0	31.0	34.0	39.0	39.0
Technology services	56.0	56.0	56.0	61.0	48.0
Technology services fund	-	-	-	-	13.0
Finance	57.0	57.0	60.0	61.0	77.0
Library	56.0	59.0	61.0	66.0	66.0
Water and sewer fund	205.0	214.0	227.0	226.0	230.0
Convention center fund	27.0	33.0	33.0	39.0	35.0
Sanitary landfill fund	26.0	26.0	26.0	27.0	27.0
Storm water	18.0	-	-	-	-
General services fund	13.0	14.0	15.0	14.0	14.0
Fleet services fund	21.0	22.0	22.0	24.0	24.0
Grant funds	87.0	100.0	105.0	83.0	76.0
Total	<u>2,064.0</u>	<u>2,166.0</u>	<u>2,235.0</u>	<u>2,290.0</u>	<u>2,325.0</u>

Source: City of Arlington Financial Services Department

Table 15

Fiscal Year				
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
-	-	-	23.0	31.0
3.0	-	-	-	-
-	-	-	-	-
-	-	-	-	-
30.0	28.0	29.0	33.0	33.0
11.0	29.0	28.0	9.0	4.0
11.0	-	-	-	-
5.0	-	-	-	6.0
21.0	20.0	18.0	18.0	19.0
4.0	4.0	4.0	4.0	4.0
-	-	118.0	114.0	112.0
-	-	-	-	-
714.0	706.0	746.0	745.0	745.0
103.0	101.0	101.0	101.0	-
301.0	304.0	302.0	302.0	302.0
79.0	73.0	-	-	-
72.0	69.0	66.0	67.0	74.0
55.0	54.0	52.0	53.0	56.0
138.0	137.0	132.0	132.0	125.0
72.0	67.0	66.0	66.0	66.0
72.0	68.0	-	-	-
80.0	67.0	76.0	75.0	71.0
36.0	30.0	28.0	31.0	170.0
48.0	40.0	38.0	38.0	38.0
14.0	15.0	15.0	15.0	15.0
70.0	69.0	67.0	78.0	30.0
66.0	71.0	68.0	64.0	64.0
227.0	225.0	223.0	223.0	219.0
35.0	35.0	33.0	33.0	32.0
26.0	26.0	26.0	26.0	-
-	-	-	-	-
14.0	14.0	12.0	12.0	13.0
24.0	24.0	3.0	3.0	2.0
105.0	104.0	77.0	77.0	79.0
<u>2,436.0</u>	<u>2,380.0</u>	<u>2,328.0</u>	<u>2,342.0</u>	<u>2,310.0</u>

CITY OF ARLINGTON, TEXAS  
 OPERATING INDICATORS BY FUNCTION/PROGRAM  
 Last Ten Fiscal Years  
 (Unaudited)

Function/Program	Fiscal Year				
	1997	1998	1999	2000	2001
<b>Public safety</b>					
<b>Police</b>					
Number of employees	568	583	613	653	659
Number of dispatch calls	133,046	134,667	140,504	156,337	157,291
<b>Fire</b>					
Number of employees	287	300	301	302	301
Number of service calls	20,388	21,458	22,320	27,925	28,803
<b>Miles of streets and alleys</b>					
Street - paved (lane miles)	1,807	1,824	1,837	1,852	1,907
Sidewalks (miles)	368	371	377	384	390
<b>Parks and recreational</b>					
Parks - programs registration	N/A	N/A	N/A	N/A	N/A
Membership					
<b>Library</b>					
Central library	1	1	1	1	1
Branch libraries	4	4	4	4	4
Book stock	329,522	351,396	367,038	444,565	388,126
Average monthly circulation	113,007	122,623	122,949	117,973	121,601
<b>Water and sewer</b>					
Number of accounts	85,643	87,629	89,905	92,378	94,867
Average daily water consumption (gallons)	45,991,635	53,174,896	51,159,014	56,676,767	59,681,000
System storage capacity (gallons per day)	115,000,000	115,000,000	137,000,000	137,000,000	170,000,000
Miles of water mains	1,327	1,339	1,353	1,372	1,392
Number of fire hydrants	8,402	8,423	8,648	8,584	8,253
Number of sewer connections	80,730	82,454	84,463	86,746	89,042
<b>Golf Course</b>					
Number of clinics	N/A	N/A	N/A	17	19
Number of participants in clinics	N/A	N/A	N/A	209	315
Number of private lessons	N/A	N/A	N/A	228	2,002

**Notes:** N/A - not available.  
 2004-2006 Police employment represents full-time sworn officers

**Source:** City of Arlington Financial Services Department

Table 16

Fiscal Year				
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
718	726	524	534	558
158,229	150,352	142,154	146,891	146,408
297	296	296	301	394
28,924	26,381	28,734	27,788	48,468
1,959	1,991	2,029	2,477	2,939
407	419	425	908	974
N/A	N/A	31,355	36,407	20,573
		48,274	34,763	41,031
1	1	1	1	1
4	5	5	5	5
486,176	515,113	507,891	522,703	579,445
128,639	125,512	131,244	131,738	134,710
96,974	94,279	101,057	102,421	97,299
52,169,473	56,364,260	51,550,000	53,550,000	65,019,372
174,110,000	174,000,000	174,000,000	174,000,000	140,000,000
1,414	1,428	1,350	1,358	1,378
8,091	9,233	9,992	10,195	10,325
90,198	91,774	94,052	95,479	95,124
38	13	24	3	104
515	241	338	44	438
2,401	2,037	2,639	984	2,071

CITY OF ARLINGTON, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
 Last Ten Fiscal Years  
 (Unaudited)

Function/Program	Fiscal Year				
	1997	1998	1999	2000	2001
Public safety					
Police stations	2	2	2	2	2
Fire stations	15	16	16	16	16
Miles of streets and alleys					
Streets- paved (lane miles)	1,807	1,824	1,837	1,852	1,907
Sidewalks (miles)	368	371	377	384	390
Cultural and recreational					
Parks (acres) (golf courses included)	3,358	3,420	3,420	3,888	4,226
Swimming pools	6	6	6	5	5
Tennis courts	-	40	40	41	41
Recreation centers	4	4	5	5	5
Senior center	-	-	-	-	-
Miles of park trails	30	31	31	33	35
Sports fields-youth	55	74	74	80	80
Basketball courts-outdoors	-	28	28	29	29
Number of golf courses	3	4	4	4	4
Water and Sewer					
Water mains (miles)	1,327	1,339	1,353	1,372	1,392
Fire hydrants	8,402	8,423	8,648	8,584	8,253
Sanitary sewers (miles)	1,080	1,094	1,108	1,123	1,145

**Note:** N/A - not available.

**Source:** City of Arlington Financial Services Department

Table 17

Fiscal Year				
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
2	3	3	3	4
16	16	16	16	16
1,959	1,991	2,029	2,477	2,939
407	419	425	908	974
4,180	4,529	4,529	4,652	4,652
6	6	5	7	6
49	48	49	49	49
5	5	5	5	5
-	-	-	2	2
33	43	43	45	40
122	73	54	54	77
29	24	24	24	22
4	4	4	4	4
1,414	1,428	1,350	1,358	1,378
8,091	9,233	9,992	10,195	10,325
1,163	1,176	1,181	1,186	1,194

CITY OF ARLINGTON, TEXAS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 ANALYSIS OF FUNDING PROGRESS AND CONTRIBUTION RATES  
 Last Ten Fiscal Years  
 (In Thousands)  
 (Unaudited)

Table 18

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1/2)	(4) Unfunded Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) UAAL as a Percentage of ACP (4/5)	(7) Total TMRS Required Contribution Rate	(8) Prior Service Portion of the TMRS Rate
1997	\$182,405	\$240,871	75.7%	\$ 58,466	\$72,464	80.7%	13.50%	3.96%
1998	204,494	268,594	76.1%	64,100	84,710	75.7%	14.12%	3.70%
1999	225,979	281,087	80.4%	55,108	85,830	64.2%	13.82%	3.70%
2000	252,879	312,412	80.9%	59,533	92,137	64.6%	12.73%	3.12%
2001	267,933	333,403	80.4%	65,469	100,657	65.0%	12.80%	3.14%
2002	290,670	363,021	80.1%	72,351	110,577	65.4%	12.75%	3.17%
2003	316,095	397,483	79.5%	81,388	110,722	73.5%	12.67%	3.18%
2004	336,817	433,336	77.7%	96,519	109,451	88.2%	13.22%	3.59%
2005	342,453	444,422	77.1%	101,969	115,074	88.6%	14.24%	4.32%
2006	334,823	447,440	74.8%	112,617	113,822	98.9%	14.18%	4.34%

Source: City of Arlington Financial Services Department