

# City of Arlington, Texas



## Comprehensive Annual Financial Report

Year ended September 30, 2008

# CITY OF ARLINGTON, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2008

PREPARED BY THE FINANCIAL AND MANAGEMENT  
RESOURCES DEPARTMENT



Robert Cluck, MD  
Mayor

April Nixon  
Financial and Management  
Resources Director/CFO

Jim Holgersson  
City Manager

Sherry Wright, CPA  
Controller

**CITY OF ARLINGTON, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008  
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February 27, 2009

Dear Reader:

The Arlington, Texas Comprehensive Annual Financial Report (CAFR or report) for the fiscal year ended September 30, 2008, is submitted for review and analysis and in compliance with Texas law. City management is responsible for the accuracy, completeness and reliability of the presented data, based upon a comprehensive framework of internal control established for this purpose. Deloitte & Touche LLP has issued an unqualified opinion on the City's financial statements for the year ended September 30, 2008. The independent auditor's report is located at the front of the financial section of this report. Management's discussion and analysis (MD&A), which follows the independent auditor's report, complements this letter and should be read in conjunction with it. Immediately following this letter is a brief summary of local economic indicators.

### **City Overview and Governance**

Arlington was incorporated in 1894 and is located in the center of Dallas/Fort Worth metro area, 8 miles south of D/FW International Airport. The City operates under home rule charter as a Council-Manager government. The Mayor and eight City Council Members (Council) are vested with local legislative authority. The Mayor and three Council Members are elected citywide and five Council Members are elected by district. Elected officials serve staggered two-year terms.

The City Manager is appointed by the Mayor and Council as the chief executive of the municipal government. The Council also appoints members to certain boards, commissions, and authorities, as it deems necessary for the operation of the City.

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

The Arlington reporting entity includes 6 component units, which are discussed in the MD&A and in the notes to the financial statements.

### **Financial Planning and Policies**

Arlington closely monitors its budget and financial position. Legislative budgetary control is at the fund level. Some of the tools used to manage City finances include a multi-year financial plan, capital budget, and annual budget. The City has comprehensive financial policies, which are evaluated annually. These policies are reported on as part of each annual budget.

### **Major Initiatives**

#### **Dallas Cowboys Complex Development Project**

In November of 2004, voters authorized the City to provide planning, acquisition, construction and financing for the new Dallas Cowboys stadium. Arlington's maximum investment in the \$1.1 billion public/private partnership will be \$325 million. As of September, 2008, the stadium structure was about two-thirds complete and on schedule for a June 2009 opening. The Cowboys will initiate playing their 2009 season in Arlington. Other notable plans for the new stadium are Super Bowl XLV in 2011, the AT&T Cotton Bowl Classic on New Year's Day, 2010, the 2010 NBA All Star Game and the NCAA Final Four in 2014.

**Arlington Tomorrow Foundation**

This new foundation oversees an endowment fund created with gas lease revenues derived from natural gas drilling on City-owned property, and is dedicated to enhancing the quality of life in Arlington. The interest earned annually from the endowment is awarded as grants to local non-profits, neighborhood associations and governmental entities. In 2008 the Foundation approved over \$1.1 million to projects building safe and strong neighborhoods and promoting quality leisure, learning, and culture.

**Other notable 2008 milestones include:**

- Development of Founders Plaza in downtown Arlington which includes the Levitt Pavilion offering free outdoor concerts and performances.
- Dedication of Heroes Park, which pays tribute to fallen police officers and fire fighters
- Announcement that the U.S. Bowling Congress will move to Arlington, bringing nearly 200 jobs and \$13 million in capital investment. The new bowling campus will be located in the City’s flourishing entertainment district.
- The grand opening of Arlington’s sixth branch library (Southwest Branch) with 50,000 books, internet computer stations, a community meeting room, and children and teen learning centers.
- Opening of the new South Police Service Center, increasing the number of police stations to four.

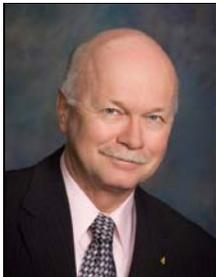
**Government Finance Officers Association (GFOA) Award**

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its CAFR for the year ended September 30, 2007. This was the 30th year that the City has earned this prestigious award. A Certificate of Achievement is valid for a period of one year. The City believes the current CAFR continues to meet the certificate requirements and will be submitting the document to the GFOA to determine ongoing eligibility the certificate.

**Acknowledgments**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Financial and Management Resources Department. I would like to express my appreciation to all members of the department, especially Sherry Wright, David Balsamo, Honora Bracken, Deloise Edwards, Daryl Holder, Kristi Janes, Deven Mercer, Cynthia Moss, Wally Waits, and Joan Wilson, who assisted and contributed to the preparation of this report.

Respectfully submitted,



*James N. Holgersson*  
James N. Holgersson  
City Manager

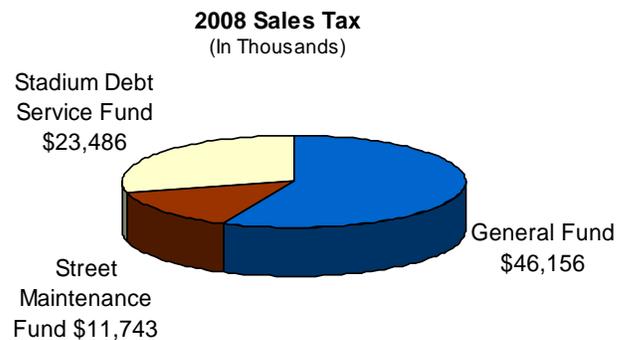
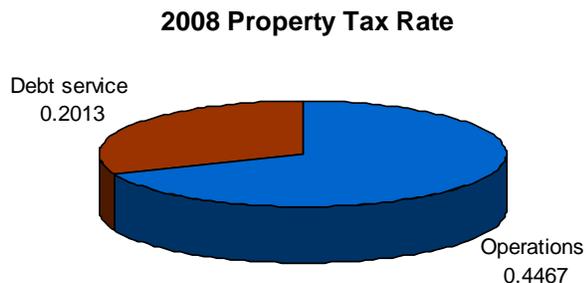


*April Nixon*  
April Nixon  
Financial and Management  
Resources  
Director/CFO

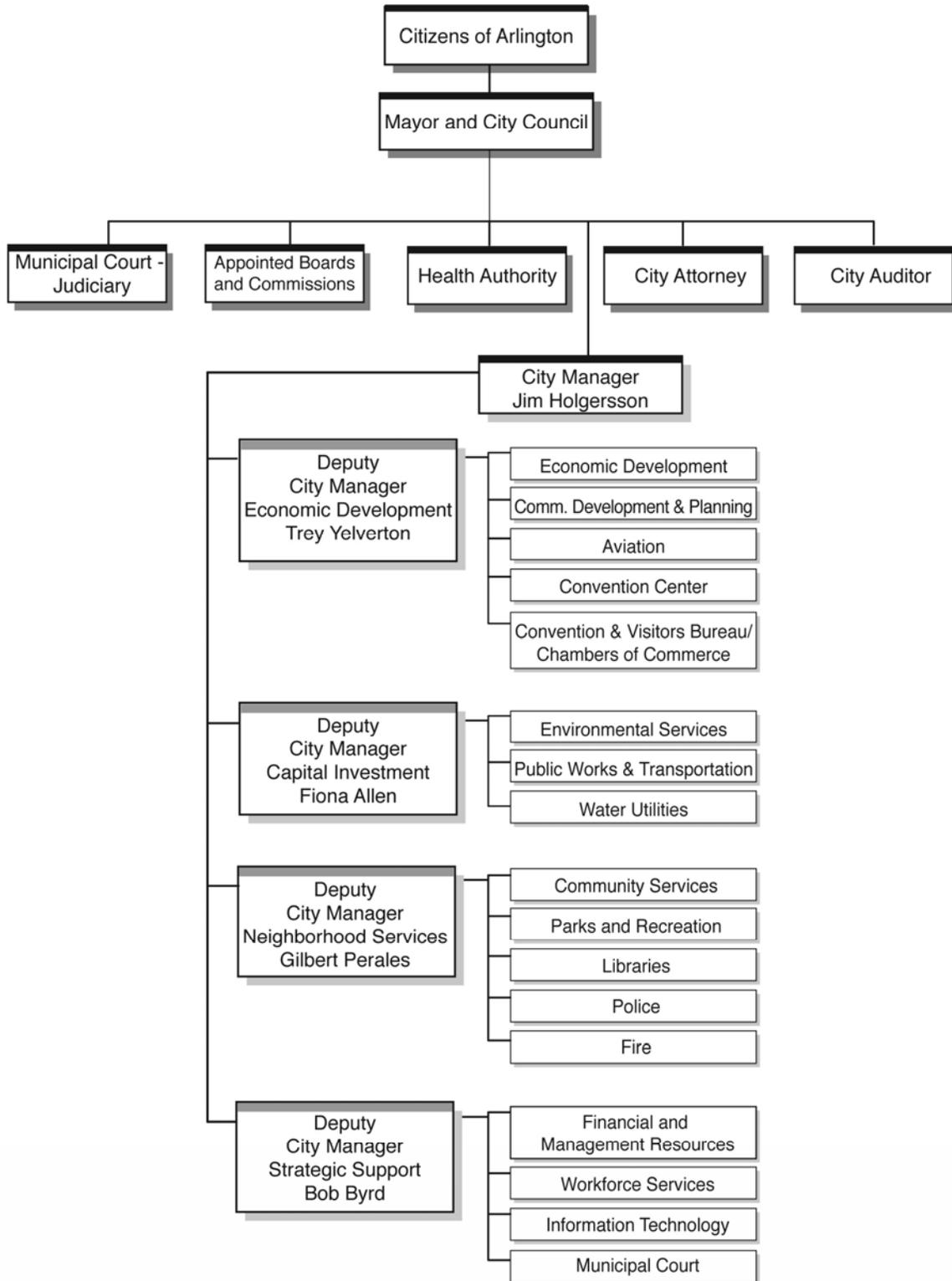
## Local Economic Indicators

Arlington has a diversified economy. Major employers include the Arlington Independent School District, The University of Texas at Arlington, Six Flags Over Texas, General Motors, and The Parks at Arlington. Major taxpayers include General Motors, TXU, The Parks at Arlington, Southwestern Bell, and Lincoln Square Ltd., and make up approximately 3.4 percent of the City's assessed value. Arlington has closely monitored its financial condition over the years, with a built-in conservative approach. City leaders are prepared to continue to manage City finances during the recession and will continue to take steps necessary to preserve the Arlington's Aa2/AA+/AA general obligation bond rating and our ability to serve the public.

	2006	2007	2008
<b>Property Tax Base in thousands</b>			
Personal	2,213,014	2,235,989	2,247,800
Real Estate	13,930,567	14,557,436	15,311,608
Total	16,143,581	16,793,425	17,559,408
<b>Property Tax Rate</b>			
Operations	0.4244	0.4467	0.4467
Debt Service	0.2236	0.2013	0.2013
Total	0.6480	0.6480	0.6480
<b>Sales Tax in thousands</b>			
Amount	76,483	79,781	81,385
Annual growth	9.3%	4.3%	2.0%
<b>Population</b>	362,393	364,300	369,150
<b>General Obligation Debt per Capita</b>	\$697	\$627	\$835
<b>Labor Force</b>	194,534	204,893	208,417
<b>Unemployment Rate</b>	5.1%	4.9%	4.0%
<b>Housing Start Permits Issued</b>	1,751	1,150	1,419
<b>Foreclosures (residential and commercial)</b>	2,957	3,125	3,338
<b>Occupancy Rates</b>			
Office	85.4%	87.4%	88.8%
Industrial	89.8%	92.3%	93.1%
Retail	93.3%	92.3%	91.3%
Residential (Multi-family)			
North Arlington - 4th Quarter	90.4%	93.9%	89.3%
South Arlington - 4th Quarter	93.0%	95.1%	91.3%



# City of Arlington Organization Chart



# 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, 2007

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.



A handwritten signature in black ink, appearing to read "M. L. R. M.", written in a cursive style.

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", written in a cursive style.

Executive Director

**City of Arlington, Texas  
City Council**



Robert Cluck  
**Mayor**  
Term expires  
May 2009



Kathryn Wilemon  
District 4  
**Deputy Mayor  
Pro Tem**  
Term expires  
May 2009



Lana Wolff  
District 5  
**Mayor Pro Tem**  
Term expires  
May 2009



Robert Shepard  
District 6 At Large  
Term expires  
May 2010



Mel LeBlanc  
District 1  
Term expires  
May 2010



Jimmy Bennett  
District 7 At Large  
Term expires  
May 2010



Sheri Capehart  
District 2  
Term expires  
May 2010



Gene Patrick  
District 8 At Large  
Term expires  
May 2009



Robert Rivera  
District 3  
Term expires  
May 2009

## 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, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Arlington, Texas (the "City"), as of and for the year ended September 30, 2008, 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 Housing Authority of the City of Arlington, Texas, or the Arlington Convention and Visitors Bureau, Inc., which statements reflect total assets constituting 7.92% and 0.68%, respectively, of total discrete component unit assets as of September 30, 2008, and total program revenues constituting 42.19% and 6.88%, respectively, of total discrete component unit program revenues for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Arlington, Texas, and the Arlington Convention and Visitors Bureau, Inc., is based solely on the report 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. The financial statements of the Arlington Convention and Visitors Bureau, Inc., were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of

Arlington, Texas, as of September 30, 2008, and the respective changes in financial position and respective cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009, 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.

Management's Discussion and Analysis, the Budgetary Comparison Schedule – General Fund, the Schedule of Funding Progress – TMRS, the Schedule of Funding Progress – Part-Time Deferred Income Trust, the Schedule of Funding Progress – Disability Income Plan, and the Schedule of Funding Progress – Postemployment Healthcare Plan are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City of Arlington's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an 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 listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These financial statements and schedules are the responsibility of the City of Arlington's management. Such additional information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The introductory section and statistical section as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements for the City. This 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.

*Deloitte & Touche LLP*

February 27, 2009

## CITY OF ARLINGTON, TEXAS

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

SEPTEMBER 30, 2008

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, 2008. It should be read in conjunction with the accompanying letter of transmittal and financial statements.

#### FINANCIAL HIGHLIGHTS

- City's net assets of governmental activities **increased** by \$124M (16%) this year, primarily because of an increase in funding construction in progress (CIP) of \$310M. The increase in CIP is attributable to the ongoing construction of the Dallas Cowboys Complex Development Project (Cowboys Project). This year, the City recorded an increase in construction costs of \$280M, which includes \$142M in contributions from the Cowboys Stadium, L.P.
- The City's **increase** in total net assets of \$147M for the year was \$40M lower than the increase last year. This variance is primarily attributable to a \$23M decline in gas lease revenues plus a \$9M decrease in interest income.
- The City's governmental funds reported combined ending fund balances of \$232M, a **decrease** of \$84M from the prior year. The majority of this decrease is due to the Stadium Venue Fund's capital outlay (net of the Cowboys Stadium, L.P. contribution) of \$139M less a debt issuance in the Streets Capital Project Fund of \$44M.
- The 2008 General Fund unreserved fund balance was \$49M and unreserved and undesignated fund balance was \$.5M. In 2007 the comparable balances were \$53M and \$5.6M. Fund balance decreased due to the use of one-time funding for various projects.
- Total debt of \$730M **increased** \$82M during the year. Debt issues in 2008 includes \$16M short-term Commercial Paper, \$58M General Obligation Bonds which includes \$8M of refunded commercial paper, \$13M Combination Tax and Revenue Certificates of Obligation, \$34M Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, and \$2M Water and Wastewater System Revenue. Bond principal payments total \$34M on existing obligations. Debt is allocated 87% for general government, with the remaining 13% to water and wastewater activities.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's "basic financial statements" have three parts, government-wide financial statements, fund financial statements and notes to the financial statements. This is the portion of the CAFR on which the auditors opine. The 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 the City's finances.

- **The Statement of Net Assets** presents information on all of the 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 is improving or deteriorating. The Statement of Net Assets combines governmental funds' current financial resources (short-term spendable resources) with additional accruals, capital assets and long-term obligations. Other non-financial factors should also be taken into consideration to assess the overall health or financial condition of the City, such as changes in the City's property tax base and the condition of the City's infrastructure.
- **The Statement of Activities** shows how the net assets changed during the most recent 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 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.

In the aforementioned statements the City's business 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, 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, Arlington Tomorrow Foundation, 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.

**CITY OF ARLINGTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2008**

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 defined in a reconciliation following the fund financial statements.

The City maintains twenty-five 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, Streets Capital Projects 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 the report.

The City charges customers for water and sewer services. These services are reported in an enterprise fund, a type of proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The internal service funds, another component of proprietary funds, report activities that provide supplies and services for the City such as self-insurance and fleet maintenance functions.

## **THE CITY AS TRUSTEE**

### **Reporting the City's Fiduciary Responsibilities**

The City is the trustee, or fiduciary, for several funds, including the 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. While individual funds are provided in the report, the assets and 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.

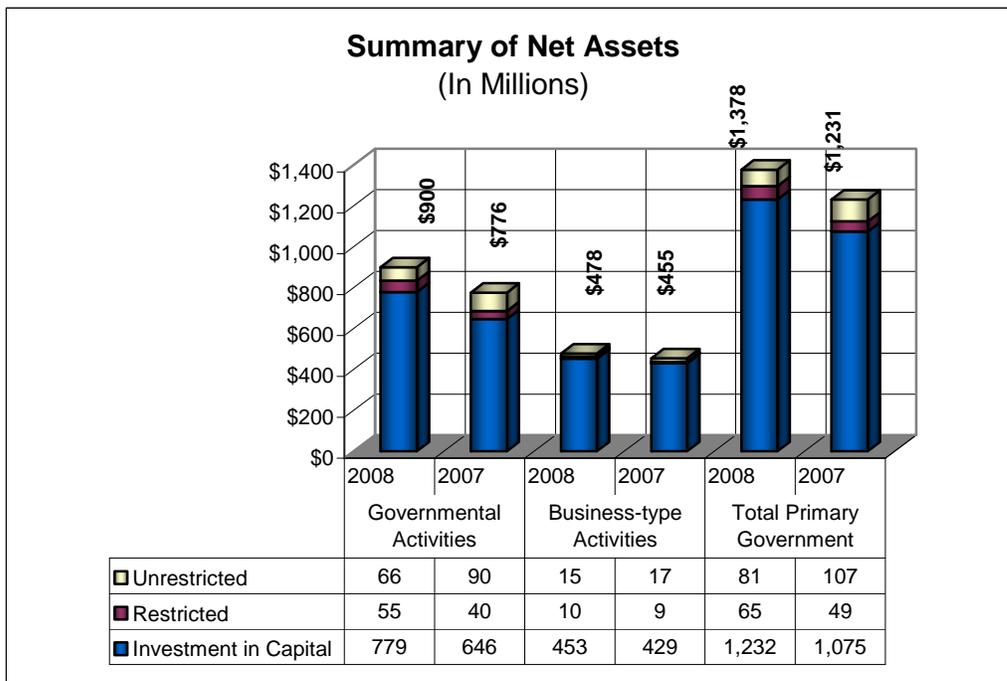
## **NOTES TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION**

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

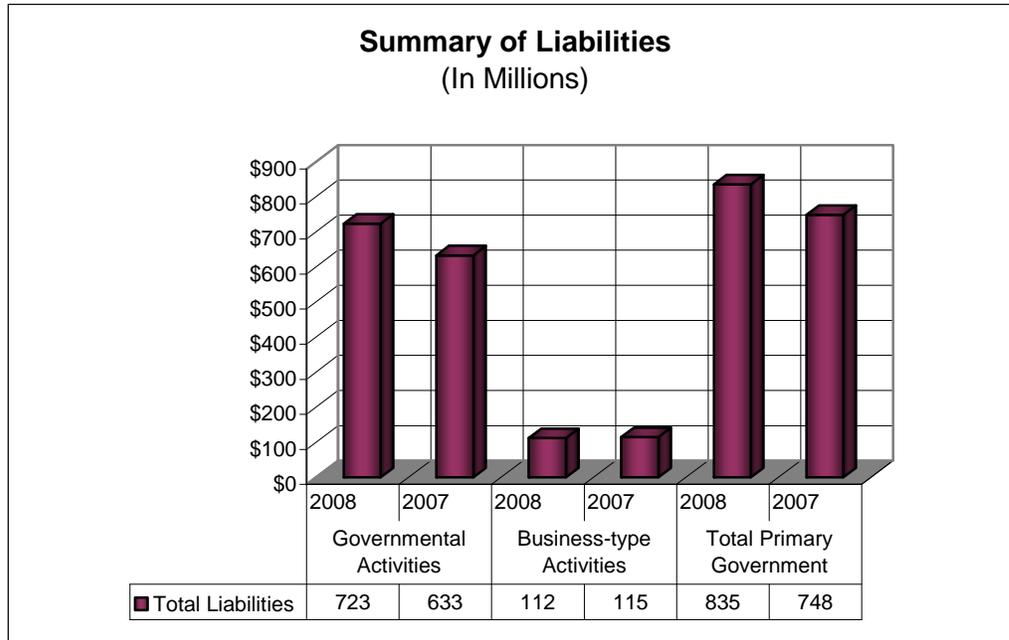
**THE CITY AS A WHOLE – Government-wide Financial Analysis**

The City's combined net assets were \$1.4B as of September 30, 2008. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$478M million. This analysis focuses on the net assets and changes in general revenues and significant expenses of the City's governmental and business-type activities.

By far the largest portion of the City's net assets (89%) 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, 2008**



**Table 1**  
**Summary of Net Assets**

(Amounts Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 332	\$ 415	\$ 94	\$ 101	\$ 426	\$ 516
Capital assets	1,291	994	496	469	1,787	1,463
Total assets	<u>1,623</u>	<u>1,409</u>	<u>590</u>	<u>570</u>	<u>2,213</u>	<u>1,979</u>
Long-term liabilities	613	547	84	92	697	639
Other liabilities	110	86	28	23	138	109
Total liabilities	<u>723</u>	<u>633</u>	<u>112</u>	<u>115</u>	<u>835</u>	<u>748</u>
Net assets:						
Invested in capital assets, net of related debt	779	646	453	429	1,232	1,075
Restricted	55	40	10	9	65	49
Unrestricted	66	90	15	17	81	107
Total net assets	<u>\$ 900</u>	<u>\$ 776</u>	<u>\$ 478</u>	<u>\$ 455</u>	<u>\$ 1,378</u>	<u>\$ 1,231</u>

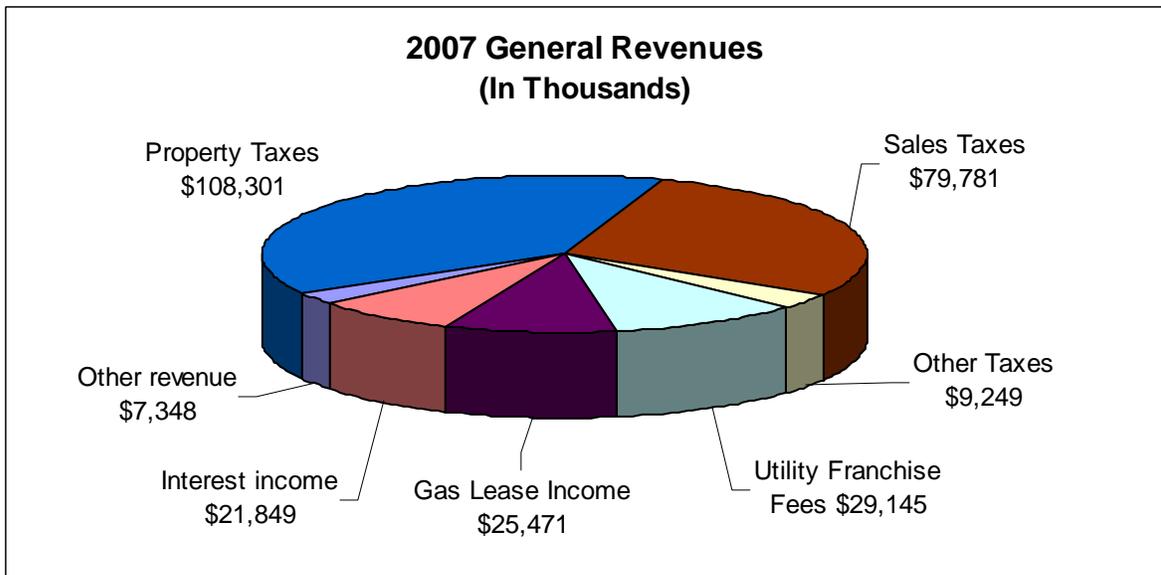
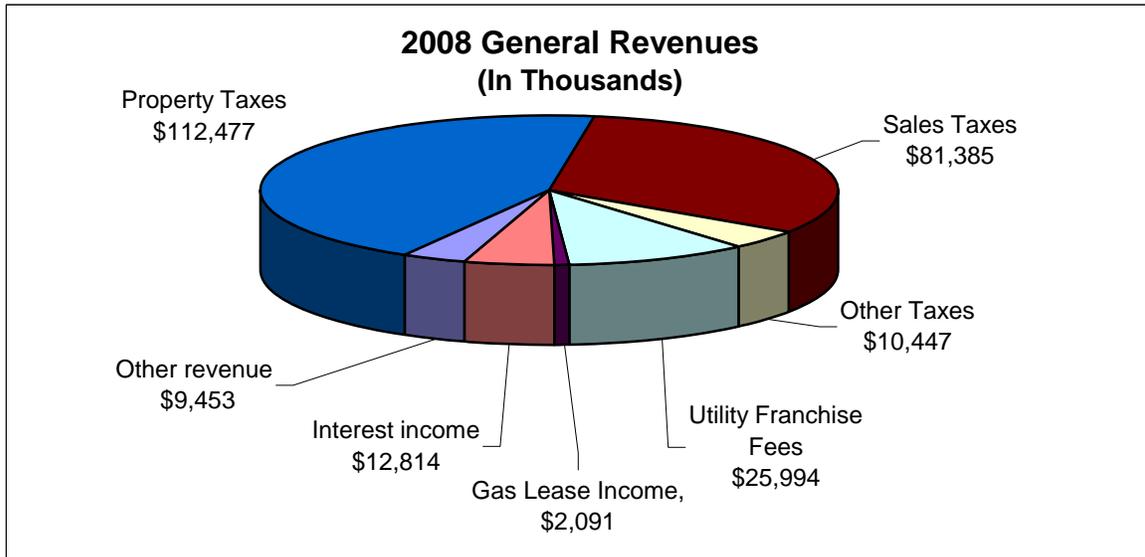
**Governmental Activities**

The City's general revenues decreased 9% (\$26M) compared to the prior year. The primary reason for this decrease is a \$23M decrease in revenues from natural gas leases. For fiscal year 2008, the number of new gas leases on City property remained steady compared to fiscal year 2007 (eight new leases in 2008 vs. seven in 2007), but the overall upfront bonuses for those leases declined. Furthermore, in 2008, 90% of all gas lease bonus proceeds were deposited with the Arlington Tomorrow Foundation, an endowment fund created by the City for the long-term benefit of the Arlington Community.

Property tax revenue increased \$4.2M due to increased property valuations and the addition of new property throughout the City. The assessed value of the property in the

**CITY OF ARLINGTON, TEXAS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
 SEPTEMBER 30, 2008**

City increased by \$766M or 4.8% while the property tax rate of \$0.6480 per \$100 assessed valuation remained the same as in 2007.



**CITY OF ARLINGTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2008**

Governmental and Business-type activities increased the City's net assets by \$147 in 2008 and \$187M in 2007. The key elements of these increases are:

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

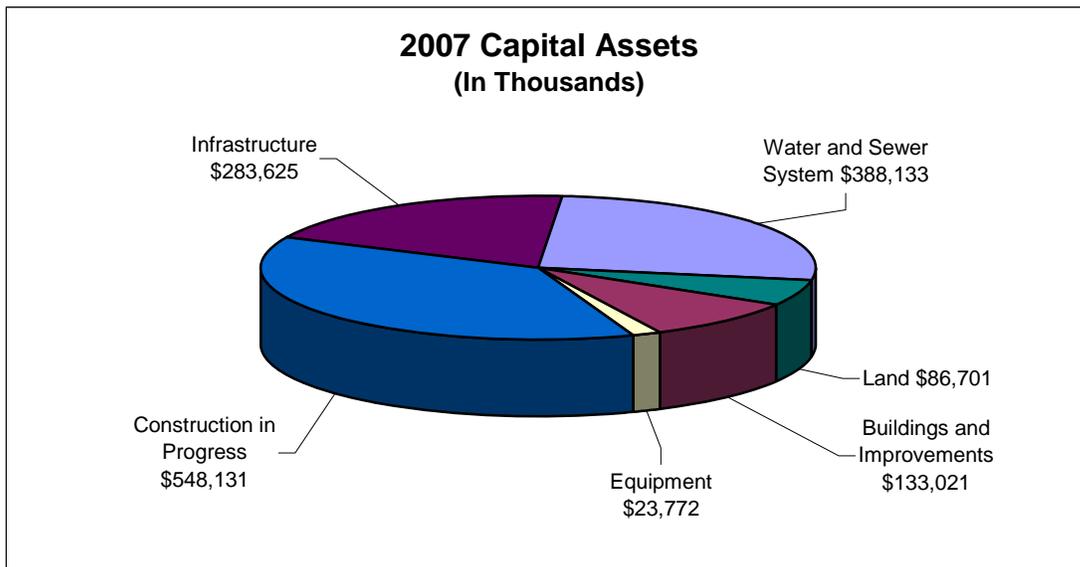
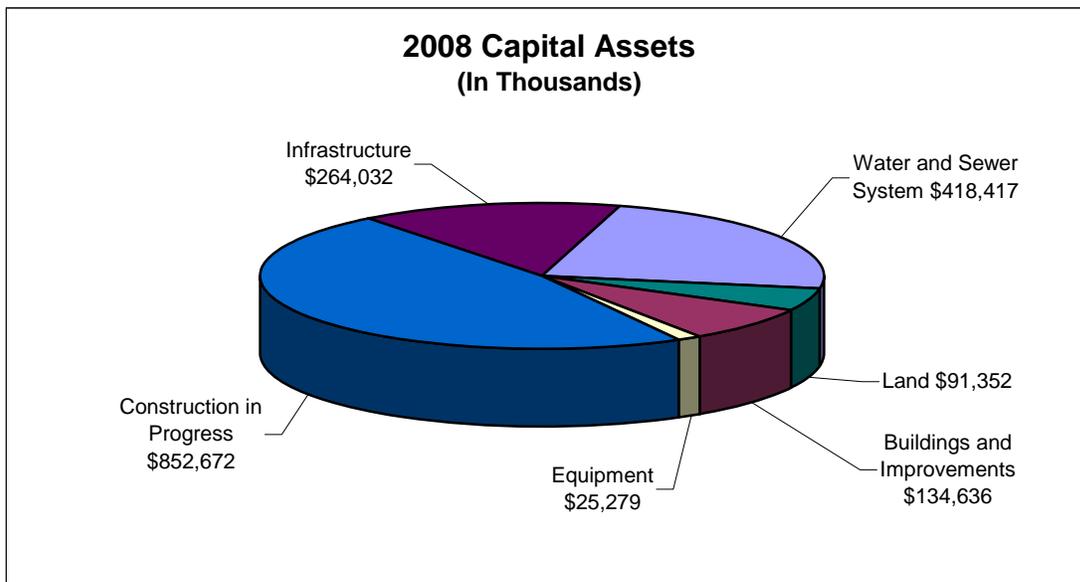
	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$45,232	\$39,320	\$ 102,324	\$ 88,786	\$ 147,556	\$ 128,106
Operating grants and contributions	20,787	14,102	-	-	20,787	14,102
Capital grants and contributions	145,029	121,720	2,622	3,600	147,651	125,320
General Revenues:						
Taxes	204,309	197,331	-	-	204,309	197,331
Utility franchise fees	25,994	29,145	-	-	25,994	29,145
Gas Lease Income	2,091	25,471	-	-	2,091	25,471
Interest Income	12,814	21,849	2,196	1,685	15,010	23,534
Other	9,453	7,348	(49)	257	9,404	7,605
<b>Total revenues</b>	<b>465,709</b>	<b>456,286</b>	<b>107,093</b>	<b>94,328</b>	<b>572,802</b>	<b>550,614</b>
<b>Expenses:</b>						
General government	43,788	34,120	-	-	43,788	34,120
Public safety	123,587	113,343	-	-	123,587	113,343
Public works	84,115	73,161	-	-	84,115	73,161
Public health	1,920	1,735	-	-	1,920	1,735
Parks and recreation	28,027	26,826	-	-	28,027	26,826
Public welfare	39,282	11,136	-	-	39,282	11,136
Convention and event services	6,533	5,628	-	-	6,533	5,628
Interest and fiscal charges	26,624	24,581	-	-	26,624	24,581
Water and sewer	-	-	71,929	72,945	71,929	72,945
<b>Total expenses</b>	<b>353,876</b>	<b>290,530</b>	<b>71,929</b>	<b>72,945</b>	<b>425,805</b>	<b>363,475</b>
<b>Increase in net assets before transfers</b>	<b>111,833</b>	<b>165,756</b>	<b>35,164</b>	<b>21,383</b>	<b>146,997</b>	<b>187,139</b>
Transfers	12,462	6,520	(12,462)	(6,520)	-	-
<b>Increase in net assets</b>	<b>124,295</b>	<b>172,276</b>	<b>22,702</b>	<b>14,863</b>	<b>146,997</b>	<b>187,139</b>
<b>Net Assets, October 1,</b>	<b>775,698</b>	<b>603,422</b>	<b>455,107</b>	<b>440,244</b>	<b>1,230,805</b>	<b>1,043,666</b>
<b>Net Assets, September 30</b>	<b>\$ 899,993</b>	<b>\$ 775,698</b>	<b>\$ 477,809</b>	<b>\$ 455,107</b>	<b>\$ 1,377,802</b>	<b>\$ 1,230,805</b>

Expense increases in public safety were due primarily to an increase in salary and benefits of \$8M caused by general pay increases along with the hiring 13 additional police officers. Expense increases in public welfare were primarily the result of a contribution of gas lease bonus proceeds to the Arlington Tomorrow Foundation. Revenue and expense variances in business activities (Water and Wastewater) were due to a dryer than normal summer.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year 2008, the City had \$1.8B invested in a broad range of capital assets. This amount represents a net increase (including additions and deductions) of \$323M or 22% over the prior fiscal year. The \$323M increase combines a \$296M increase in Governmental Activities with a \$27M increase in Business-type Activities. The increase in Governmental Activities is mostly due to \$280M 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 5 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.



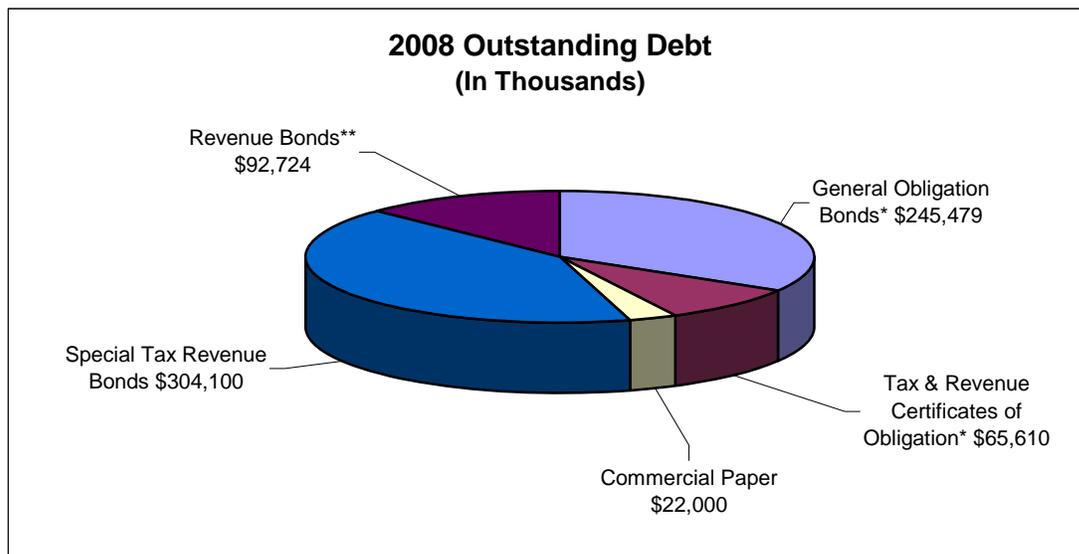
**CITY OF ARLINGTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2008**

Major capital asset additions during the fiscal year, other than the Cowboys Project include the following:

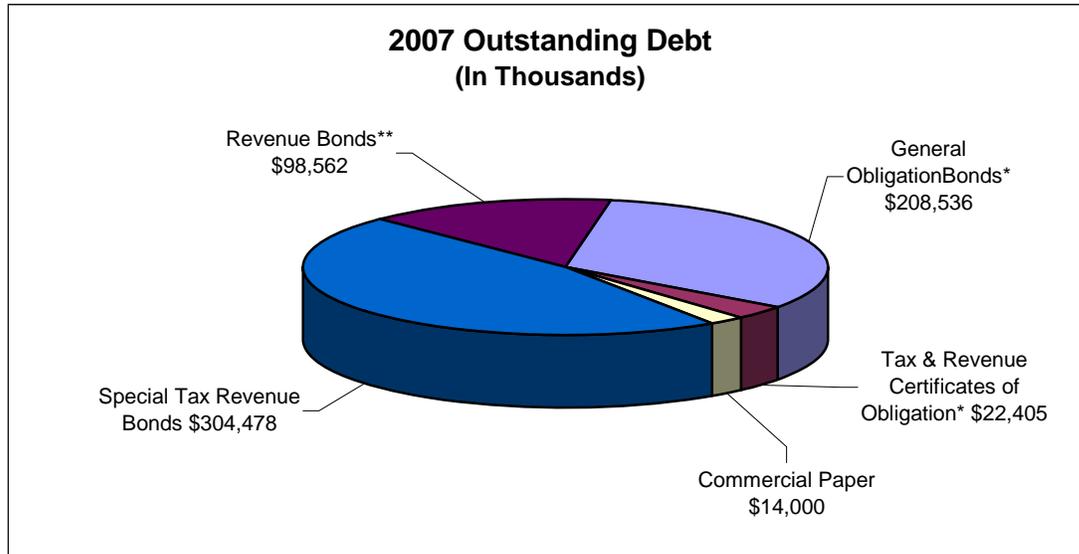
- Private developer capital contributions of \$3M to the City's water, sewer, and drainage infrastructure in connection with various residential and commercial developments
- Water and sewer system capital improvements and expansion totaling \$40M
- A variety of storm drainage and street construction projects with capital outlay totaling \$29M
- Various capital outlays totaling \$8M for improvement of the City's parks and recreation facilities
- Various capital outlays of \$8M for police and fire public safety improvements

**Debt**

At year-end, the City had \$730M in debt, an increase of \$82M from 2007



**CITY OF ARLINGTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2008**



\*Secured by City Tax Base

\*\*Secured by Water and Sewer Revenue

During the current fiscal year, the City issued \$58M General Obligation Bonds, which includes \$8M of refunded commercial paper, \$13M in Certificates of Obligation, and \$34M in Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation. The City also issued \$2M in Water and Wastewater System revenue bonds for the purpose of improving and extending the water and wastewater system. Additionally, the City issued \$16M in short term commercial paper for interim funding of capital projects. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2008, because of its strong financial position, the City was upgraded from an AA to an AA+ rating by Standard and Poor's Corporation on its tax supported debt. The City maintained its AA rating from Fitch, Inc. and its Aa2 rating from Moodys Investor Services. The City also has an AA rating from Standard and Poor's Corporation, an Aa3 rating from Moodys Investor Service and an AA+ from Fitch, Inc. on its outstanding water and wastewater revenue bonds. The ratings on the Cowboys Complex Special Obligations are rated A2 by Moody's and AA by Standard and Poor's.

General bonded debt per capita went from 665 in 2007 to 895 in 2008. The reasons for this increase are:

- The 2007 Permanent Improvement Bonds and Certificates of Obligation totaling \$25M did not close until early 2008
- The 2008 Permanent Improvement Bonds and Certificates of Obligation totaling \$46M closed in mid 2008
- The 2008 \$34M Certificates of Obligation backed by incremental revenues from the Entertainment District (TIRZ 5) were issued in mid 2008

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 2%.

**CITY OF ARLINGTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2008**

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 \$8M in 2008 compared to \$10M in 2007.

**DALLAS COWBOYS COMPLEX DEVELOPMENT PROJECT**

The Stadium Complex is on schedule to open in June 2009, with the 2009 being the inaugural season played in Arlington.

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. Pursuant to the agreement, the City will pay half the cost, up to \$325M, to build the Complex. In July of 2005, the City issued \$298M Dallas Cowboy Complex Special Obligations, pledging one-half cent sales tax, two percent hotel occupancy tax and five percent car rental tax. The proceeds of debt issuance, along with interest earnings, and revenues from the pledged taxes, which are not required for debt service, 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 \$2M 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, \$148M 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 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**

The governmental funds of the City reported a combined fund balance of \$232M. The balance includes a decrease in fund balance of \$4M in the City's General Fund. This decrease is primarily attributable to the use of \$5M in one-time funding for storm water capital projects, information technology projects and a one percent one-time pay increase for City Staff. In addition, these other changes in fund balances should be noted:

- The City's Debt Service fund balance of \$50M is \$16M higher from last year's fund balance of \$34M attributable to tax revenue exceeding debt service payments.
- The City recorded a contribution for \$142M from the Cowboys Stadium, L.P. and expended \$280M for the Cowboys Stadium Complex Project, contributing to a net decrease in fund balance of \$136M 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 \$8M.
- The City spent \$24M in capital outlay in the Street Capital Projects fund, down \$4M from last year. The decrease is due to lower spending on existing street projects.
- The City's water and sewer fund net assets of \$478M increased by \$23M over the prior year net asset balance. The increase in net assets is primarily due to operating revenues exceeding operating expenses by \$33M.

## **GENERAL FUND BUDGET HIGHLIGHTS**

There was \$2M in General Fund budget amendments in 2008. The additional budgeted expenditures were \$326,000 to partially fund thirteen additional police officers, \$56,000 for the cost of one fire inspector, \$165,000 for cost of elections, \$800,000 for City Hall remodeling costs, \$56,000 for the cost of one construction specialist, and \$525,000 for three full time employees for the public works department.

Actual expenditures on a budgetary basis of \$197M equaled budgeted expenditures of \$197M.

Actual revenues on a budgetary basis were \$195M, compared to the budget amount of \$193M. The \$2M positive variance is primarily due to an increase in the utility franchise fees.

## **ECONOMIC FACTORS AND FISCAL YEAR 2009**

The City's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for the business-type activities. The City is seeing a mixed future revenue picture and continues an ongoing diligent examination of expenditures. This combination supports an environment of guarded watchfulness for fiscal 2009. The City is experiencing slight positive economic growth. Assessed property tax values continue to grow, but at a slower rate than previous years. Sales tax revenues had stabilized but are showing weakening trends in early 2009.

**CITY OF ARLINGTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2008**

In 2009, the City continues to face short-term budgetary challenges and has made an effort to identify areas where resources can be reallocated, not added. The City's total General Fund revenues for 2009 are budgeted at \$199M, up 3.1% over 2008, while total General Fund expenditures are \$198M up 3.2% for the year

The General Fund's largest single revenue source is property taxes. This revenue represents 40% of the General Fund budget. The property tax rate for 2009 is \$0.6480 per \$100 valuation, unchanged since 2004. The tax rate is allocated 69% for General Fund activities, with the remaining 31% for debt service.

The General Fund property tax revenue for 2009 is estimated to be \$80M up \$2M or 2% 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 dedicated to the Street Maintenance Fund, and one-half cent provides for the debt service for the Cowboy Project debt. Sales tax revenue for the General Fund for fiscal year 2009 is estimated at \$48M, up \$2M or 4% over last year.

The largest revenue sources for the Water and Sewer Fund is water sales and wastewater treatment budgeted at \$102M. The City maintains a rate structure designed to ensure that each category of service is self supporting.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's fiscal accountability. If you have questions about this report or need additional financial information, contact Controller Sherry Wright ([sherry.wright@arlingtontx.gov](mailto:sherry.wright@arlingtontx.gov)) in the Financial and Management Resources Department, at the City of Arlington, 101 S. Mesquite St., Suite 800, Arlington, TX 76010. The City is also an active member of Disclosure USA, which keeps the Arlington CAFR on file. Additionally, the CAFR can be found on the City's website at <http://www.ci.arlington.tx.us>.

**CITY OF ARLINGTON, TEXAS  
STATEMENT OF NET ASSETS  
AS OF SEPTEMBER 30, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 285,503	\$ 12,231	\$ 297,734	\$ 55,103
Investments	-	-	-	17,033
Receivables (net of allowance for uncollectibles):				
Taxes	4,728	-	4,728	-
Sales taxes	14,136	-	14,136	-
Grants	-	-	-	136
Leases	-	-	-	17,829
Trade accounts	146	6,765	6,911	-
Franchise fees	6,404	-	6,404	-
Unbilled trade accounts	-	7,117	7,117	-
Special assessments	192	-	192	-
Accrued interest	2,333	-	2,333	34
Settlement agreement	-	-	-	10,759
Code enforcement	1,184	-	1,184	-
Other	3,358	49	3,407	190
Internal balances	1	(1)	-	-
Due from other governments	3,148	-	3,148	-
Deferred charge - issuance costs	4,275	-	4,275	-
Inventory of supplies	907	496	1,403	3
Prepaid expenses	2	-	2	11
Restricted assets-				
Bond contingency-				
Investments	-	11,087	11,087	-
Accrued interest receivable	-	119	119	-
Capital construction-				
Investments	-	51,310	51,310	-
Assessments receivable	-	4	4	-
Meter deposits-				
Investments	-	4,880	4,880	-
Investment-				
Closure/Post-closure trust fund	5,645	-	5,645	-
Capital Assets-				
Land	84,922	6,430	91,352	-
Buildings and improvements	212,175	2,833	215,008	2,739
Water and sewer system	-	601,688	601,688	-
Machinery and equipment	68,996	10,437	79,433	1,478
Infrastructure	792,661	-	792,661	-
Construction in progress	784,129	68,543	852,672	-
Accumulated depreciation	(652,194)	(194,232)	(846,426)	(2,333)
<b>Total Assets</b>	<b>\$ 1,622,651</b>	<b>\$ 589,756</b>	<b>\$ 2,212,407</b>	<b>\$ 102,982</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, 2008  
(CONTINUED)  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 20,655	\$ 4,965	\$ 25,620	\$ 1,147
Retainage payable	2,587	-	2,587	-
Accrued interest	2,508	-	2,508	-
Unearned revenue	10,530	-	10,530	10,687
Commercial paper	22,000	-	22,000	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	5,053	5,053	-
Retainage payable	-	1,075	1,075	-
Accrued interest	-	1,334	1,334	-
Meter deposits	-	4,880	4,880	-
Non-current liabilities				
Due within one year:				
Estimated claims payable	4,740	-	4,740	-
Sales tax payable	149	-	149	74
General obligation debt	25,230	-	25,230	-
Special tax revenue debt	19,411	-	19,411	-
Accrued compensated absences	1,572	137	1,709	-
Capital lease obligation	665	-	665	-
Bonds payable	-	-	-	17,180
Revenue bonds	-	10,090	10,090	-
Due in more than one year:				
Arbitrage rebate	183	-	183	-
Estimated claims payable	3,562	-	3,562	-
Sales tax payable	485	-	485	239
Net other post-employment benefit obligation	4,772	-	4,772	-
General obligation and certificates of obligation debt	285,859	-	285,859	-
Special tax revenue debt	284,689	-	284,689	-
Landfill closure accrued liabilities	5,645	-	5,645	-
Accrued compensated absences	26,591	1,779	28,370	-
Capital lease obligation	825	-	825	-
Revenue bonds	-	82,634	82,634	-
<b>Total Liabilities</b>	<b>722,658</b>	<b>111,947</b>	<b>834,605</b>	<b>29,327</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	778,516	453,210	1,231,726	1,867
Restricted for debt service	50,274	9,753	60,027	16,061
Restricted for use of impact fees	5,307	-	5,307	-
Restricted for endowments	-	-	-	36,765
Unrestricted	65,896	14,846	80,742	18,962
<b>Total Net Assets</b>	<b>\$ 899,993</b>	<b>\$ 477,809</b>	<b>\$ 1,377,802</b>	<b>\$ 73,655</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, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 43,788	\$ 10,528	\$ 4,745	\$ 128
Public safety	123,587	13,998	4,164	-
Public works	84,115	5,898	2,695	1,647
Public health	1,920	2,692	-	-
Parks and recreation	28,027	9,529	21	143,254
Public welfare	39,282	-	9,162	-
Convention and event services	6,533	2,587	-	-
Interest and fiscal charges	26,624	-	-	-
<b>Total Governmental Activities</b>	<u>353,876</u>	<u>45,232</u>	<u>20,787</u>	<u>145,029</u>
<b>Business-Type Activities:</b>				
Water and sewer	71,929	102,324	-	2,622
<b>Total Business-Type Activities</b>	<u>71,929</u>	<u>102,324</u>	<u>-</u>	<u>2,622</u>
<b>Total Primary Government</b>	<u>\$ 425,805</u>	<u>\$ 147,556</u>	<u>\$ 20,787</u>	<u>\$ 147,651</u>
<b>Component Units:</b>				
Arlington Sports Facilities				
Development Authority, Inc.	\$ 2,983	\$ 2,520	\$ -	\$ -
Arlington Housing Authority	26,738	-	23,089	-
Arlington Convention and Visitors Bureau	3,371	3,488	278	-
Arlington Tomorrow Foundation	1,207	-	-	25,341
Arlington Housing Finance Authority	51	-	10	-
<b>Total Component Units</b>	<u>\$ 34,350</u>	<u>\$ 6,008</u>	<u>\$ 23,377</u>	<u>\$ 25,341</u>

General Revenues:  
 Property taxes  
 Sales taxes  
 Criminal justice tax  
 State liquor tax  
 Bingo tax  
 TIF/TIRZ tax  
 Occupancy tax  
 Franchise fees based on gross receipts  
 Gas lease and royalties  
 Interest  
 Net increase (decrease) in fair value of investments  
 Other  
 Transfers  
 Total general revenues and transfers  
 Change in net assets  
 Net assets - beginning  
 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>
\$ (28,387)	\$ -	\$ (28,387)	\$ -
(105,425)	-	(105,425)	-
(73,875)	-	(73,875)	-
772	-	772	-
124,777	-	124,777	-
(30,120)	-	(30,120)	-
(3,946)	-	(3,946)	-
(26,624)	-	(26,624)	-
<u>(142,828)</u>	<u>-</u>	<u>(142,828)</u>	<u>-</u>
-	33,017	33,017	-
-	33,017	33,017	-
<u>\$ (142,828)</u>	<u>\$ 33,017</u>	<u>\$ (109,811)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (463)
-	-	-	(3,649)
-	-	-	395
-	-	-	24,134
-	-	-	(41)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,376</u>
112,477	-	112,477	-
81,385	-	81,385	-
354	-	354	-
1,005	-	1,005	-
105	-	105	-
2,074	-	2,074	-
6,909	-	6,909	-
25,994	-	25,994	-
2,091	-	2,091	11,044
12,814	2,196	15,010	3,729
182	(49)	133	94
9,271	-	9,271	291
12,462	(12,462)	-	-
<u>267,123</u>	<u>(10,315)</u>	<u>256,808</u>	<u>15,158</u>
124,295	22,702	146,997	35,534
775,698	455,107	1,230,805	38,121
<u>\$ 899,993</u>	<u>\$ 477,809</u>	<u>\$ 1,377,802</u>	<u>\$ 73,655</u>

**CITY OF ARLINGTON, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF SEPTEMBER 30, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	General	Debt Service	Stadium Venue	Street Capital Projects
<b>ASSETS</b>				
Cash and cash equivalents	\$ 51,687	\$ 46,288	\$ 8,077	\$ 47,091
Closure/Post-closure restricted cash	5,645	-	-	-
Receivables (net of allowance for uncollectibles)				
Taxes	3,006	425	-	-
Sales taxes	8,061	4,050	-	-
Franchise fees	6,404	-	-	-
Special assessments	-	-	-	192
Accrued interest	2,165	68	25	-
Other	2,676	172	-	-
Due from other funds	2,334	-	-	-
Due from other governments	-	-	-	-
Inventory of supplies, at cost	600	-	-	-
Prepaid expenditures	2	-	-	-
<b>Total Assets</b>	<u>\$ 82,580</u>	<u>\$ 51,003</u>	<u>\$ 8,102</u>	<u>\$ 47,283</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 8,789	\$ 729	\$ 332	\$ 2,774
Retainage payable	14	-	-	936
Due to other funds	-	-	-	-
Deferred revenue-				
Taxes	2,679	-	-	-
Closure/Post-closure trust fund	5,645	-	-	-
Landfill	7,545	-	-	-
Gas lease	-	-	-	-
Other	1,719	-	-	192
Commercial paper	-	-	-	17,000
<b>Total Liabilities</b>	<u>26,391</u>	<u>729</u>	<u>332</u>	<u>20,902</u>
<b>Fund Balances</b>				
Reserved for encumbrances	6,074	-	3,853	24,797
Reserved for debt service	-	50,274	-	-
Reserved for inventory	600	-	-	-
Reserved for prepaids	2	-	-	-
Reserved for capital projects	-	-	3,917	1,584
Reserved for street maintenance	-	-	-	-
Reserved for utility rate case	500	-	-	-
Reserved for court technology	-	-	-	-
Reserved for juvenile case manager	-	-	-	-
Unreserved-				
General fund				
Designated for working capital	16,512	-	-	-
Designated for subsequent years' expenditures	5,944	-	-	-
Designated for arbitrage	288	-	-	-
Designated for compensated absences	1,556	-	-	-
Designated for other post employment benefits	1,718	-	-	-
Designated for future initiatives	21,487	-	-	-
Designated for infrastructure	1,000	-	-	-
Undesignated	508	-	-	-
Special revenue funds				
Designated for working capital	-	-	-	-
Designated for hotel feasibility	-	-	-	-
Designated for capital maintenance	-	-	-	-
Designated for neighborhood grants	-	-	-	-
Designated for innovation/venture	-	-	-	-
Designated for reimbursement	-	-	-	-
Undesignated	-	-	-	-
<b>Total Fund Balances</b>	<u>56,189</u>	<u>50,274</u>	<u>7,770</u>	<u>26,381</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 82,580</u>	<u>\$ 51,003</u>	<u>\$ 8,102</u>	<u>\$ 47,283</u>

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

Other Nonmajor Funds	Total Governmental Funds
\$ 103,930	\$ 257,073
-	5,645
1,297	4,728
2,025	14,136
-	6,404
-	192
-	2,258
1,694	4,542
-	2,334
3,148	3,148
217	817
-	2
<u>\$ 112,311</u>	<u>\$ 301,279</u>

\$ 7,506	\$ 20,130
1,637	2,587
2,334	2,334
-	2,679
-	5,645
-	7,545
1,187	1,187
2,935	4,846
5,000	22,000
<u>20,599</u>	<u>68,953</u>

20,261	54,985
-	50,274
217	817
-	2
48,451	53,952
6,382	6,382
-	500
83	83
150	150
-	16,512
-	5,944
-	288
-	1,556
-	1,718
-	21,487
-	1,000
-	508
2,045	2,045
400	400
461	461
455	455
2,182	2,182
1,425	1,425
9,200	9,200
<u>91,712</u>	<u>232,326</u>
<u>\$ 112,311</u>	<u>\$ 301,279</u>

**CITY OF ARLINGTON, TEXAS  
RECONCILIATION OF THE STATEMENT OF NET ASSETS  
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET  
AS OF SEPTEMBER 30, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

**Total fund balance per balance sheet** **\$ 232,326**

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 \$12,801 recorded in the internal service funds). 1,277,888

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

	Deferred & Unearned	Unearned	
Taxes	\$ 2,679	\$ -	
Closure/Post-closure	5,645	-	
Landfill	7,545	7,545	
Gas lease	1,187	1,187	
Grant revenue	2,394	1,798	
Other	2,452	-	
	21,902	10,530	11,372

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. 31,749

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 \$9,269 recorded in the internal service funds).

Bonds payable		\$(606,520)	
Less: Deferred charge for issuance costs (to be amortized as interest expense)		4,275	
Premium general obligation debt		(10,600)	
Deferred loss refunding		1,931	
Accrued interest payable		(2,508)	
Arbitrage rebate		(183)	
Sales tax payable		(634)	
Landfill closure		(5,645)	
Compensated absences		(27,921)	
Net other post-employment benefit obligation		(4,772)	
Capital leases		(765)	(653,342)

**Net assets of governmental activities** **\$ 899,993**

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, 2008**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>General</u>	<u>Debt Service</u>	<u>Stadium Venue</u>	<u>Streets Capital Projects</u>
<b>REVENUES</b>				
Taxes	\$ 125,301	\$ 61,024	\$ -	\$ -
Licenses and permits	4,650	-	-	-
Utility franchise fees	25,994	-	-	-
Fines and forfeitures	10,515	-	-	-
Leases, rents and concessions	7,363	-	-	-
Service charges	4,386	-	-	-
Interest revenue	3,325	1,602	2,218	1,289
Net increase (decrease) in fair value of investments	(26)	9	92	55
Contributions	-	-	141,704	1,647
Intergovernmental revenues	-	-	4,351	-
Gas lease	-	-	-	-
Other	845	109	-	21
<b>Total Revenues</b>	<u>182,353</u>	<u>62,744</u>	<u>148,365</u>	<u>3,012</u>
<b>EXPENDITURES</b>				
Current-				
General government	34,776	-	-	-
Public safety	114,968	-	-	-
Public works	26,384	-	-	149
Public health	1,594	-	-	-
Public welfare	-	-	-	-
Parks and recreation	12,991	-	-	-
Convention and event services	-	-	-	-
Capital Outlay	322	-	280,295	24,100
Debt service-				
Principal retirement	-	24,825	-	-
Interest and fiscal charges	-	27,054	-	-
<b>Total Expenditures</b>	<u>191,035</u>	<u>51,879</u>	<u>280,295</u>	<u>24,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,682)</u>	<u>10,865</u>	<u>(131,930)</u>	<u>(21,237)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of bonds	-	-	-	38,135
Issuance of certificates of obligation	-	-	-	5,900
Capital lease proceeds	322	-	-	-
Gain on sale of land	-	-	-	-
Transfers in	15,956	5,236	-	-
Transfers out	(11,753)	-	(3,882)	-
<b>Total Other Financing Sources and Uses</b>	<u>4,525</u>	<u>5,236</u>	<u>(3,882)</u>	<u>44,035</u>
<b>Net Change in Fund Balances</b>	(4,157)	16,101	(135,812)	22,798
<b>Fund Balances, October 1,</b>	60,346	34,173	143,582	3,583
<b>Fund Balances, September 30</b>	<u>\$ 56,189</u>	<u>\$ 50,274</u>	<u>\$ 7,770</u>	<u>\$ 26,381</u>

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

<b>Other Nonmajor Funds</b>	<b>Total Governmental Funds</b>
\$ 19,206	\$ 205,531
-	4,650
-	25,994
-	10,515
-	7,363
18,090	22,476
3,157	11,591
71	201
1,678	145,029
16,268	20,619
2,091	2,091
3,940	4,915
<u>64,501</u>	<u>460,975</u>
1,135	35,911
4,617	119,585
19,435	45,968
232	1,826
39,253	39,253
11,461	24,452
6,533	6,533
32,944	337,661
-	24,825
-	27,054
<u>115,610</u>	<u>663,068</u>
<u>(51,109)</u>	<u>(202,093)</u>
19,830	57,965
41,210	47,110
-	322
2,105	2,105
9,641	30,833
(4,916)	(20,551)
<u>67,870</u>	<u>117,784</u>
16,761	(84,309)
74,951	316,635
<u>\$ 91,712</u>	<u>\$ 232,326</u>

**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, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

**Net change in fund balance - total governmental funds** **\$ (84,309)**

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 of capital assets recorded in the current period. 334,622

Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds. (39,007)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 194

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.

Issuance of general obligation debt	(105,075)	
Bond issuance cost	441	
Repayment of general obligation debt	24,825	
Repayment of capital lease	437	
Amortization of deferred loss on bond refunding	(543)	
Amortization of bond premium	<u>1,023</u>	
		(78,892)

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.

Compensated absences	(2,556)	
Arbitrage	787	
Accrued interest expense	(1,062)	
Post-employment benefit obligation expense	(4,772)	
Amortization of issuance cost	(199)	
Sales tax	<u>149</u>	
		(7,653)

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. (660)

**Change in net assets of governmental activities** \$ 124,295

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, 2008  
(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	\$ 12,231	\$ 28,430
Receivables (net of allowances for uncollectibles):		
Trade accounts	6,765	146
Unbilled trade accounts	7,117	-
Accrued interest	-	75
Other	49	-
Inventory of supplies, at cost	496	90
Subtotal	<u>26,658</u>	<u>28,741</u>
Restricted Assets:		
Bond contingency-investments	9,838	-
Capital construction-investments	35,712	-
<b>Total Current Assets</b>	<u>72,208</u>	<u>28,741</u>
<b>Non-Current Assets</b>		
Restricted Assets:		
Bond contingency- Investments	1,249	-
Accrued interest	119	-
Capital construction- Investments	15,598	-
Assessments receivable	4	-
Meter deposit investments	4,880	-
Capital Assets:		
Land	6,430	-
Buildings and improvements	2,833	467
Water and sewer system	601,688	-
Machinery and equipment	10,437	38,036
Construction-in-progress	68,543	-
Accumulated depreciation	(194,232)	(25,702)
Total Capital Assets (Net of Accumulated Depreciation)	<u>495,699</u>	<u>12,801</u>
<b>Total Noncurrent Assets</b>	<u>517,549</u>	<u>12,801</u>
<b>Total Assets</b>	<u>\$ 589,757</u>	<u>\$ 41,542</u>

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

(continued)

**CITY OF ARLINGTON, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2008  
(CONTINUED)  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Business-type Activities Enterprise Funds</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Water and Sewer</b>	
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 4,965	\$ 525
Accrued compensated absences	137	19
Revenue bonds payable from unrestricted assets	6,713	-
Capital lease obligation	-	310
<b>Current Liabilities Payable From</b>		
<b>Restricted Assets:</b>		
Accounts payable and accrued liabilities	5,053	-
Retainage	1,075	-
Accrued interest	1,334	-
Estimated claims payable	-	4,740
Revenue bonds payable	3,377	-
Meter deposits	4,880	-
<b>Total Current Liabilities</b>	<b>27,534</b>	<b>5,594</b>
<b>Noncurrent Liabilities:</b>		
Estimated claims payable	-	3,562
Compensated absences	1,779	223
Revenue bonds payable from unrestricted assets	82,634	-
Capital lease obligation	-	415
<b>Total Noncurrent Liabilities</b>	<b>84,413</b>	<b>4,200</b>
<b>Total Liabilities</b>	<b>111,947</b>	<b>9,794</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	453,210	11,787
Restricted for debt service	9,753	-
Unrestricted	14,847	19,961
<b>Total Net Assets</b>	<b>\$ 477,810</b>	<b>\$ 31,748</b>
Reconciliation to government-wide statements of net assets:		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(1)	
Net assets of business-type activities	<b>\$ 477,809</b>	

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

**CITY OF ARLINGTON, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Business-type Activities Enterprise Funds</u>		
	<u>Water and Sewer</u>		<u>Governmental Activities- Internal Service Funds</u>
<b>Operating Revenues</b>			
Water sales	\$ 54,312		\$ -
Sewer service	42,208		-
Service charges	-		30,279
Sundry	5,804		40
<b>Total Operating Revenues</b>	<u>102,324</u>		<u>30,319</u>
<b>Operating Expenses</b>			
Purchase of water	11,782		-
Purchase of sewage treatment	19,606		-
Salaries and wages	11,350		2,044
Employees' retirement	1,609		301
Supplies	3,576		4,588
Maintenance and repairs	2,779		2,933
Utilities	3,562		618
Claims (net of adjustments)	-		16,999
Legal and professional	-		456
Depreciation	11,595		3,732
Miscellaneous services	3,962		3,281
<b>Total Operating Expenses</b>	<u>69,821</u>		<u>34,952</u>
<b>Operating Income (Loss)</b>	<u>32,503</u>		<u>(4,633)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest revenue	2,196		964
Net decrease in the fair value of investments	(49)		(19)
Gain (Loss) on sale of assets	-		374
Interest expense and fiscal charges	(1,584)		(50)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>563</u>		<u>1,269</u>
Income before transfers and contributions	33,066		(3,364)
Contributions in aid of construction	2,622		-
Transfers in	-		5,980
Transfers out	(12,462)		(3,800)
<b>Change in Net Assets</b>	<u>23,226</u>		<u>(1,184)</u>
<b>Total Net Assets, October 1</b>	<u>454,584</u>		<u>32,932</u>
<b>Total Net Assets, September 30</b>	<u>\$ 477,810</u>		<u>\$ 31,748</u>
Net change in net assets - total proprietary funds	\$ 23,226		
Adjustment to reflect the consolidation of internal fund activities related to enterprise funds	(524)		
Change in net assets of business-type activities	<u>\$ 22,702</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, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Business-type Activities- Enterprise Funds</b>		<b>Governmental Activities- Internal Service Funds</b>
	<b>Water and Sewer</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 101,220	\$	33,667
Cash payments to suppliers	(41,545)		(33,953)
Cash payments to employees	(12,841)		(2,332)
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>46,834</b>		<b>(2,618)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	-		5,980
Transfers out	(12,462)		(3,800)
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<b>(12,462)</b>		<b>2,180</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(35,837)		(3,752)
Principal payments on capital lease	-		(267)
Interest payments on capital lease	-		(50)
Proceeds from sales of capital assets	-		441
Proceeds from issuance of long-term debt	2,335		-
Repayment of long-term debt	(8,230)		-
Interest payment long-term debt	(4,220)		-
<b>Net Cash Used For Capital And Related Financing Activities</b>	<b>(45,952)</b>		<b>(3,628)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from interest earnings	3,356		964
Net increase (decrease) in the fair value of investments	(49)		(19)
Purchase of investments	(30,528)		(1,799)
Maturities/sales of investments	84,351		4,589
<b>Net Cash Provided By Investing Activities</b>	<b>57,130</b>		<b>3,735</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>45,550</b>		<b>(331)</b>
<b>Cash And Cash Equivalents, October 1</b>	<b>12,231</b>		<b>28,761</b>
<b>Cash And Cash Equivalents, September 30</b>	<b>\$ 57,781</b>		<b>\$ 28,430</b>
<b>Reconciliation of operating income to net cash provided by (used for ) operating activities:</b>			
Operating income (Loss)	\$ 32,503	\$	(4,633)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	11,595		3,731
Interest earnings capitalized	(1,191)		-
Interest expense capitalized	2,556		-
Amortization of deferred loss on bond refunding	(57)		-
Provision for bad debts	(82)		-
(Increase) decrease in-			
Receivables	(941)		17
Inventory of supplies	(52)		30
Increase (decrease) in-			
Accounts payable and accrued liabilities	2,398		(486)
Estimated claims payable	-		(1,291)
Retainage payable	(77)		-
Meter deposits	155		-
Accrued compensated absences	27		14
Total adjustments	14,331		2,015
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>\$ 46,834</b>	<b>\$</b>	<b>(2,618)</b>
<b>Noncash investing, capital, and financing activities:</b>			
Contributions of capital assets from developers	2,622		-
Capital Leases	-		156

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, 2008**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 16,067
Investments		
Money market fund	22,460	-
U. S. Government bonds	-	-
Corporate bonds	750	-
Fixed income mutual bond funds	8,177	-
Common stock mutual bond funds	43,266	290
Balanced mutual funds	10,557	-
Participant borrowing	4,943	-
Self directed brokerage accounts	3,048	-
Total Investments	<u>93,201</u>	<u>290</u>
<b>Total Assets</b>	<u>93,201</u>	<u>\$ 16,357</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	-	\$ 16,067
IRC 401 deferred compensation plans	-	290
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 16,357</u>
 <b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 93,201</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, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 2,749
Employee contributions	5,635
Net appreciation (depreciation) in fair value of investments	(11,676)
<b>Total Additions</b>	<u>(3,292)</u>
<b>DEDUCTIONS</b>	
Benefits	4,123
Plan administration	60
<b>Total Deductions</b>	<u>4,183</u>
<b>Increase (Decrease) in Net Assets</b>	(7,475)
<b>Net Assets, October 1</b>	100,676
<b>Net Assets, September 30</b>	<u>\$ 93,201</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, 2008**

**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, 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 governmental 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 eight-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.

Arlington Property Finance Authority, Inc.

Arlington Property Finance Authority, Inc. (the "APFA") provides the City with a defined and funded self-insurance program for general and automotive liability. The financial statements of 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, APFA provides services entirely to the City and its employees.

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. (the "ASFDA") promotes economic development within the city. ASFDA's 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 (the "AHA") provides low income housing assistance within the City. The AHA's 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. (the "ACVB") promotes tourism within the City. The ACVB's 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 Tomorrow Foundation

The Arlington Tomorrow Foundation (The "ATF") oversees an endowment fund created by natural gas revenues to be used for the benefit of the Arlington community. The ATF's board of directors is appointed by the Mayor. The ATF's management is designated by the City, and City employees are responsible for the daily activities of the ATF; accordingly, the City has financial accountability over ATF's activities. Separate ATF component unit financial statements are not prepared.

Arlington Housing Finance Corporation

The Arlington Housing Finance Corporation (the "AHFC") provides financial assistance to low income, multi-family residences and single-family homebuyers within the City. The AHFC's 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 are not prepared.

### Arlington Industrial Development Corporation

The Arlington Industrial Development Corporation (the "AIDC") promotes industrial and commercial development within the City. The AIDC's 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 are not prepared.

### 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. The exception is that inter-fund services provided and used are not eliminated. 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 and sales taxes, franchise fees, 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, Stadium Venue Fund, and Street Capital Projects 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.). Interfund services provided and used are not eliminated in the consolidation.

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, a capital project fund, accounts for the planning, acquisition, establishment, development, and construction of the Dallas Cowboys Complex Development Project. Funds are provided primarily through bond sales and interest earnings.
- d. Street Capital Projects Fund accounts 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. Funds are provided primarily through bond sales, interest earnings, and impact fees.
- e. 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. The City's solid waste function is contracted out. The billings for this function are done by the City as a conduit for the contractor. The fee for this service is accounted for in the Water fund, while revenues from landfill fees are accounted for in the General 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 with maturities greater than one year at time of purchase 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 2008, approximately \$1,365,000 of interest costs, net of \$1,191,000 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 2008 for the Water and Sewer Fund amounted to approximately \$1,584,000 and \$2,196,000, 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, as other financing sources or uses or expenditures at the time of the debt issuance. 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 2008, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

*Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefit Other Than Pensions.* This statement established standards for the measurement, recognition, and display of other post employment benefits expense/expenditures, related liabilities and note disclosures in the financial statements. The City added the required footnote disclosures for fiscal year 2008. See Note 7.

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 defined the accounting for voluntary and involuntary termination benefits (i.e. early retirement incentives). This pronouncement had no impact on current financial statements.

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 established criteria 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. The City added the required footnote disclosures for fiscal year 2008. See Note 8.

Statement No. 50 ("GASB 50"), *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB), and in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The City amended the applicable note disclosure and RSI requirements. See Note 7.

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

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.

Statement No. 51 ("GASB 51"), *Accounting and Financial Reporting for Intangible Assets*, which is effective for the City beginning in fiscal year 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets.

Statement No. 52 ("GASB 52"), *Land and Other Real Estate Held as Investments by Endowments*, which is effective for the City beginning in fiscal year 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

Statement No. 53 ("GASB 53"), *Accounting and Financial Reporting for Derivative Instruments*, which is effective for the City beginning in fiscal year 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The statement requires that the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. Additional information about derivatives is disclosed in the notes to the financial statements, including identification of the risks to which hedging derivative instruments themselves expose a government.

The City has not yet determined the impact of implementing the above new pronouncements.

## **II. 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 expenditures on the budgetary basis and interdepartmental expenses which are eliminated. 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 schedules comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other revenue and expenditure 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 2008, the City Council approved budgetary expenditure amendments for the General Fund in the amount of \$1,927,837. These additional expenditures were to fund thirteen new police officers and one fire inspector in July 2008, one new construction specialist, three drainage crew staff, the remodel of the third floor City Hall, and additional election costs. The Convention and Visitors Bureau contract was increased by \$301,000 to fund enhanced website marketing, targeted media purchases, research to improve sales strategies, outreach initiatives to travel agencies, expanded printing and production of brochures and recruitment efforts for the new President and Chief Executive Officer.

The Budgetary Comparison Schedule 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. Excess of expenditures over appropriations**

For the year ended September 30, 2008, expenditures exceeded appropriations in the General fund by \$2,903,000 and \$217,000 in public safety and parks and recreation, respectively. These overexpenditures were funded by a reduction in other expenditure categories. In the Park Performance special revenue fund, expenditures exceeded appropriations by \$26,000. These overexpenditures were funded by available fund balance in the Park Performance special revenue fund. In the Water and Sewer enterprise fund, expenditures exceeded appropriations in the purchase of sewage treatment by \$380,000, employees' retirement by \$29,000, supplies by \$827,000, maintenance and repairs by \$263,000, utilities by \$293,000, and franchise fees by \$36,000. These overexpenditures were offset by underexpenditures in purchase of water, salaries and wages, depreciation and miscellaneous services.

### **C. Deficit fund equity**

Several of the special revenue funds account for expenditure driven grants. The funds make expenditures and then file for reimbursement from the granting agency. Reimbursements not received within sixty days of year end are deferred revenue, creating a deficit fund balance. Expenditure driven funds with end of year deficit fund balances and their respective deficits are:

Community Development Block Grant-\$519,000  
Texas Department of Transportation-\$458,000  
Texas Criminal Justice Division-\$11,000  
FEMA-\$229,000

These fund balances will all be replenished in 2009 from reimbursements funded by Federal and State Grants.

### **III. DETAILED NOTES ON ALL FUNDS**

#### **1. CASH, CASH EQUIVALENTS AND INVESTMENTS**

State statutes, the City's Investment Policy and the City's Depository Agreement govern the investments of the City. 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. Major provisions of the City's investment policy include the following: depositories must be FDIC-insured institutions, depositories must fully insure or collateralize all deposits, and investments must be purchased in the name of the City and be delivered to the City's agent for safekeeping.

Deposits - At September 30, 2008, the carrying amount of the City's demand deposits was a \$2,008,000 deficit (bank balance, \$4,289,000). The \$2,008,000 consisted of a \$1,274,000 balance in City Funds and a \$734,000 balance in Component Unit Funds. The balance in cash on hand was \$70,000 at year end.

Investments – The City is the beneficiary of a Closure/Post Closure Trust in the amount of \$5,645,000. This amount is recorded as an investment in trust and as a landfill closure accrued liability. Under the landfill lease agreement, the lessee must maintain a trust equal to the amount of the City's closure/post closure liability. The funds in this trust are to be used solely by the City to pay for closure and post closure expenses as they are incurred.

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, 2008, the City had the following cash, cash equivalents and investments (amounts in thousands):

<b>City Funds</b>	<b>Fair Value</b>	<b>Weighted average Maturity (in days)</b>
Demand Deposits	\$1,274	n/a
Cash on Hand	70	n/a
Other Cash in Bank	(99)	n/a
General Operating/Internal Pool	304,185	190
Dallas Cowboy Complex Development Project	8,016	1
Debt Service and Working Capital Reserve	7,068	244
Dallas Cowboy Complex Development Project Debt Service Reserve	40,894	1
Closure/Post-closure trust fund	5,645	1
Self-Insurance	3,603	24
<b>Total City</b>	<b>\$370,656</b>	
<b>Fiduciary Funds</b>	<b>Fair Value</b>	<b>Weighted average Maturity (in days)</b>
Agency Funds-Internal Pool	\$16,094	190
Agency Funds- Cash in Bank	(27)	n/a
Agency Funds- Mutual Funds	290	n/a
Pension Trust Funds – Money Market Fund	22,460	n/a
Pension Trust Funds – Corporate Bonds	750	n/a
Pension Trust Funds- Mutual Funds	69,991	n/a
<b>Total Fiduciary Funds</b>	<b>\$109,558</b>	
<b>Component Units</b>		
Demand Deposits	\$734	n/a
Cash in Bank	5,057	n/a
ATF – Internal Pool	47,432	190
ASFDA – Money Market	1,880	1
ASFDA – U.S. Treasury	14,229	45
AHA – Bank Cert. of Deposit	2,804	639
<b>Total Component Units</b>	<b>\$72,136</b>	
<b>Total Entity – Cash, Cash Equivalents and Investments</b>	<b>\$552,350</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"):

<b>Fund</b>	<b>Maximum Maturity</b>	<b>Maximum WAM</b>
General Operating	2 Years	1 Year
Capital Project	2 Years	18 Months
Dallas Cowboy Complex Development Project	4 Years	3 Years
Debt Service and Working Capital Reserve	5 Years	4 Years
Dallas Cowboy Complex Development Debt Service Reserve	7 Years	7 Years
Debt Service Sinking	7 Years	7 Years
Self-Insurance	7 Years	5 Years
Closure/Post-closure Trust Fund	10 Years	8 Years

*Credit Risk.* In accordance with its investment policy, the City minimizes credit risk by limiting investments to the safest type of investments. 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 Facilities Development Authority, Inc.'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, 2008 the City's overall portfolio consisted of:

<b>City Funds</b>	<b>Fair Value</b>
Demand Deposits	\$1,274
Cash on Hand	70
Cash in Bank	(99)
Federal Home Loan Bank Bonds	67,354
Federal Home Loan Mortgage Corp. Bonds	64,704
Federal National Mortgage Association Bonds	37,180
Farmer Mac Bonds	8,579
Federal Farm Credit Bonds	4,816
U.S. Treasury	1,289
Wells Fargo Money Market	54,555
TexPool	50,506
TexasDaily	35,420
TexStar	45,008
<b>Total City</b>	<b>\$370,656</b>
<b>Fiduciary Funds</b>	<b>Fair Value</b>
Agency Funds - Cash in Bank	\$(27)
Agency Funds - Mutual Funds	290
Agency Funds - Federal Home Loan Bank	3,443
Agency Funds - Federal Home Loan Mortgage Corp.	3,307
Agency Funds - Federal National Mortgage Association	1,900
Agency Funds - Farmer Mac	439
Agency Funds - Federal Farm Credit	246
Agency Funds - U.S. Treasury	66
Agency Funds - TexPool	2,582
Agency Funds - TexasDaily	1,810
Agency Funds - TexStar	2,301
Pension Trust Funds - Money Market Fund	22,460
Pension Trust Funds - Corporate Bonds	750
Pension Trust Funds - Mutual Funds	69,991
<b>Total Fiduciary Funds</b>	<b>\$109,558</b>
<b>Component Units</b>	
Demand Deposits	\$734
Cash in Bank	5,057
ATF - Federal Home Loan Bank	10,147
ATF - Federal Home Loan Mortgage Corp.	9,747
ATF - Federal National Mortgage Association	5,601

ATF - Farmer Mac	1,292
ATF - Federal Farm Credit	726
ATF - U.S. Treasury	194
ATF - TexPool	7,609
ATF - TexasDaily	5,336
ATF - TexStar	6,780
ASFDA – Wells Fargo Money Market	1,880
ASFDA – U.S. Treasury	14,229
AHA – Bank Cert. of Deposit	2,804
<b>Total Component Units</b>	<b>\$72,136</b>
<b>Total Entity – Cash, Cash Equivalents and Investments</b>	<b>\$552,350</b>

*Custodial Credit Risk.* 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, 2008. The City's bank balance (excluding Component Units) was covered by collateral with a fair value of \$10,566,098. The bank balance was fully collateralized by securities held in the City's name by the Federal Reserve Bank through a tri-party (City, depository bank and Federal Reserve Bank) collateral agreement.

The City's investments in public funds investment pools include investments in TexPool, TexasDaily and TexStar. These are public funds investment pools operating as an SEC 2a-7 like pool in full compliance with the Public Funds Investment Act. TexPool, TexasDaily and TexStar are rated as AAA money market funds by Standard & Poor's. As of September 30, 2008, the City's investment in TexPool was \$60,697,000 with a market value of \$60,697,000. The City's investment in TexasDaily was \$42,566,000 with a market value of \$42,566,000 and the City's investment in TexStar was \$54,089,000 with a market value of \$54,089,000.

## 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, 2007, upon which the original FY08 levy was based, was \$17,559,408,000.

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 property taxes not expected to be collected in the future.

For the fiscal year ended September 30, 2008, the City had a tax rate of \$0.6480 (\$0.4467 for general government and \$0.2013 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 \$325,200,243 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately \$17,559,408,000.

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. DALLAS COWBOYS COMPLEX DEVELOPMENT PROJECT**

In 2004, the voters authorized the City to provide the planning, acquisition, construction and financing for the Dallas Cowboys Complex Development Project (the "Complex"), approving an increase in the City's sales tax of one-half 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 85,000. In accordance with the funding and closing agreement, the City will pay half of the projected costs, 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 Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the "Tenant") for lease of the Complex. The Lease Agreement calls for an initial term of 30 years, after the Complex opens, at a rental rate of \$2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of \$1 million per year for the first 10-years and \$1.25 million per year for all remaining renewals. The Lease Agreement 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 thousand per year. The lease is accounted for as an operating lease.

City Debt – In 2005, the City issued \$297,990,000 Dallas Cowboy Complex Special to fund the City's share of the project costs for the Complex, including \$164,265,000 Dallas Cowboys Complex Special Obligation Tax-Exempt Special Tax Bonds, Series 2005B (the "Multi-Modal Bonds"). See Note 8. The Multi-Modal Bonds are hedged with two interest rate swaps. See Note 12.

Conduit Debt - In 2006, \$147,865,000 Dallas Cowboy Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2006 (the "Dallas Cowboys Admission and Parking Taxes Revenue Bonds"), with a pledge of a 10% admissions tax and a \$3 parking tax for events held at the Complex, with additional security provided by a Guaranty Agreement from The Cowboys Stadium, L.P., to fund a portion of the Dallas Cowboy's funding for the Complex. The Dallas Cowboys Admission and Parking Taxes Revenue 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 and accordingly have not been reported as a liability in the City's financial statements but are disclosed here as conduit debt. At September 30, 2008, outstanding conduit debt was \$147,865,000.

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 Complex opens. If the lease renewal options are exercised, the Cowboys' obligation to stay in Arlington is extended for the renewal term.

#### 4. RECEIVABLES

Receivables at September 30, 2008 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)

	General	Debt Service	Stadium Venue	Water & Sewer	Street Capital Projects	Other Nonmajor Governmental Funds	Internal Service Funds	Total
Receivables:								
Taxes	\$ 8,350	\$ 425	\$ -	\$ -	\$ -	\$ 1,297	\$ -	\$ 10,072
Franchise Fees	6,404	-	-	-	-	-	-	6,404
Trade Accounts	-	-	-	8,783	-	-	146	8,929
Unbilled Trade Accounts	-	-	-	7,413	-	-	-	7,413
Special Assessments	-	-	-	-	192	-	-	192
Sales Taxes	8,061	4,050	-	-	-	2,025	-	14,136
Accrued Interest	2,165	68	25	-	-	-	75	2,333
Other	2,676	172	-	49	-	1,722	-	4,619
Gross Receivables	27,656	4,715	25	16,245	192	5,044	221	54,098
Less: Allowance for Uncollectibles	(5,344)	-	-	(2,314)	-	(28)	-	(7,686)
Net total Receivables	\$ 22,312	\$ 4,715	\$ 25	\$ 13,931	\$ 192	\$ 5,016	\$ 221	\$ 46,412

## 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 81,760	\$ 3,328	\$ (166)	\$ 84,922
Construction in progress-other	102,605	59,765	(30,282)	132,088
Construction in progress-stadium	<u>371,746</u>	<u>280,295</u>	<u>-</u>	<u>652,041</u>
Total capital assets, not being depreciated	<u>556,111</u>	<u>343,388</u>	<u>(30,448)</u>	<u>869,051</u>
Capital assets, being depreciated:				
Buildings	149,105	7,486	-	156,591
Improvements other than buildings	55,584	-	-	55,584
Equipment	61,981	9,718	(2,703)	68,996
Infrastructure	<u>783,871</u>	<u>8,790</u>	<u>-</u>	<u>792,661</u>
Total capital assets, being depreciated	<u>1,050,541</u>	<u>25,994</u>	<u>(2,703)</u>	<u>1,073,832</u>
Less accumulated depreciation for:				
Buildings	54,548	5,818	-	60,366
Improvements other than buildings	18,936	-	-	18,936
Equipment	38,374	8,538	(2,649)	44,263
Infrastructure	<u>500,246</u>	<u>28,383</u>	<u>-</u>	<u>528,629</u>
Total accumulated depreciation	<u>612,104</u>	<u>42,739</u>	<u>(2,649)</u>	<u>652,194</u>
Total capital assets, being depreciated, net	<u>438,437</u>	<u>(16,745)</u>	<u>(54)</u>	<u>421,638</u>
Governmental activities capital assets, net	<u>\$ 994,548</u>	<u>\$326,643</u>	<u>(\$30,502)</u>	<u>\$1,290,689</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	\$ 4,941	\$ 1,489	\$ -	\$ 6,430
Construction in progress	<u>73,780</u>	<u>35,664</u>	<u>(40,901)</u>	<u>68,543</u>
Total capital assets, not being depreciated	<u>78,721</u>	<u>37,153</u>	<u>(40,901)</u>	<u>74,973</u>
Capital assets, being depreciated:				
Buildings and improvements	2,833	-	-	2,833
Water and sewer system	560,022	41,666	-	601,688
Machinery and equipment	<u>9,896</u>	<u>541</u>	<u>-</u>	<u>10,437</u>
Total capital assets, being depreciated	<u>572,751</u>	<u>42,207</u>	<u>-</u>	<u>614,958</u>
Less accumulated depreciation for:				
Buildings and improvements	1,017	53	-	1,070
Water and sewer system	171,889	11,382	-	183,271
Machinery and equipment	<u>9,731</u>	<u>160</u>	<u>-</u>	<u>9,891</u>
Total accumulated depreciation	<u>182,637</u>	<u>11,595</u>	<u>-</u>	<u>194,232</u>
Total capital assets, being depreciated, net	<u>390,114</u>	<u>30,612</u>	<u>-</u>	<u>420,726</u>
Business-type activities capital assets, net	<u>\$ 468,835</u>	<u>\$ 67,765</u>	<u>(\$40,901)</u>	<u>\$ 495,699</u>

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

Governmental activities:	
General government	\$ 3,620
Public safety	2,492
Parks and recreation	3,518
Public works	29,371
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>3,732</u>
Total depreciation expense – governmental activities	<u>\$42,739</u>
Business-type activities:	
Water and sewer	<u>\$ 11,595</u>
Total depreciation expense – business-type activities	<u>\$ 11,595</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</b>				
<b>Development Authority, Inc.:</b>				
Capital assets, being depreciated:				
Buildings and improvements	<u>\$2,739</u>	\$ -	\$ -	<u>\$2,739</u>
Total capital assets, being depreciated	<u>2,739</u>	-	-	<u>2,739</u>
Less accumulated depreciation for:				
Buildings and improvements	<u>1,478</u>	110	-	<u>1,588</u>
Total accumulated depreciation	<u>1,478</u>	110	-	<u>1,588</u>
Arlington Sports Facility Development Authority, Inc. activities capital assets, net	<u>\$1,261</u>	(\$ 110)	\$ -	<u>\$1,151</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, being depreciated:				
Machinery and equipment	<u>\$ 700</u>	\$ 125	\$ -	<u>\$ 825</u>
Total capital assets, being depreciated	<u>700</u>	125	-	<u>825</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>260</u>	42	-	<u>302</u>
Total accumulated depreciation	<u>260</u>	42	-	<u>302</u>
Arlington Housing Authority, Inc. activities capital assets, net	<u>\$ 440</u>	\$ 83	\$ -	<u>\$ 523</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, being depreciated:				
Machinery and equipment	<u>\$ 604</u>	\$ 49	\$ -	<u>\$ 653</u>
Total capital assets, being depreciated	<u>604</u>	49	-	<u>653</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>359</u>	84	-	<u>443</u>
Total accumulated depreciation	<u>359</u>	84	-	<u>443</u>
Arlington Convention and Visitors Bureau, Inc. activities capital assets, net	<u>\$ 245</u>	(\$ 35)	\$ -	<u>\$ 210</u>

## 6. PENSION AND EMPLOYEE BENEFIT PLANS

### Texas Municipal Retirement System

#### Plan Description:

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent, multiple-employer public employee retirement system. Each of the municipalities has an annual individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS comprehensive Annual Financial Report (CAFR), a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153 or accessing the CAFR on line at [www.tmr.org](http://www.tmr.org).

Benefits depend upon a 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 200 percent of 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. Additionally, initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees equal to 70% of the change in the consumer price index (CPI).

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. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City.

#### Funding Policy:

Under the state law governing TMRS, the actuary annually determines the City contribution rate on a calendar-year basis. The City discloses the annual pension costs (which equal the required contributions) based on the calculated rates for the City's fiscal year. The rate is 14.55% of covered payroll for the months in calendar year 2007, and 14.88% for the months in calendar year 2008. This rate consists of the normal cost contribution rate and the prior service contribution rate. The normal cost contribution rate finances the currently accruing monetary credits due to 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 for the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2005 valuation is effective of rates beginning January 1, 2007). If a change in plan provisions is elected by the City, this rate can change.

Per TMRS statutes, there is a 13.5 percent and 15.5 percent statutory maximum in effect based on the benefit levels elected by the city. If the required rate calculated by TMRS exceeds one or both of those rates, the city council at its option can choose to either adjust benefits to reduce the required rate to conform with the maximums or lift the maximums altogether and to pay the full required rate. Arlington's maximum is 15.5 percent.

Annual Pension Cost and Net Pension Obligation:

The City's annual pension cost of \$19,486,546 was equal to the City's required contributions.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation (Asset)</u>
2006	\$14,512,396	100%	\$ -
2007	\$15,164,648	100%	-
2008	\$19,486,546	100%	-

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

Funding State and Funding Progress:

As of December 31, 2007, the most recent actuarial valuation date, the plan was 61.3 percent funded. The actuarial accrued liability for benefits was \$569,403,626, and the actuarial value of assets was \$348,784,857, resulting in an unfunded actuarial accrued liability (UAAL) of \$220,618,769. The covered payroll (annual payroll of active employees covered by the plan) was \$130,957,976, and the ratio of the UAAL to the covered payroll was 168.5%. As described below, subsequent to the 2007 valuation but prior to the end of the fiscal year, the City adopted a series of plan changes in order to reduce the required rate and improve funded status.

Actuarial Methods and Assumptions:

A summary of actuarial assumptions is as follows:

Actuarial Valuation Date	December 31, 2007
Actuarial Cost Method	Projected unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years – Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Payroll growth	3%
Withdrawal rates (low, mid or high) for Male/Female	Mid-High/Mid-High
Inflation Rate	3%
Cost-of-Living Adjustments	2.1%

Changes in Actuarial and Amortization Methods and Future Changes to Plan Benefits:

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS CAFR.

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually reporting basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that,

whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than .5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. The statutes further provide that plan members may request up to a forty year amortization period. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$138,169,762 and the funded ratio would have been 71.6% rather than the \$220,619,000 and 61.3% as presented in the required supplementary information section of this report.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in City contribution rates, following the December 31, 2009 accrual valuation.

#### 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, 2008, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$91,115,000.

The City's total payroll during fiscal 2008 was \$145,848,000. The current year contribution was calculated based on a covered payroll of \$84,113,000, resulting in a required and actual employer contribution of \$2,273,000 and actual employee contributions of \$5,532,000. The employer contribution represents 2.70 percent of the covered payroll. The employee contribution represents approximately 6.6 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2008. 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.

As of July 1, 2007, the most recent actuarial valuation date, the plan was 120.3 percent funded. The actuarial accrued liability for benefits was \$1,056,180, and the actuarial value of assets was \$1,270,281, resulting in an excess funded actuarial accrued liability (EAAL) of \$214,101. The covered payroll (annual payroll of active employees covered by the plan) was \$2,557,890, and the ratio of the UAAL to the covered payroll was 8.4%.

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, 2007,

actuarial valuation (the most recent actuarial valuation) using the aggregate cost method, which does not identify or separately amortize unfunded actuarial liabilities.

The actuarial assumptions used in the July 1, 2007 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 three-year historical trend information relating to the Part-Time Deferred Income Trust Plan.

<b>Fiscal Year</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>	<b>Net Pension Obligation</b>
9/30/06	\$67,000	100.00%	-
9/30/07	\$114,000	100.00%	-
9/30/08	\$112,000	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. Since the City does not administer these plans, these plans are not included in the City's financial statements.

City contributions for the above plans for the year ended September 30, 2008, are as follows (amounts in thousands):

TMRS	\$19,486
THRIFT	2,273
PTDIT	112
	<u>\$21,871</u>

Statement of Net Assets and Statement of Changes in Net Assets

The Part-Time Deferred Income Trust and Thrift Savings Plans do not issue separate GAAP financial reports. Their financial statements are presented below as of and for the year-ended September 30, 2008 (amounts in thousands):

	Net Assets		
	Part-Time Deferred Income Trust	Thrift Savings Plan	Total
ASSETS			
Investments	<u>\$1,595</u>	<u>\$91,115</u>	<u>\$92,710</u>
Total Assets	<u>\$1,595</u>	<u>\$91,115</u>	<u>\$92,710</u>
NET ASSETS, Held in Trust For Pension Benefits	<u>\$1,595</u>	<u>\$91,115</u>	<u>\$92,710</u>

	Changes in Net Assets		
	Part-Time Deferred Income Trust	Thrift Savings Plan	Total
ADDITIONS			
Employer contributions	\$ 112	\$ 2,273	\$ 2,385
Employee contributions	103	5,532	5,635
Net appreciation in fair value of investments	<u>(99)</u>	<u>(11,584)</u>	<u>(11,683)</u>
Total Additions	<u>\$ 116</u>	<u>\$(3,779)</u>	<u>\$(3,663)</u>
DEDUCTIONS			
Benefits	94	3,754	3,848
Plan administration	<u>28</u>	<u>10</u>	<u>38</u>
Total Deductions	<u>122</u>	<u>3,764</u>	<u>3,886</u>
Increase/(Decrease) in Net Assets	(6)	(7,543)	(7,549)
NET ASSETS, October 1	<u>1,601</u>	<u>98,658</u>	<u>100,259</u>
NET ASSETS, September 30	<u>\$1,595</u>	<u>\$91,115</u>	<u>\$ 92,710</u>

## 7. OTHER POST EMPLOYMENT BENEFITS

### 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 (DIP), a single-employer other postemployment 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.

#### Summary of Significant Accounting Policies

*Basis of Accounting.* DIP's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments.* Cash and cash equivalents with original maturity dates less than one year are stated at cost that approximates fair value. Investments are stated at fair value based on either the month end price, the last available price or the last available activity.

Plan Description and Contribution Information

Membership of the plan consisted of the following at July 1, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	33
Active plan members	<u>1,999</u>
Total	<u>2,032</u>

Number of participating employers 1

*Plan Description.* DIP is a single-employer defined benefit disability income plan that covers the employees of the City. The plan originally provided in-service death benefits and long term disability benefits commencing upon disablement. The plan was amended to eliminate the in-service death benefit and to start disability payments at age 65. The plan contemplates that long term disability benefits will be provided through a separate LTD insurance contract prior to age 65. The retired life liability for current disabled employees (many of whom are under age 65) is retained under the plan.

*Contributions.* The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City's contribution is determined through an actuarial valuation. Per the most recent valuation, the City is contributing at a rate equivalent to 0.30 percent of covered payroll. For the year ended September 30, 2008, the City contributed \$364,000 to the plan. Administrative costs of DIP are financed through investment earnings.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

As of July 1, 2007, the most recent actuarial valuation date, the plan was 13.3 percent funded. The actuarial accrued liability for benefits was \$2,633,177, and the actuarial value of assets was \$349,107, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,284,070. The covered payroll (annual payroll of active employees covered by the plan) was \$105,480,234, and the ratio of the UAAL to the covered payroll was 2.2%.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	07/01/07	
Actuarial cost method		Entry age normal
Amortization method		Level dollar amortization
Remaining amortization period		20 years
Asset valuation method		Market value
Actuarial assumptions		
Investment rate of return		7.5 percent
(Includes an inflation assumption of 4.5 percent)		
Pay progression		5.5 percent

*Funding Policy.* The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City fully funds the required contributions each year.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (dollar amounts in thousands):

Annual required contribution	\$364
Interest on net OPEB Obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost (expense)	364
Contributions made	<u>(364)</u>
Increase in net OPEB obligation	0
Net OPEB obligation – beginning of year	<u>0</u>
Net OPEB obligation – end of year	<u>\$ 0</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years are as follows (dollar amounts in thousands):

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Annual OPEB</u> <u>Contribution</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
9/30/06	\$348,000	100.00%	-
9/30/07	\$323,000	100.00%	-
9/30/08	\$364,000	100.00%	-

DIP does not issue separate GAAP financial reports. Its financial statements are presented below as of September 30, 2008 (in thousands):

	<u>Net Assets</u>
Assets	
Investments	\$491
Total assets	<u>\$491</u>
Net assets, held in trust for	
Other postemployment benefits	<u>\$491</u>
	<u>Changes in Net Assets</u>
Additions	
Employer contributions	\$364
Net appreciation in fair value	
Of investments	<u>7</u>
Total additions	<u>\$ 371</u>
Deductions	
Benefits	275
Plan Administration	<u>22</u>
Total deductions	<u>297</u>
Increase in net assets	74
Net assets, October 1, 2007	<u>417</u>
Net assets, September 30, 2008	<u>\$ 491</u>

### **Retiree Health Insurance**

*Plan Description.* The City of Arlington administers a single-employer defined benefit health care plan. The plan provides postretirement health care benefits to eligible retirees and their spouses.

An eligible employee can continue their health care coverage in retirement if their age plus service is at least 70 with a minimum age requirement of 50 years and a minimum of ten years of service with the City. Employees hired after December 31, 2005 are not eligible for postretirement health care benefits. As of January 1, 2007, 489 retirees met those eligibility requirements. The City plan has a non-duplication coordination of benefits with Medicare and other primary plans for retirees and/or their dependants.

#### Retiree Contributions for Pre-2008 Retirees

For retirees who are below age 65, the City subsidizes the premium rate for the three PPO options with a dollar amount that is based upon a defined percentage of the total premium for the Core Plan. This same dollar amount is the subsidy for the Plus Plan and the Premium Plan as well. The percentage subsidy for the Core Plan varies by years of service at retirement, ranging from 40% to 100%. The percentage subsidy for spouse coverage ranges from 30% to 50% based on years of service. Retirees pay the balance of the total premium rates. The City also subsidizes the AARP Plan K and Secure Horizons premium rates for retirees age 65 and over, and the percentage subsidy varies by years of service.

#### Retiree Contributions for January 1, 2008 and After

The subsidy for future retirees will be a defined dollar amount, increasing with trend each year for 15 years. After 15 years, the subsidy will remain fixed. Retirees as of January 1, 2008 are grandfathered and their subsidy will not become fixed after 15 years.

*Funding Policy.* The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. Currently the plan is funded on a pay-as-you-go basis.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (dollar amounts in thousands):

Annual required contribution	\$8,100
Interest on net OPEB Obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost (expense)	8,100
Contributions made	<u>(3,328)</u>
Increase in net OPEB obligation	4,772
Net OPEB obligation – beginning of year	<u>0</u>
Net OPEB obligation – end of year	<u>\$4,772</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 are as follows (dollar amounts in thousands):

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Annual OPEB</u> <u>Contribution</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
9/30/08	\$ 8,100	41.09%	\$ 4,772

*Funded Status and Funding Progress.* As of January 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$101.8 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$101.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$138 million, and the ratio of the UAAL to the covered payroll was 73.7percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

In the January 1, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent discount rate which is based on the City's marginal borrowing rate on long-term debt. Healthcare cost trend rates included an initial medical trend rate of 9 percent (11 percent for drugs) declining by decrements to an ultimate rate of 5 percent after four years (seven years for drugs). The UAAL is being amortized over a thirty year period.

### **Supplemental Death Benefits Plan**

*Plan Description.* The City of Arlington contributes to the Supplemental Death Benefit Fund (SDBF), a cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS). This is a separate trust administered by the TMRS Board of Trustees. SDBF provides a death benefit of \$7,500 for retirees. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for SDBF. That report may be obtained from the TMRS website at [www.TMRS.com](http://www.TMRS.com).

*Funding Policy.* Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently .22 percent of covered payroll. The TMRS Board of Trustees sets

the employer contribution rate based on the mortality and service experience of all employees covered by the plan and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. Contributions are made monthly based on covered payroll of employee members of the City. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net assets available for OPEB. The City's contributions to SDBF for the years ended September 30, 2007, 2006, and 2005, were \$282,863, \$262,378, and \$251,396 respectively, which equaled the required contributions each year.

## 8. 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 2008 the City issued \$16,000,000 of commercial paper with interest rates ranging from 2.25 percent to 3.65 percent. This debt will mature on various days over the next several months. The City refunded \$8,000,000 of commercial paper with part of the Permanent Improvement Bonds, Series 2008.

General short-term debt balances and transactions for the year ended September 30, 2008 are as follows (amounts in thousands):

	<u>Balance, October 1, 2007</u>	<u>Additions</u>	<u>Retirements and Other</u>	<u>Balance, September 30, 2008</u>
Commercial Paper	<u>\$14,000</u>	<u>\$16,000</u>	<u>\$8,000</u>	<u>\$22,000</u>

### General Obligation Bonds

In October, 2007 the City issued \$18,085,000 in Permanent Improvement Bonds, Series 2007 for the purpose of making various capital improvements and paying the cost of issue related to the bond sale. The bonds will mature on August 15<sup>th</sup> of each year over a period from 2008 to 2027. Interest is payable February 15 and August 15 of each year commencing February 15, 2008. The total interest requirement for these bonds, at rates ranging from 4.0 percent to 5.5 percent, aggregate \$8,162,477.

The City also issued \$39,880,000 in Permanent Improvement, Series 2008 in June 2008 for the purpose of making various capital improvements and paying the cost of issue related to the bond sale. The bonds will mature August 15<sup>th</sup> of each year over a period from 2009 to 2026. Interest is payable February 15 and August 15 of each year commencing February 15, 2009. The total interest requirement for these bonds, at rates ranging from 3.25 percent to 4.5 percent, aggregate \$17,918,013.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.5% - 6.000%	\$120,185
Governmental activities – refunding	2.5% - 6.375%	<u>122,735</u>
Total governmental		<u>\$242,920</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending September 30</u>	<u>Governmental activities</u>	
	<u>General Obligation</u>	<u>GO Interest</u>
2009	\$ 21,540	\$ 11,622
2010	20,300	10,294
2011	21,275	9,373
2012	20,750	8,387
2013	20,095	7,399
2014-2018	82,450	24,041
2019-2023	41,745	8,287
2024-2028	<u>14,765</u>	<u>1,814</u>
Total	<u>\$242,920</u>	<u>\$81,217</u>

General obligation debt authorized and unissued as of September 30, 2008, amounted to \$36,280,000.

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, 2008, this liability is reported at \$633,810 in the governmental activities and \$313,168 in the component units of the statement of net assets. Beginning in 2003 sales tax allocations were reduced monthly by the Comptroller's office.

#### Certificates of Obligation

The City issues certificates of obligation ("CO's) to finance the acquisition and construction of capital assets including certain capital improvements projects, municipal facilities, and machinery and equipment. In October, 2007 the City issued Combination Tax and Revenue Certificates of Obligation, Series 2007 in the amount of \$7,180,000. Interest rates on the new CO's range from 4.0 percent to 5.0 percent with all issuances scheduled to mature from 2008 to 2027.

The City also issued \$5,920,000 in Combination Tax and Revenue Certificates of Obligation, Series 2008A in June 2008. Interest rates on the new CO's range from 4.0 percent to 5.5 percent with all issuances scheduled to mature from 2009 to 2028.

In June, 2008 the City issued Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B in the amount of \$34,010,000. Interest rates on the CO's range from 3.5 percent to 5.25 percent with all issuances scheduled to mature from 2013 to 2033.

Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows:

<u>Year Ending September 30</u>	<u>Governmental activities</u>	
	<u>Certificates of Obligation</u>	<u>CO Interest</u>
2009	\$ 3,690	\$ 3,311
2010	3,580	2,770
2011	2,605	2,609
2012	2,580	2,497
2013	3,120	2,393
2014-2018	13,560	10,156
2019-2023	12,440	7,357
2024-2028	12,750	4,360
2029-2033	<u>11,285</u>	<u>1,610</u>
Total	<u>\$ 65,610</u>	<u>\$ 37,063</u>

Special Obligation Bonds

The city created the Arlington Sports Facilities Development Authority, Inc. (the "ASFDA"), to promote economic development within and for the City through the development and financing of certain authorized facilities that would improve the availability of recreational and sports opportunities for the citizens of the City and the Dallas-Fort Worth Metroplex.

In 1993, the ASFDA issued \$17,179,900 junior Lien Revenue Bonds, First Series (Non-Interest Bearing Seat Option Bonds) to holders of seat options (the "Texas Rangers Ballpark Bonds") to fund a portion of the Texas Rangers Baseball Club's share of project costs for the Texas Rangers sports facility. The Texas Rangers Ballpark Bonds are limited special obligations of the ASFDA, secured by a subordinated junior lien on the one-dollar ticket surcharge of up to \$2 million annually. The Texas Rangers Ballpark Bonds are due on December 31, 2008, and are callable at any time at the option of the ASFDA.

In 2005, the City issued \$297,990,000 Dallas Cowboys Complex Special Obligations, consisting of Tax-Exempt Special Tax Bonds, Series 2005A and 2005B and Taxable Special Tax and Revenue Bonds, Series 2005C (collective, the "Dallas Cowboys Stadium Bonds"). the Dallas Cowboys Stadium Bonds funded the City's share of project costs for the Dallas Cowboys sports facility. The Series 2005A and 2005C bonds mature annually in varying amounts through fiscal year 2035, and interest is payable semiannually at fixed interest rates ranging from 3.0 percent to 5.0 percent. The Series 2005B bonds mature in fiscal year 2036, and interest is payable monthly at variable interest rates. See Note 12.

The debt service requirements of the above special obligation debt are as follows (amounts in thousands):

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$19,411	\$ 9,959	\$17,180	\$ -
2010	34,153	9,337	-	-
2011	36,338	8,696	-	-
2012	36,618	7,966	-	-
2013	36,923	7,191	-	-
2014-2018	48,482	29,935	-	-
2019-2023	2,285	27,367	-	-
2024-2028	-	27,253	-	-
2029-2033	46,905	24,984	-	-
2034-2035	<u>36,875</u>	<u>5,349</u>	-	-
	<u>\$297,990</u>	<u>\$158,037</u>	<u>\$17,180</u>	<u>\$ -</u>

The City has pledged future revenues consisting of one-half cent sales tax, two percent hotel occupancy tax, five percent car rental tax, future stadium base rental revenue of \$2 million per year and five percent of any future naming rights up to a maximum of \$500 thousand annually to repay the Dallas Cowboys Stadium Bonds. Annual principal and interest payments are expected to require 100 percent of these revenues. The total principal and interest remaining to be paid on the Dallas Cowboys Stadium Bonds is \$456,027,000. Principal and interest payments and total pledged revenues for the year ended September 30, 2008 were \$12,389,000 and \$24,184,000, respectively.

Revenue Bonds

The City also issues bonds where the government pledges income derived from the operations of the Water and Sewer Fund.

In July 2008, the City issued Water and Sewer Revenue Bonds in the amount of \$865,000 for the purpose of expanding the water treatment plant. The bonds were sold to the Texas Water Development Board. These bonds will mature on June 1, 2009. Interest is payable December 1, 2008 and June 1, 2009. Total interest requirements for the revenue bonds at a rate of .85 percent aggregate \$6,147.

In September 2008, the City issued Water and Sewer Revenue Bonds in the amount of \$1,470,000 for the purpose of expanding the water treatment plant. The bonds were sold to the Texas Water Development Board. These bonds will mature June 1, 2009 and June 1, 2010. Interest is payable June 1, 2009 and June 1, 2010. Total interest requirements for the revenue bonds at a rate of .84 percent to 1.1 percent aggregate \$14,368.

The revenue bond debt service requirements to maturity are as follows (amounts in thousands):

<u>Year Ending</u> <u>September 30</u>	<u>Business Activities</u>		<u>Business Activities - TWDB</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 8,190	\$ 3,999	\$1,900	\$ 16
2010	8,145	3,240	435	4
2011	7,495	3,342	-	-
2012	7,155	3,027	-	-
2013	6,705	2,714	-	-
2014-2018	28,490	9,236	-	-
2019-2023	18,900	3,546	-	-
2024-2027	<u>5,690</u>	<u>580</u>	<u>-</u>	<u>-</u>
	<u>\$ 90,770</u>	<u>\$29,684</u>	<u>\$ 2,335</u>	<u>\$ 20</u>

Net revenues of the City's water operations have been pledged for repayment of the City's revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for these bonds, which were all originally issued to provide funding for construction of the water systems. The pledge continues for the life of the bonds. For the year ended September 30, 2008, net pledged revenues for the water enterprise fund was \$46,294,000 and debt service on the revenue bonds was \$12,313,000.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2008 (amounts expressed in thousands):

	<u>10/1/2007</u>	<u>Increases</u>	<u>Reductions</u>	<u>9/30/2008</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation debt	\$205,875	\$ 57,965	(\$20,920)	\$242,920	\$21,540
Special tax revenue debt	297,990	-	-	297,990	19,411
Certificates of obligation	22,405	47,110	(3,905)	65,610	3,690
Premium on general bonds	5,135	-	(645)	4,490	-
Premium on special bonds	6,488	-	(378)	6,110	-
Deferred loss on refunding	<u>(2,474)</u>	<u>-</u>	<u>543</u>	<u>( 1,931)</u>	<u>-</u>
Net governmental bonds payable	535,419	105,075	(25,305)	615,189	44,641
Compensated absences	25,593	3,846	(1,276)	28,163	1,572
Capital leases	1,727	469	(706)	1,490	665
Arbitrage liability	970	-	(787)	183	-
Claims	9,592	5,123	(6,413)	8,302	4,740
Landfill closure	4,511	1,134	-	5,645	-
Sales tax	783	-	(149)	634	149
Net other post-employment benefit oblg.	<u>-</u>	<u>4,772</u>	<u>-</u>	<u>4,772</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$578,595</u>	<u>\$120,419</u>	<u>(\$34,636)</u>	<u>\$664,378</u>	<u>\$51,767</u>
<b>Business-type activities:</b>					
Water and sewer bonds	\$99,000	\$2,335	(\$8,230)	\$93,105	\$10,090
Deferred loss on refunding	<u>(438)</u>	<u>-</u>	<u>57</u>	<u>(381)</u>	<u>-</u>
Net water and sewer bonds payable	98,562	2,335	(8,173)	92,724	10,090
Compensated Absences	<u>1,888</u>	<u>141</u>	<u>(113)</u>	<u>1,916</u>	<u>137</u>
Total business-type long-term liabilities	<u>\$100,450</u>	<u>\$2,476</u>	<u>(\$8,286)</u>	<u>\$94,640</u>	<u>\$10,227</u>
<b>Component units:</b>					
Special obligation debt	\$17,180	\$-	\$ -	\$17,180	\$17,180
Sales tax payable	<u>387</u>	<u>-</u>	<u>(74)</u>	<u>313</u>	<u>74</u>
Total component unit long-term debt	<u>\$17,567</u>	<u>\$-</u>	<u>(\$74)</u>	<u>\$17,493</u>	<u>\$17,254</u>

## 9. 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, 2008, previously defeased debt still outstanding amounted to \$33,095,000.

## 10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2008, is as follows (amounts in thousands):

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$2,334	\$ -
Nonmajor Funds	<u>-</u>	<u>2,334</u>
	<u>\$2,334</u>	<u>\$2,334</u>

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2009.

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	\$ 11,753	\$ 15,956
Debt Service Fund	-	5,236
Stadium Venue Fund	<u>3,882</u>	<u>-</u>
Total Major Governmental Funds	15,635	21,192
Water and Sewer Fund	12,462	-
Nonmajor Funds	4,916	9,641
Internal Service Funds	<u>3,800</u>	<u>5,980</u>
Total All Funds	<u>\$36,813</u>	<u>\$36,813</u>

The combined Water and Sewer, and Convention and Event Services transferred \$3,736,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred \$6,684,000 to Street Maintenance Fund, Special Transportation (Handitran), Arlington Property Finance Authority, Parks Performance Fund and other special revenue funds to cover budgeted operating expenses.

The other General Fund transfers were to cover budgeted operating expenses in other funds.

The Debt Service Fund received transfers of \$5,236,000 from the Convention and Event Services, Water and Sewer and Stadium Funds to cover debt service repayments.

## 11. 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 a liability on the Statement of Net Assets in each period based on landfill capacity used as of each balance sheet date. This liability is offset by an asset recorded for a trust account established for the purpose of paying the closure and post-closure costs as more fully described below. In 2004 the City received a permit for vertical expansion which increased the capacity and the life of the landfill. The \$5,645,000 reported as a landfill closure and post-closure accrued liability at September 30, 2008, represents the cumulative amount reported to date based on the use of approximately 66 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 \$2,849,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2008. 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, 2008, cash and cash equivalents are held for these purposes.

**12. 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, 2008. 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	\$ 61,156	\$ 24,729
Park Construction	18,612	1,973
Police Construction	12,879	1,073
Traffic Construction	8,309	1,354
Water and Sewer Construction	68,543	15,057
Stadium Venue	652,042	3,853
	<u>\$ 821,541</u>	<u>\$ 48,039</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. The case was tried by jury in April 2004. Judgment in the amount of \$1.1 million was rendered against the City for violation of the FMLA. The case was appealed to the Fifth Circuit. On June 30, 2006, the Fifth Circuit affirmed the liability portion of the judgment and remanded the damages portion to the district court to apply an offset for benefits received from the City. Meanwhile, it was learned that the plaintiff filed bankruptcy prior to his appeal and failed to disclose the trial court judgment to the bankruptcy court. The bankruptcy case was re-opened and the bankruptcy trustee now owns the plaintiff's claim. The District Court found that the plaintiff is judicially estopped from pursuing the judgment but the trustee can pursue the claim to the extent of the Bankruptcy Estate. Both sides have appealed to the 5th Circuit. Although the damages were reduced to \$357,000, the judge awarded

attorneys' fees of \$695,357. Damages in the event of failing to prevail on the legal issues are anticipated to exceed \$1,000,000. The City is pursuing settlement. Probability of an unfavorable outcome is likely.

The City is currently involved in an American with Disabilities Act discrimination lawsuit in which six wheel chair bound 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's motion to dismiss was granted and the case is on appeal to the 5th Circuit. The probability of an unfavorable outcome is remote.

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 13) 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.* In 2005, the City issued \$164,265,000 Dallas Cowboys Complex Special Obligation Tax-Exempt Special Tax Bonds, Series 2005B (the "Multi-Modal Bonds") to fund a part of the City's share of project costs for the Dallas Cowboys Project, See Note 8.

Initially, the City will pay a variable interest rate on the Multi-modal Bonds. In anticipation of the Multi-modal Bonds' issuance, the City entered into two separate pay-fixed, receive-variable interest rate swaps (collectively, the "Swaps") to synthetically fix the variable interest rate on the Multi-Modal Bonds for an established period and manage its interest rate risk, while obtaining a lower fixed interest rate than would have been available for similar fixed-rate debt obligations.

The variable interest rate the City will receive under the Swaps is now called the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. The variable interest rate on the Multi-Modal Bonds is expected to closely approximate SIFMA. The fixed interest rate the City will pay under the Swaps is 3.719%.

The Swaps were entered into in equal notional amounts of \$82,132,500 with JPMorgan Chase Bank, N.A. and \$82,132,500 with UBS AG, Stamford Branch (collectively, the "Counterparties"). The Multi-modal Bonds were supported by a Standby Bond Purchase Agreement with DEPFA BANK, plc ("DEPFA"), and the principal and interest payments on the Multi-Modal Bonds, as well as the swap payments were insured by MBIA Insurance Corporation ("MBIA").

When MBIA was downgraded, a majority of the bonds were "put" to DEPFA and the variable interest rate on the Multi-Modal Bonds rose and no longer approximated the SIFMA Municipal Swap Index. In effect, the swap was "broken", and the City had to pay the difference between the SIFMA Municipal Swap Index and the variable interest rate on the Multi-Modal Bonds, as well as the fixed payment of 3.719% on the swaps. See subsequent events in Footnote 18.

*Terms, fair values, and credit risk.* The terms, including the fair values and credit ratings of the Swaps, as of September 30, 2008, are included below. The Swaps contain one scheduled reduction to the outstanding notional amounts on September 1, 2013 from \$164,265,000 to \$115,055,000. 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		Counterparty Credit Rating (Moody's/S&P/Fitch)
						Date	Counterparty	
Series 2005B	\$ 82,132,500	9/1/2005	3.719%	SIFMA	\$ (1,956,194)	9/1/2016	JPMorgan Chase Bank N.A.	(Aaa/AA/AA-)
Series 2005B	\$ 82,132,500	9/1/2005	3.719%	SIFMA	\$ (1,960,513)	9/1/2016	UBS AG, Stamford Branch	(Aa2/AA-/AA-)
	<u>\$ 164,265,000</u>				<u>\$ (3,916,707)</u>			

*Fair value.* The Swaps had a negative fair value as of September 30, 2008 of (\$3,916,707). 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 SIFMA 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, 2008, 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 Swaps' fair value. The credit ratings of JPMorgan Chase Bank, N.A. are Aaa/AA/AA-, and of UBS AG, Stamford Branch are Aa2/AA-/AA-by Moody's Investors Service, Standard & Poor's Ratings Group, and Fitch Investors Service, respectively.

The Swaps require collateralization of the fair value of the Swaps, should the Counterparties' 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 variable interest rate received from the Counterparty (SIFMA) on the Swaps differs from the variable interest rate paid by the City on the Multi-Modal Bonds. The City bears basis risk on its Swaps, since SIFMA Municipal Swap Index that the City receives on the Swaps is less than the variable interest rate that the City pays on the Multi-Modal Bonds. The expected overall synthetic fixed rate from the Swaps has not been realized in the fiscal year ended September 30, 2008.

*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 Multi-Modal Bonds would no longer be hedged to a fixed rate. The City has a swap insurance policy in place with MBIA, which mitigates its exposure to termination risk. The City will not be required to post collateral as long as MBIA's credit ratings do not fall below A2 by Moody's or A by S&P. As of September 30, 2008, MBIA's credit ratings were A2 by Moody's and AA 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 Multi-Modal Bonds. The Swaps mature on September 1, 2016, and the Multi-Modal Bonds mature on August 15, 2035. If new swaps are not put in place, the Multi-modal 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 Multi-Modal Bonds prior to the stated maturity date, which would reduce this risk.

*Swap payments and associated debt.* As of September 30, 2008, because \$144,615,000 of the Multi-Modal Bonds have been put to the DEPFA, the interest cost on these "bank bonds" is 125 basis points plus the greater of a) the federal funds rate + 50 basis points or b) the prime rate. The remaining \$19,650,000 of Multi-Modal Bonds are still held by other bondholders and subject to weekly reset of the variable interest rate. The debt service requirements below reflect accelerated amortization of the bank bonds as required by the Standby Bond Purchase Agreement with DEPFA. The table below assumes the bank bond rate and the Multi-Modal Bond rate are the same as the rates as of September 30, 2008.

## Dallas Cowboys Complex Special Obligations, Series 2005B

Fiscal Year Ended September 30	Principal	Interest (1)	Total
2009	\$ 14,461,500	\$ 3,679,683	\$ 18,141,183
2010	28,923,000	3,225,881	32,148,881
2011	28,923,000	2,772,079	31,695,079
2012	28,923,000	2,318,277	31,241,277
2013	28,923,000	1,864,475	30,787,475
2014-2018	14,461,500	8,946,981	23,408,481
2019-2023	-	11,220,150	11,220,150
2024-2028	-	11,220,150	11,220,150
2029-2033	-	11,220,150	11,220,150
2034-2035	19,650,000	4,488,060	24,138,060
Total	<u>\$ 164,265,000</u>	<u>\$ 60,955,886</u>	<u>\$ 225,220,886</u>

(1) Includes interest on both Multi-Modal and Bank Bonds, which have been put to DEPFA Bank, the standby Bond Purchase Agreement counterparty includes Swap payments, as well as Standby Bond purchase Agreement fees and remarketing fees.

### 13. 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.

Annual transfers from the General Fund and the Water Fund based on actuarial projections of Ultimate Losses, are made to support the program. Under the Program Ordinance, the annual surplus on deposit in the APFA Fund may be withdrawn upon order of the City's APFA Claims Board and used for any lawful purpose. The payments out of the APFA Fund for all purposes cannot exceed \$1,000,000 per occurrence and \$3,000,000 in aggregate in one annual period. Should claims exceed this amount, the excess claims are to be funded by other available City resources.

The APFA claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 2.75 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately \$2,223,000 at September 30, 2008.

#### 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 5.0 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately \$4,479,000 at September 30, 2008.

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 \$1,600,000 at September 30, 2008.

Changes in the balances of claims liabilities during fiscal 2008 and 2007 were as follows (amounts in thousands):

	<u>Workers' Compensation</u>		<u>Health</u>		<u>APFA</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Unpaid claims Oct 1	\$ 4,699	\$ 4,406	\$ 2,315	\$ 2,700	\$ 2,578	\$ 3,338
Incurred Claims (including IBNRs and changes in estimates)	1,581	3,195	14,655	16,363	(183)	(468)
Claim payments	<u>(1,801)</u>	<u>(2,902)</u>	<u>(15,370)</u>	<u>(16,748)</u>	<u>(172)</u>	<u>(292)</u>
Unpaid Claims Sept 30	<u>\$ 4,479</u>	<u>\$ 4,699</u>	<u>\$ 1,600</u>	<u>\$ 2,315</u>	<u>\$ 2,223</u>	<u>\$ 2,578</u>

**14. 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 approximately \$1,490,000 and is reported as capital lease obligations current liabilities (approximately \$665,000) and capital lease obligations non-current liabilities (approximately \$825,000) in the General Services Fund and the Court Technology Fund.

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

<u>Year ending</u> <u>September 30, 2008</u>	<u>Rental</u> <u>Payments</u>
2009	\$ 814
2010	442
2011	264
2012	70
2013	<u>17</u>
Total minimum future lease payments	1,607
Less: Amount representing interest	<u>(117)</u>
Present value of net minimum lease payments	<u>\$1,490</u>

The City's investment in equipment under capital lease arrangements as of September 30, 2008 is \$3,649,000.

Through fiscal 2008, the City was 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, 2008, amounted to \$2,000.

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. 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, the lessee shall pay the total annual rent of \$250,000. For each year thereafter the lessee shall pay an annual rent amount equal to the previous year's rent plus an increase not to exceed the effective percentage change in the Consumer Price Index (Specifically CPI-U for Dallas-Fort Worth region) for the previous 12 month period. Total rental payments received in 2008 were approximately \$251,618.

**15. 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>
2008	\$ 800,000
2009	800,000
2010	900,000
2011	1,000,000
2012	1,000,000
2013 to 2017	5,000,000
2018 to 2022	5,000,000
2023 to 2024	<u>2,000,000</u>
	16,500,000
Less Discount	<u>5,741,000</u>
	<u>\$10,759,000</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.

**16. 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, 2008 the lease receivable balance was \$17,828,912.

Minimum future rentals are as follows:

<u>September 30</u>	
2009	\$ 2,000,000
2010	2,000,000
2011	2,000,000
2012	2,000,000
2013	2,000,000
2014-2018	10,000,000
2019-2023	10,000,000
2024	<u>1,055,556</u>
	31,055,556
Less Discount	<u>13,226,644</u>
Minimum future lease rentals	<u>\$17,828,912</u>

**17. 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, 2008, for all discretely presented component units is as follows (amounts in thousands):

	Condensed Schedule of Net Assets				
	Arlington Sports Facilities Development Authority, Inc.	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Current and other assets	\$45,132	\$47,466	\$ 7,630	\$870	\$101,098
Capital assets	<u>1,151</u>	-	<u>523</u>	<u>210</u>	<u>1,884</u>
Total assets	<u>46,283</u>	<u>47,466</u>	<u>8,153</u>	<u>1,080</u>	<u>102,982</u>
Long-term liabilities outstanding	239	-	-	-	239
Other liabilities	<u>17,254</u>	<u>10,701</u>	<u>1,045</u>	<u>88</u>	<u>29,088</u>
Total liabilities	<u>17,493</u>	<u>10,701</u>	<u>1,045</u>	<u>88</u>	<u>29,327</u>
Net assets:					
Invested in capital assets, net of related debt	1,151	-	523	193	1,867
Restricted	16,061	36,765	-	-	52,826
Unrestricted	<u>11,578</u>	-	<u>6,585</u>	<u>799</u>	<u>18,962</u>
Total net assets	<u>\$28,790</u>	<u>\$36,765</u>	<u>\$7,108</u>	<u>\$992</u>	<u>\$73,655</u>

Condensed Schedule of Activities

	Arlington Sports Facilities Development Authority, Inc.	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	<u>\$ 2,983</u>	<u>\$1,207</u>	<u>\$26,738</u>	<u>\$3,422</u>	<u>\$34,350</u>
Program Revenues:					
Charges for services	2,520	-	-	3,488	6,008
Operating grants and contributions	-	-	23,089	288	23,377
Capital grants and Contributions	<u>-</u>	<u>25,341</u>	<u>-</u>	<u>-</u>	<u>25,341</u>
Net Program (Expense) Revenue	<u>(463)</u>	<u>24,134</u>	<u>(3,649)</u>	<u>354</u>	<u>20,376</u>
Interest Revenues	1,980	1,582	146	21	3,729
Gas lease	-	11,044	-	-	11,044
Other NonTax General Revenues	<u>92</u>	<u>5</u>	<u>288</u>	<u>-</u>	<u>385</u>
Change in Net Assets	1,609	36,765	(3,215)	375	35,534
Net Assets, October 1,	<u>27,181</u>	<u>-</u>	<u>10,323</u>	<u>617</u>	<u>38,121</u>
Net Assets, September 30	<u>\$28,790</u>	<u>\$36,765</u>	<u>\$ 7,108</u>	<u>\$ 992</u>	<u>\$73,655</u>

Conduit Debt - Mortgage Revenue Bonds

The Arlington Housing Finance Corporation issues Single Family Revenue Bonds. The proceeds of the bonds are placed in trust to be used for the origination of qualifying single-family mortgages or to refund, at any time, bonds previously issued by Arlington Housing Finance Corporation. The bonds are to be paid only from the funds placed in trust, and these funds can be used only for purposes specified in the bond indenture. Arlington Housing Finance Corporation is liable to the bondholders only to the extent of the related revenues and assets pledged under the indenture. Therefore, these transactions are accounted for as conduit debt, and the principal amount of the bonds outstanding and assets held by the trustee are not reflected on the face of the financial statements.

At September 30, 2008, outstanding conduit debt was as follows:

<u>Bond Series</u>	<u>Original Issue Amount</u>	<u>Outstanding Amount</u>
Arlington 03B	\$ 12,375,000	\$ 3,837,999
Arlington 06	12,857,000	12,346,312
Total	<u>\$25,232,000</u>	<u>\$16,184,311</u>

**18. SUBSEQUENT EVENTS**

In November 2008, the City issued \$112.2 million of Special Tax Revenue Bonds, Series 2008 of with an interest rate range of 5.0 to 5.5 percent and serial maturities through FY 2027 to refund \$104,265,000 of the City's outstanding Dallas Cowboys Complex Tax-Exempt Special Tax Bonds, Series 2005B, which are Variable Rate Demand Bonds. As part of the refinancing the City terminated \$104,265,000 of the swap which resulted in a swap termination payment from the City of \$5,195,000. The termination payment was paid out of available stadium debt service funds. In February, 2009 the Series 2005B bonds which had been put to DEPFA Bank were all remarketed. This extinguishes the accelerated amortization which starts on the first debt service payment date after the one year anniversary of the put.

Effects of the downturn in the economy are starting to affect the City's revenues. Sales tax revenues are showing weakening trends in early 2009. Building inspection fees are also below 2009 projections. These revenue shortfalls are causing budgetary challenges which will be addressed through mid-year spending cuts.

**CITY OF ARLINGTON, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008 (Unaudited)  
(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	\$ 129,056	\$ 129,056	\$ 125,301	\$ 3,235	\$ 128,536	\$ (520)
Licenses and permits	5,103	5,103	4,650	-	4,650	(453)
Utility franchise fees	29,581	29,581	25,994	5,005	30,999	1,418
Fines and forfeitures	9,664	9,664	10,515	-	10,515	851
Leases, rents and concessions	7,306	7,306	7,363	800	8,163	857
Service charges	9,009	9,009	4,386	4,414	8,800	(209)
Interest revenue	3,340	3,340	3,325	-	3,325	(15)
Other revenue	20	20	845	(800)	45	25
Net increase (decrease) in the fair value of investments	-	-	(26)	26	-	-
<b>Total Revenues</b>	<u>193,079</u>	<u>193,079</u>	<u>182,353</u>	<u>12,680</u>	<u>195,033</u>	<u>1,954</u>
<b>EXPENDITURES</b>						
Current-						
General government	37,116	37,281	34,776	937	35,713	1,568
Public safety	112,273	112,655	114,968	590	115,558	(2,903)
Public works	30,734	32,115	26,384	4,194	30,578	1,537
Public health	1,371	1,371	1,594	(6)	1,588	(217)
Parks and recreation	13,386	13,386	12,991	146	13,137	249
Capital Outlay	-	-	322	(322)	-	-
<b>Total Expenditures</b>	<u>194,880</u>	<u>196,808</u>	<u>191,035</u>	<u>5,539</u>	<u>196,574</u>	<u>234</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<u>(1,801)</u>	<u>(3,729)</u>	<u>(8,682)</u>	<u>7,141</u>	<u>(1,541)</u>	<u>2,188</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital lease proceeds	-	-	322	(322)	-	-
Transfers in	8,507	8,507	15,956	(7,468)	8,488	(19)
Transfers out	(6,684)	(6,684)	(11,753)	4,889	(6,864)	(180)
<b>Total Other Financing Sources (Uses)</b>	<u>1,823</u>	<u>1,823</u>	<u>4,525</u>	<u>(2,901)</u>	<u>1,624</u>	<u>(199)</u>
<b>Net Change In Fund Balances</b>	<u>22</u>	<u>(1,906)</u>	<u>(4,157)</u>	<u>4,240</u>	<u>83</u>	<u>1,989</u>
<b>Fund Balances, October 1</b>	<u>60,346</u>	<u>60,346</u>	<u>60,346</u>	<u>-</u>	<u>60,346</u>	<u>-</u>
<b>Fund Balances, September 30</b>	<u>\$ 60,368</u>	<u>\$ 58,440</u>	<u>\$ 56,189</u>	<u>\$ 4,240</u>	<u>\$ 60,429</u>	<u>\$ 1,989</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>
12/31/05	\$334,823	\$447,440	\$(112,617)	74.8%	\$113,823	98.9%
12/31/06	\$342,766	\$466,521	\$(123,755)	73.5%	\$128,574	96.3%
12/31/07	\$348,785	\$569,404	\$(220,619)	61.3%	\$130,958	168.5%

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

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 Liability (AAL) Entry Age</b>	<b>Excess Funded AAL (EAAL)</b>	<b>Funded Percent</b>	<b>Annual Covered Payroll</b>	<b>EAAL as a Percentage of Covered Payroll</b>
7/1/04	\$ 1,039	\$ 914	\$125	113.7%	\$2,415	5.2%
7/1/05	\$1,193	\$ 985	\$208	121.1%	\$2,487	8.4%
7/1/07	\$1,270	\$1,056	\$214	120.3%	\$2,558	8.4%

An actuarial valuation was not performed as of 7/1/2006 or 7/1/2008

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

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%
7/1/05	\$286	\$2,960	9.7%	\$(2,674)	\$102,013	2.6%
7/1/07	\$349	\$2,633	13.3%	\$(2,284)	\$105,480	2.2%

An actuarial valuation was not performed as of 7/1/2003 or 7/1/2006 or 7/1/2008.

**CITY OF ARLINGTON, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTHCARE PLAN  
 LAST FISCAL YEAR (Unaudited)**

The following table discloses certain historical trend information (amounts expressed in millions, 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>
1/1/07	\$ -	\$101.8	0%	(\$101.8)	\$138.0	73.7%

An actuarial valuation was not performed as of 1/1/2005 or 1/1/2006.

## 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 REINVESTMENT ZONE #1** - 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.

**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.

**GAS LEASE** – This fund accounts for the money received for various gas leases throughout the City.

**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, Law Enforcement Officers Standards and Education, Court Security, 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, Hurricane Assistance Fund, Arlington Entertainment District Area Tax Increment Reinvestment Zone #5, Arlington Highlands Tax Reinvestment Zone #4, Juvenile Case Manager, HUD Special Projects, COPS Technical Grant, Environmental Protection Agency, Forestry Fund, US Army Corps of Engineers, Supportive Housing Fund, Texas Parks and Wildlife, and Texas Historical Commission.

## CAPITAL PROJECTS FUNDS

**MUNICIPAL OFFICE 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.

**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.

**TAX INCREMENT REINVESTMENT ZONE #5** – The purpose of this fund is to account for the infrastructure construction and other capital project expenditures related to flood control, transportation, streetscape, public safety and other amenity improvements within the surrounding TIRZ Core Area to unify the Arlington Entertainment Area.

**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, 2008  
 (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	\$ -	\$ 9,676	\$ 4,359	\$ -	\$ -	\$ -
Receivables (net of allowances for uncollectibles)						
Taxes	-	-	-	-	-	-
Sales taxes	-	2,025	-	-	-	-
Other	-	3	-	-	610	-
Inventory, at cost	-	-	-	-	-	-
Due from other governments	187	-	-	622	415	391
<b>Total Assets</b>	<u>\$ 187</u>	<u>\$ 11,704</u>	<u>\$ 4,359</u>	<u>\$ 622</u>	<u>\$ 1,025</u>	<u>\$ 391</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 155	\$ 719	\$ -	\$ 192	\$ 88	\$ 47
Retainage payable	-	40	-	-	180	32
Due to other funds	32	-	-	429	256	297
Deferred revenue						
Gas lease	-	-	-	-	-	-
Other	-	-	-	459	1,020	15
Commercial paper	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>187</u>	<u>759</u>	<u>-</u>	<u>1,080</u>	<u>1,544</u>	<u>391</u>
<b>Fund Balances</b>						
Reserved for encumbrances	-	2,518	-	-	-	-
Reserved for inventory	-	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-	-
Reserved for street maintenance	-	6,382	-	-	-	-
Reserved for court technology	-	-	-	-	-	-
Reserved for juvenile case manager	-	-	-	-	-	-
Unreserved-						
Designated for working capital	-	2,045	-	-	-	-
Designated for special revenue funds	-	-	3,813	(458)	(519)	-
Designated for hotel feasibility	-	-	-	-	-	-
Designated for capital maintenance	-	-	-	-	-	-
Designated for neighborhood grants	-	-	-	-	-	-
Designated for innovation/venture	-	-	-	-	-	-
Designated for reimbursement	-	-	546	-	-	-
Undesignated	-	-	-	-	-	-
<b>Total Fund Balances</b>	<u>-</u>	<u>10,945</u>	<u>4,359</u>	<u>(458)</u>	<u>(519)</u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 187</u>	<u>\$ 11,704</u>	<u>\$ 4,359</u>	<u>\$ 622</u>	<u>\$ 1,025</u>	<u>\$ 391</u>

Special Revenue						Capital Projects	
FEMA	Gas Lease	Texas Criminal Justice Division	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Police
\$ -	\$ 6,121	\$ -	\$ 342	\$ 528	\$ 6,388	\$ 5,683	\$ 896
-	-	-	-	1,297	-	-	-
-	34	-	258	51	109	-	-
-	-	-	217	-	-	-	-
649	-	38	-	-	846	-	-
<u>\$ 649</u>	<u>\$ 6,155</u>	<u>\$ 38</u>	<u>\$ 817</u>	<u>\$ 1,876</u>	<u>\$ 7,343</u>	<u>\$ 5,683</u>	<u>\$ 896</u>
\$ 80	\$ 30	\$ 5	\$ 507	\$ 135	\$ 154	\$ 950	\$ 336
-	-	-	-	-	19	302	371
510	-	33	-	-	777	-	-
-	1,187	-	-	-	-	-	-
288	-	11	171	370	601	-	-
-	-	-	-	-	-	-	-
<u>878</u>	<u>1,217</u>	<u>49</u>	<u>678</u>	<u>505</u>	<u>1,551</u>	<u>1,252</u>	<u>707</u>
-	448	-	19	174	168	1,581	189
-	-	-	217	-	-	-	-
-	-	-	-	-	-	2,850	-
-	-	-	-	-	-	-	-
-	-	-	-	-	83	-	-
-	-	-	-	-	150	-	-
-	-	-	-	-	-	-	-
(229)	-	(11)	(97)	336	4,512	-	-
-	-	-	-	400	-	-	-
-	-	-	-	461	-	-	-
-	455	-	-	-	-	-	-
-	2,182	-	-	-	-	-	-
-	-	-	-	-	879	-	-
-	1,853	-	-	-	-	-	-
<u>(229)</u>	<u>4,938</u>	<u>(11)</u>	<u>139</u>	<u>1,371</u>	<u>5,792</u>	<u>4,431</u>	<u>189</u>
<u>\$ 649</u>	<u>\$ 6,155</u>	<u>\$ 38</u>	<u>\$ 817</u>	<u>\$ 1,876</u>	<u>\$ 7,343</u>	<u>\$ 5,683</u>	<u>\$ 896</u>

CITY OF ARLINGTON, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2008  
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Capital Projects						Total Nonmajor Governmental Funds	
	Fire	Library	Stormwater Utility	Park	TIRZ #5	Traffic		Airport
<b>ASSETS</b>								
Cash and cash equivalents	\$ 2,181	\$ 1,033	\$ 4,033	\$ 22,113	\$ 31,326	\$ 6,258	\$ 2,993	\$ 103,930
Receivables (net of allowances for uncollectibles)								
Taxes	-	-	-	-	-	-	-	1,297
Sales tax	-	-	-	-	-	-	-	2,025
Other	-	-	629	-	-	-	-	1,694
Inventory, at cost	-	-	-	-	-	-	-	217
Due from other governments	-	-	-	-	-	-	-	3,148
<b>Total Assets</b>	<u>\$ 2,181</u>	<u>\$ 1,033</u>	<u>\$ 4,662</u>	<u>\$ 22,113</u>	<u>\$ 31,326</u>	<u>\$ 6,258</u>	<u>\$ 2,993</u>	<u>\$ 112,311</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ 154	\$ 87	\$ 453	\$ 1,293	\$ 2,021	\$ 96	\$ 4	\$ 7,506
Retainage payable	155	-	37	244	247	6	4	1,637
Due to other funds	-	-	-	-	-	-	-	2,334
Deferred revenue								
Gas lease	-	-	-	-	-	-	-	1,187
Other	-	-	-	-	-	-	-	2,935
Commercial paper	-	500	-	4,500	-	-	-	5,000
<b>Total Liabilities</b>	<u>309</u>	<u>587</u>	<u>490</u>	<u>6,037</u>	<u>2,268</u>	<u>102</u>	<u>8</u>	<u>20,599</u>
<b>Fund Balances</b>								
Reserved for encumbrances	1,145	27	994	2,001	9,572	1,354	71	20,261
Reserved for inventory	-	-	-	-	-	-	-	217
Reserved for capital projects	727	419	3,178	14,075	19,486	4,802	2,914	48,451
Reserved for street maintenance	-	-	-	-	-	-	-	6,382
Reserved for court technology	-	-	-	-	-	-	-	83
Reserved for juvenile case manager	-	-	-	-	-	-	-	150
Unreserved-								
Designated for working capital	-	-	-	-	-	-	-	2,045
Designated for special revenue funds	-	-	-	-	-	-	-	7,347
Designated for hotel feasibility	-	-	-	-	-	-	-	400
Designated for capital maintenance	-	-	-	-	-	-	-	461
Designated for neighborhood grants	-	-	-	-	-	-	-	455
Designated for innovation/venture	-	-	-	-	-	-	-	2,182
Designated for reimbursement	-	-	-	-	-	-	-	1,425
Undesignated	-	-	-	-	-	-	-	1,853
<b>Total Fund Balances</b>	<u>1,872</u>	<u>446</u>	<u>4,172</u>	<u>16,076</u>	<u>29,058</u>	<u>6,156</u>	<u>2,985</u>	<u>91,712</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,181</u>	<u>\$ 1,033</u>	<u>\$ 4,662</u>	<u>\$ 22,113</u>	<u>\$ 31,326</u>	<u>\$ 6,258</u>	<u>\$ 2,993</u>	<u>\$ 112,311</u>

**CITY OF ARLINGTON, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	Special Revenue					
	Federal Transit Administration	Street Maintenance	Downtown TIF	Texas Department of Transportation	Community Development Block Grant	
<b>REVENUES</b>						
Taxes	\$ -	\$ 11,741	\$ 801	\$ -	\$ -	\$ -
Service charges	178	-	-	-	-	-
Intergovernmental	2,136	-	-	1,284	4,874	2,224
Interest revenue	-	436	170	-	-	-
Net increase (decrease) in the fair value of investments	-	(5)	(1)	-	-	-
Contributions	-	-	-	-	-	-
Gas lease	-	-	-	-	-	-
Other	13	-	-	-	1,466	3
<b>Total Revenues</b>	<u>2,327</u>	<u>12,172</u>	<u>970</u>	<u>1,284</u>	<u>6,340</u>	<u>2,227</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	255	-	-	-
Public safety	-	-	-	340	-	-
Public works	-	16,451	-	485	-	-
Public health	-	-	-	-	-	-
Public welfare	3,476	-	-	-	6,678	1,871
Parks and recreation	-	-	-	-	-	-
Convention and event services	-	-	-	-	-	-
Capital outlay	-	-	-	1,096	-	-
<b>Total Expenditures</b>	<u>3,476</u>	<u>16,451</u>	<u>255</u>	<u>1,921</u>	<u>6,678</u>	<u>1,871</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,149)</u>	<u>(4,279)</u>	<u>715</u>	<u>(637)</u>	<u>(338)</u>	<u>356</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of bonds	-	-	-	-	-	-
Issuance of certificates of obligation	-	-	-	-	-	-
Gain on sale of land	-	-	-	-	-	-
Transfers in	1,149	2,303	-	521	-	-
Transfers out	-	-	(325)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>1,149</u>	<u>2,303</u>	<u>(325)</u>	<u>521</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	-	(1,976)	390	(116)	(338)	356
<b>Fund Balance, October 1</b>	-	12,921	3,969	(342)	(181)	(356)
<b>Fund Balance, September 30</b>	<u>\$ -</u>	<u>\$ 10,945</u>	<u>\$ 4,359</u>	<u>\$ (458)</u>	<u>\$ (519)</u>	<u>\$ -</u>

Special Revenue						Capital Projects	
FEMA	Gas Lease	Texas Criminal Justice Division	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Police
\$ -	\$ -	\$ -	\$ -	\$ 5,391	\$ 1,273	\$ -	\$ -
-	-	-	8,506	2,587	1,063	-	-
2,587	-	168	-	-	2,995	-	-
-	202	-	39	59	140	248	31
-	2	-	-	(1)	-	1	2
-	-	-	-	-	-	128	-
-	2,091	-	-	-	-	-	-
-	-	-	256	27	1,699	-	-
<u>2,587</u>	<u>2,295</u>	<u>168</u>	<u>8,801</u>	<u>8,063</u>	<u>7,170</u>	<u>377</u>	<u>33</u>
-	-	-	-	-	863	17	-
2,703	-	196	-	-	1,340	-	29
-	-	-	-	-	-	-	-
-	-	-	-	-	232	-	-
-	26,334	-	-	-	894	-	-
-	-	-	11,383	-	57	-	-
-	-	-	-	6,533	-	-	-
-	-	-	-	-	1,973	4,696	6,390
<u>2,703</u>	<u>26,334</u>	<u>196</u>	<u>11,383</u>	<u>6,533</u>	<u>5,359</u>	<u>4,713</u>	<u>6,419</u>
(116)	(24,039)	(28)	(2,582)	1,530	1,811	(4,336)	(6,386)
-	-	-	-	-	-	-	8,665
-	-	-	-	-	-	4,710	1,100
-	-	-	-	-	-	-	-
33	-	17	2,868	-	199	265	-
-	(583)	-	-	(2,025)	(660)	-	-
<u>33</u>	<u>(583)</u>	<u>17</u>	<u>2,868</u>	<u>(2,025)</u>	<u>(461)</u>	<u>4,975</u>	<u>9,765</u>
(83)	(24,622)	(11)	286	(495)	1,350	639	3,379
(146)	29,560	-	(147)	1,866	4,442	3,792	(3,190)
<u>\$ (229)</u>	<u>\$ 4,938</u>	<u>\$ (11)</u>	<u>\$ 139</u>	<u>\$ 1,371</u>	<u>\$ 5,792</u>	<u>\$ 4,431</u>	<u>\$ 189</u>

**CITY OF ARLINGTON, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	Capital Projects						Total Nonmajor Governmental Funds	
	Fire	Library	Stormwater Utility	Park	TIRZ #5	Traffic		Airport
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	19,206
Service charges	-	-	4,913	843	-	-	-	18,090
Intergovernmental	-	-	-	-	-	-	-	16,268
Interest revenue	43	45	163	775	223	243	340	3,157
Net increase (decrease) in the fair value of investments	4	-	2	12	53	-	2	71
Contributions	-	-	-	1,550	-	-	-	1,678
Gas lease	-	-	-	-	-	-	-	2,091
Other	-	-	-	409	-	3	64	3,940
<b>Total Revenues</b>	<u>47</u>	<u>45</u>	<u>5,078</u>	<u>3,589</u>	<u>276</u>	<u>246</u>	<u>406</u>	<u>64,501</u>
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	-	-	-	-	1,135
Public safety	9	-	-	-	-	-	-	4,617
Public works	-	-	2,288	-	170	36	5	19,435
Public health	-	-	-	-	-	-	-	232
Public welfare	-	-	-	-	-	-	-	39,253
Parks and recreation	-	-	-	21	-	-	-	11,461
Convention and event services	-	-	-	-	-	-	-	6,533
Capital outlay	1,601	766	1,969	8,192	5,058	1,087	116	32,944
<b>Total Expenditures</b>	<u>1,610</u>	<u>766</u>	<u>4,257</u>	<u>8,213</u>	<u>5,228</u>	<u>1,123</u>	<u>121</u>	<u>115,610</u>
Excess (deficiency) of revenues over (under) expenditures	(1,563)	(721)	821	(4,624)	(4,952)	(877)	285	(51,109)
<b>OTHER FINANCING SOURCES (USES)</b>								
Issuance of bonds	2,685	500	-	6,155	-	1,825	-	19,830
Issuance of certificates of obligation	255	-	-	-	34,010	-	1,135	41,210
Gain on sale of land	-	-	-	2,105	-	-	-	2,105
Transfers in	328	-	500	1,458	-	-	-	9,641
Transfers out	-	-	(298)	(417)	-	(456)	(152)	(4,916)
<b>Total Other Financing Sources (Uses)</b>	<u>3,268</u>	<u>500</u>	<u>202</u>	<u>9,301</u>	<u>34,010</u>	<u>1,369</u>	<u>983</u>	<u>67,870</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	1,705	(221)	1,023	4,677	29,058	492	1,268	16,761
<b>Fund Balance, October 1</b>	<u>167</u>	<u>667</u>	<u>3,149</u>	<u>11,399</u>	<u>-</u>	<u>5,664</u>	<u>1,717</u>	<u>74,951</u>
<b>Fund Balance, September 30</b>	<u>\$ 1,872</u>	<u>\$ 446</u>	<u>\$ 4,172</u>	<u>\$ 16,076</u>	<u>\$ 29,058</u>	<u>\$ 6,156</u>	<u>\$ 2,985</u>	<u>\$ 91,712</u>

**CITY OF ARLINGTON, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with Final Budget- Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>		
<b>REVENUES</b>						
Taxes	\$ 34,804	\$ 34,804	\$ 61,024	\$ (25,730)	\$ 35,294	\$ 490
Interest revenue	-	-	1,602	(721)	881	881
Net increase (decrease) in fair value of investments	-	-	9	(4)	5	5
Other revenue	-	-	109	(109)	-	-
<b>Total Revenues</b>	<u>34,804</u>	<u>34,804</u>	<u>62,744</u>	<u>(26,564)</u>	<u>36,180</u>	<u>1,376</u>
<b>EXPENDITURES</b>						
Debt Service-						
Principal retirement	24,825	24,825	24,825	-	24,825	-
Interest and fiscal charges	12,840	12,840	27,054	(14,645)	12,409	431
<b>Total Expenditures</b>	<u>37,665</u>	<u>37,665</u>	<u>51,879</u>	<u>(14,645)</u>	<u>37,234</u>	<u>431</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(2,861)</u>	<u>(2,861)</u>	<u>10,865</u>	<u>(11,919)</u>	<u>(1,054)</u>	<u>1,807</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	2,246	2,246	5,236	(3,774)	1,462	(784)
Transfers out	-	-	-	-	-	-
<b>Total Other Financing Sources</b>	<u>2,246</u>	<u>2,246</u>	<u>5,236</u>	<u>(3,774)</u>	<u>1,462</u>	<u>(784)</u>
<b>Net Change In Fund Balances</b>	<u>(615)</u>	<u>(615)</u>	<u>16,101</u>	<u>(15,693)</u>	<u>408</u>	<u>1,023</u>
<b>Fund Balances - Beginning</b>	<u>34,173</u>	<u>34,173</u>	<u>34,173</u>	<u>-</u>	<u>34,173</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 33,558</u>	<u>\$ 33,558</u>	<u>\$ 50,274</u>	<u>\$ (15,693)</u>	<u>\$ 34,581</u>	<u>\$ 1,023</u>

**CITY OF ARLINGTON, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
STREET MAINTENANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with Final Budget- Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>		<u>Actual on Budgetary Basis</u>
<b>REVENUES</b>						
Taxes	\$ 11,592	\$ 11,592	\$ 11,741	\$ -	\$ 11,741	\$ 149
Interest revenue	237	237	436	-	436	199
Net increase (decrease) in the fair value of investments	-	-	(5)	-	(5)	(5)
Other revenue	-	-	-	-	-	-
<b>Total Revenues</b>	<u>11,829</u>	<u>11,829</u>	<u>12,172</u>	<u>-</u>	<u>12,172</u>	<u>343</u>
<b>EXPENDITURES</b>						
Current-						
Public works	13,833	13,833	16,451	(4,790)	11,661	2,172
<b>Total Expenditures</b>	<u>13,833</u>	<u>13,833</u>	<u>16,451</u>	<u>(4,790)</u>	<u>11,661</u>	<u>2,172</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<u>(2,004)</u>	<u>(2,004)</u>	<u>(4,279)</u>	<u>4,790</u>	<u>511</u>	<u>2,515</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	2,301	2,301	2,303	-	2,303	2
Transfers out	-	-	-	-	-	-
<b>Total Other Financing Sources</b>	<u>2,301</u>	<u>2,301</u>	<u>2,303</u>	<u>-</u>	<u>2,303</u>	<u>2</u>
<b>Net Change In Fund Balances</b>	<u>297</u>	<u>297</u>	<u>(1,976)</u>	<u>4,790</u>	<u>2,814</u>	<u>2,517</u>
<b>Fund Balances - Beginning</b>	<u>12,921</u>	<u>12,921</u>	<u>12,921</u>	<u>-</u>	<u>12,921</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 13,218</u>	<u>\$ 13,218</u>	<u>\$ 10,945</u>	<u>\$ 4,790</u>	<u>\$ 15,735</u>	<u>\$ 2,517</u>

**CITY OF ARLINGTON, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 PARK PERFORMANCE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008  
 (AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with Final Budget- Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>		<u>Actual on Budgetary Basis</u>
<b>REVENUES</b>						
Service charges	\$ 8,805	\$ 8,805	\$ 8,506	\$ -	\$ 8,506	\$ (299)
Other	-	-	256	-	256	256
Interest revenue	-	-	39	-	39	39
<b>Total Revenues</b>	<u>8,805</u>	<u>8,805</u>	<u>8,801</u>	<u>-</u>	<u>8,801</u>	<u>(4)</u>
<b>EXPENDITURES</b>						
Current-						
Parks and recreation	11,010	11,330	11,383	(27)	11,356	(26)
<b>Total Expenditures</b>	<u>11,010</u>	<u>11,330</u>	<u>11,383</u>	<u>(27)</u>	<u>11,356</u>	<u>(26)</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<u>(2,205)</u>	<u>(2,525)</u>	<u>(2,582)</u>	<u>27</u>	<u>(2,555)</u>	<u>(30)</u>
<b>OTHER FINANCING USES</b>						
Transfers in	2,989	2,989	2,868	-	2,868	(121)
Transfers out	(783)	(783)	-	-	-	783
<b>Total Other Financing Uses</b>	<u>2,206</u>	<u>2,206</u>	<u>2,868</u>	<u>-</u>	<u>2,868</u>	<u>662</u>
<b>Net Change In Fund Balances</b>	<u>1</u>	<u>(319)</u>	<u>286</u>	<u>27</u>	<u>313</u>	<u>632</u>
<b>Fund Balances - Beginning</b>	<u>(147)</u>	<u>(147)</u>	<u>(147)</u>	<u>-</u>	<u>(147)</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ (146)</u>	<u>\$ (466)</u>	<u>\$ 139</u>	<u>\$ 27</u>	<u>\$ 166</u>	<u>\$ 632</u>

**CITY OF ARLINGTON, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 CONVENTION AND EVENT SERVICES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008  
 (AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with Final Budget- Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>		<u>Actual on Budgetary Basis</u>
<b>REVENUES</b>						
Taxes	\$ 5,071	\$ 5,071	\$ 5,391	\$ -	\$ 5,391	\$ 320
Service charges	2,489	2,489	2,587	-	2,587	98
Interest revenue	-	-	59	-	59	59
Net increase (decrease) in the fair value of investments	-	-	(1)	-	(1)	(1)
Other	30	30	27	-	27	(3)
<b>Total Revenues</b>	<u>7,590</u>	<u>7,590</u>	<u>8,063</u>	<u>-</u>	<u>8,063</u>	<u>473</u>
<b>EXPENDITURES</b>						
Current-						
Convention & event services	6,119	6,420	6,533	(170)	6,363	57
<b>Total Expenditures</b>	<u>6,119</u>	<u>6,420</u>	<u>6,533</u>	<u>(170)</u>	<u>6,363</u>	<u>57</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<u>1,471</u>	<u>1,170</u>	<u>1,530</u>	<u>170</u>	<u>1,700</u>	<u>530</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(1,734)	(1,734)	(2,025)	(109)	(2,134)	(400)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,734)</u>	<u>(1,734)</u>	<u>(2,025)</u>	<u>(109)</u>	<u>(2,134)</u>	<u>(400)</u>
<b>Net Change In Fund Balances</b>	<u>(263)</u>	<u>(564)</u>	<u>(495)</u>	<u>61</u>	<u>(434)</u>	<u>130</u>
<b>Fund Balances - Beginning</b>	<u>1,866</u>	<u>1,866</u>	<u>1,866</u>	<u>-</u>	<u>1,866</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 1,603</u>	<u>\$ 1,302</u>	<u>\$ 1,371</u>	<u>\$ 61</u>	<u>\$ 1,432</u>	<u>\$ 130</u>

**CITY OF ARLINGTON, TEXAS  
BUDGETARY COMPARISON STATEMENT  
WATER AND SEWER FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(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>						
Water Sales	\$ 52,164	\$ 52,164	\$ 54,312	\$ (691)	\$ 53,621	\$ 1,457
Sewer service	43,805	43,805	42,208	(128)	42,080	(1,725)
Sundry	5,090	5,090	5,804	(5)	5,799	709
Total Operating revenues	<u>101,059</u>	<u>101,059</u>	<u>102,324</u>	<u>(824)</u>	<u>101,500</u>	<u>441</u>
<b>EXPENDITURES</b>						
Purchases of water	\$ 14,430	\$ 14,430	\$ 11,782	\$ -	\$ 11,782	\$ 2,648
Purchase of sewage treatment	19,226	19,226	19,606	-	19,606	(380)
Salaries and wages	12,630	12,630	11,350	(27)	11,323	1,307
Employees' retirement	1,580	1,580	1,609	-	1,609	(29)
Supplies	2,835	2,835	3,576	86	3,662	(827)
Maintenance and repairs	2,490	2,490	2,779	(26)	2,753	(263)
Utilities	3,269	3,269	3,562	-	3,562	(293)
Franchise fees	4,969	4,969	-	5,005	5,005	(36)
Depreciation	-	-	11,595	(11,595)	-	-
Miscellaneous services	4,851	4,851	3,962	761	4,723	128
Total Operating Expenses	<u>66,280</u>	<u>66,280</u>	<u>69,821</u>	<u>(5,796)</u>	<u>64,025</u>	<u>2,255</u>
Operating Income	<u>34,779</u>	<u>34,779</u>	<u>32,503</u>	<u>4,972</u>	<u>37,475</u>	<u>2,696</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Interest revenue	1,500	1,500	2,196	1,192	3,388	1,888
Net increase (decrease) in the fair value of investments	-	-	(49)	49	-	-
Interest expense and fiscal charges	(16,654)	(16,654)	(1,584)	(10,772)	(12,356)	4,298
Total Nonoperating Revenues (Expenses)	<u>(15,154)</u>	<u>(15,154)</u>	<u>563</u>	<u>(9,531)</u>	<u>(8,968)</u>	<u>6,186</u>
Income before operating transfers and contributions	<u>19,625</u>	<u>19,625</u>	<u>33,066</u>	<u>(4,559)</u>	<u>28,507</u>	<u>8,882</u>
Contributions in aid of construction	-	-	2,622	(2,622)	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(18,954)	(18,954)	(12,462)	(13,736)	(26,198)	(7,244)
Change in net assets	671	671	23,226	(20,917)	2,309	1,638
Total net assets-beginning	454,584	454,584	454,584	-	454,584	-
Total net assets-ending	<u>\$ 455,255</u>	<u>\$ 455,255</u>	<u>\$ 477,810</u>	<u>\$ (20,917)</u>	<u>\$ 456,893</u>	<u>\$ 1,638</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, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 664	\$ 1,875	\$ 5,813
Receivables (net of allowances for uncollectibles)			
Trade accounts	-	146	-
Accrued interest	-	-	75
Inventory of supplies, at cost	47	43	-
<b>Total Current Assets</b>	<u>711</u>	<u>2,064</u>	<u>5,888</u>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Buildings and improvements	-	467	-
Machinery and equipment	1,248	35,719	-
Less accumulated depreciation	(724)	(24,399)	-
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<u>524</u>	<u>11,787</u>	<u>-</u>
<b>Total Assets</b>	<u>1,235</u>	<u>13,851</u>	<u>5,888</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	125	316	10
Estimated claims payable	-	-	1,368
Accrued compensated absences	6	-	-
Capital lease obligation	201	-	-
<b>Total Current Liabilities</b>	<u>332</u>	<u>316</u>	<u>1,378</u>
<b>Noncurrent Liabilities:</b>			
Estimated claims payable	-	-	855
Accrued compensated absences	89	1	-
Capital lease obligation	388	-	-
<b>Total Noncurrent Liabilities</b>	<u>477</u>	<u>1</u>	<u>855</u>
<b>Total Liabilities</b>	<u>809</u>	<u>317</u>	<u>2,233</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	11,787	-
Unrestricted	426	1,747	3,655
<b>Total Net Assets</b>	<u>\$ 426</u>	<u>\$ 13,534</u>	<u>\$ 3,655</u>

<u>Technology Services</u>	<u>Workers' Compensation</u>	<u>Group Health</u>	<u>Total</u>
\$ 2,054	\$ 9,465	\$ 8,559	\$ 28,430
-	-	-	146
-	-	-	75
-	-	-	90
<u>2,054</u>	<u>9,465</u>	<u>8,559</u>	<u>28,741</u>
-	-	-	467
1,069	-	-	38,036
<u>(579)</u>	<u>-</u>	<u>-</u>	<u>(25,702)</u>
490	-	-	12,801
<u>2,544</u>	<u>9,465</u>	<u>8,559</u>	<u>41,542</u>
68	1	5	525
-	1,772	1,600	4,740
13	-	-	19
109	-	-	310
<u>190</u>	<u>1,773</u>	<u>1,605</u>	<u>5,594</u>
-	2,707	-	3,562
133	-	-	223
27	-	-	415
<u>160</u>	<u>2,707</u>	<u>-</u>	<u>4,200</u>
<u>350</u>	<u>4,480</u>	<u>1,605</u>	<u>9,794</u>
-	-	-	11,787
2,194	4,985	6,954	19,961
<u>\$ 2,194</u>	<u>\$ 4,985</u>	<u>\$ 6,954</u>	<u>\$ 31,748</u>

CITY OF ARLINGTON, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSET  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
<b>OPERATING REVENUES</b>			
Service charges	\$ 2,371	\$ 6,408	\$ 11
Sundry	-	40	-
<b>Total Operating Revenues</b>	<u>2,371</u>	<u>6,448</u>	<u>11</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	498	132	-
Employees' retirement	75	22	-
Supplies	1,268	3,253	-
Maintenance and repairs	93	833	-
Utilities	18	80	-
Claims (net of adjustments)	-	-	(172)
Legal and professional	-	-	234
Depreciation	167	3,441	-
Miscellaneous services	340	1,806	11
<b>Total Operating Expenses</b>	<u>2,459</u>	<u>9,567</u>	<u>73</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(88)</u>	<u>(3,119)</u>	<u>(62)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	-	-	189
Net increase (decrease) in the fair value of investments	-	-	(2)
Gain on sale of assets	-	374	-
Interest expense and fiscal charges	(44)	-	-
<b>Total Non-operating Revenues (Expenses)</b>	<u>(44)</u>	<u>374</u>	<u>187</u>
<b>Income (Loss) Before Transfers</b>	(132)	(2,745)	125
<b>Transfers In</b>	-	2,623	1,060
<b>Transfers Out</b>	-	-	-
<b>Change In Net Assets</b>	<u>(132)</u>	<u>(122)</u>	<u>1,185</u>
<b>Total Net Assets, October 1</b>	558	13,656	2,470
<b>Total Net Assets, September 30</b>	<u>\$ 426</u>	<u>\$ 13,534</u>	<u>\$ 3,655</u>

<b>Technology Services</b>	<b>Workers' Compensation</b>	<b>Group Health</b>	<b>Total</b>
\$ 5,167	\$ 2,628	\$ 13,694	\$ 30,279
-	-	-	40
<u>5,167</u>	<u>2,628</u>	<u>13,694</u>	<u>30,319</u>
1,414	-	-	2,044
204	-	-	301
66	1	-	4,588
2,007	-	-	2,933
520	-	-	618
-	1,801	15,370	16,999
-	166	56	456
124	-	-	3,732
1,124	-	-	3,281
<u>5,459</u>	<u>1,968</u>	<u>15,426</u>	<u>34,952</u>
<u>(292)</u>	<u>660</u>	<u>(1,732)</u>	<u>(4,633)</u>
-	399	376	964
-	(5)	(12)	(19)
-	-	-	374
<u>(6)</u>	<u>-</u>	<u>-</u>	<u>(50)</u>
<u>(6)</u>	<u>394</u>	<u>364</u>	<u>1,269</u>
(298)	1,054	(1,368)	(3,364)
2,297	-	-	5,980
-	(2,000)	(1,800)	(3,800)
<u>1,999</u>	<u>(946)</u>	<u>(3,168)</u>	<u>(1,184)</u>
195	5,931	10,122	32,932
<u>\$ 2,194</u>	<u>\$ 4,985</u>	<u>\$ 6,954</u>	<u>\$ 31,748</u>

CITY OF ARLINGTON, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,371	\$ 6,503	\$ (25)
Cash payments to suppliers	(1,618)	(6,057)	(458)
Cash payments to employees	(563)	(177)	-
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>190</u>	<u>269</u>	<u>(483)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	-	2,623	1,060
Transfers out	-	-	-
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<u>-</u>	<u>2,623</u>	<u>1,060</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	-	(3,530)	-
Principal payments on capital lease	(162)	-	-
Interest payments on capital lease	(44)	-	-
Proceeds from sales of capital assets	-	441	-
<b>Net Cash Used For Capital and Related Financing Activities</b>	<u>(206)</u>	<u>(3,089)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from interest earnings	-	-	189
Net increase (decrease) in the fair value of investments	-	-	(2)
Purchase of investments	-	-	(1,799)
Maturities/sales of investments	-	-	4,589
<b>Net Cash Provided By Investing Activities</b>	<u>-</u>	<u>-</u>	<u>2,977</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(16)	(197)	3,554
Cash and cash equivalents at October 1	680	2,072	2,259
Cash and cash equivalents at September 30	<u>\$ 664</u>	<u>\$ 1,875</u>	<u>\$ 5,813</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities</b>			
<b>Operating Income (Loss)</b>	<u>\$ (89)</u>	<u>\$ (3,118)</u>	<u>\$ (62)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	166	3,441	-
(Increase) decrease in- Receivables	-	56	(39)
Inventory of supplies	36	(6)	-
Increase (decrease) in- Accounts payable and accrued liabilities	66	(81)	(26)
Estimated claims payable	-	-	(356)
Accrued compensated absences	11	(23)	-
Total adjustments	<u>279</u>	<u>3,387</u>	<u>(421)</u>
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>\$ 190</u>	<u>\$ 269</u>	<u>\$ (483)</u>

<u>Technology Services</u>	<u>Workers' Compensation</u>	<u>Group Health</u>	<u>Totals</u>
\$ 5,167	\$ 2,628	\$ 17,023	\$ 33,667
(3,900)	(2,450)	(19,470)	(33,953)
(1,592)	-	-	(2,332)
<u>(325)</u>	<u>178</u>	<u>(2,447)</u>	<u>(2,618)</u>
2,297	-	-	5,980
-	(2,000)	(1,800)	(3,800)
<u>2,297</u>	<u>(2,000)</u>	<u>(1,800)</u>	<u>2,180</u>
(222)	-	-	(3,752)
(105)	-	-	(267)
(6)	-	-	(50)
-	-	-	441
<u>(333)</u>	<u>-</u>	<u>-</u>	<u>(3,628)</u>
-	399	376	964
-	(5)	(12)	(19)
-	-	-	(1,799)
-	-	-	4,589
<u>-</u>	<u>394</u>	<u>364</u>	<u>3,735</u>
1,639	(1,428)	(3,883)	(331)
415	10,893	12,442	28,761
<u>\$ 2,054</u>	<u>\$ 9,465</u>	<u>\$ 8,559</u>	<u>\$ 28,430</u>
\$ (292)	\$ 660	\$ (1,732)	\$ (4,633)
124	-	-	3,731
-	-	-	17
-	-	-	30
(183)	(262)	-	(486)
-	(220)	(715)	(1,291)
26	-	-	14
<u>(33)</u>	<u>(482)</u>	<u>(715)</u>	<u>2,015</u>
<u>\$ (325)</u>	<u>\$ 178</u>	<u>\$ (2,447)</u>	<u>\$ (2,618)</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 PENSION TRUST FUNDS NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2008**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Part-Time Deferred Income Trust</b>	<b>Thrift Savings Plan</b>	<b>Disability Income Plan</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments:				
Money market fund	48	22,348	64	22,460
Corporate bonds	586	-	164	750
Fixed income mutual funds	578	7,436	163	8,177
Common stock mutual funds	383	42,783	100	43,266
Balanced mutual funds	-	10,557	-	10,557
Participant borrowing	-	4,943	-	4,943
Self-directed brokerage accounts	-	3,048	-	3,048
Total investments	<u>1,595</u>	<u>91,115</u>	<u>491</u>	<u>93,201</u>
<b>Total Assets</b>	<u>\$ 1,595</u>	<u>\$ 91,115</u>	<u>\$ 491</u>	<u>\$ 93,201</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>\$ 1,595</u>	<u>\$ 91,115</u>	<u>\$ 491</u>	<u>\$ 93,201</u>

**CITY OF ARLINGTON, TEXAS**  
**COMBINING STATEMENT OF AGENCY FUNDS ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2008**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Payroll</u>	<u>Escrow Fund</u>	<u>Escheat Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,228	\$ 12,607	\$ 232	\$ 16,067
Investments:				
Money market fund	-	-	-	-
Corporate bonds	-	-	-	-
Fixed income mutual funds	-	-	-	-
Common stock mutual funds	290	-	-	290
Balanced mutual funds	-	-	-	-
Participant borrowing	-	-	-	-
Self-directed brokerage accounts	-	-	-	-
Total investments	<u>290</u>	<u>-</u>	<u>-</u>	<u>290</u>
<b>Total Assets</b>	<u><b>\$ 3,518</b></u>	<u><b>\$ 12,607</b></u>	<u><b>\$ 232</b></u>	<u><b>\$ 16,357</b></u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 3,228	\$ 12,607	\$ 232	\$ 16,067
IRC 401 deferred compensation plans	290	-	-	290
<b>Total Liabilities</b>	<u><b>\$ 3,518</b></u>	<u><b>\$ 12,607</b></u>	<u><b>\$ 232</b></u>	<u><b>\$ 16,357</b></u>

CITY OF ARLINGTON, TEXAS  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008  
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds			Total
	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	
<b>ADDITIONS</b>				
Employer contributions	\$ 112	\$ 2,273	\$ 364	\$ 2,749
Employee contributions	103	5,532	-	5,635
Net appreciation (depreciation) in fair value of investments	(99)	(11,584)	7	(11,676)
<b>Total Additions</b>	<u>116</u>	<u>(3,779)</u>	<u>371</u>	<u>(3,292)</u>
<b>DEDUCTIONS</b>				
Benefits	94	3,754	275	4,123
Plan administration	28	10	22	60
<b>Total Deductions</b>	<u>122</u>	<u>3,764</u>	<u>297</u>	<u>4,183</u>
<b>Decrease in Net Assets</b>	(6)	(7,543)	74	(7,475)
<b>Net Assets, October 1</b>	1,601	98,658	417	100,676
<b>Net Assets, September 30</b>	<u>\$ 1,595</u>	<u>\$ 91,115</u>	<u>\$ 491</u>	<u>\$ 93,201</u>

CITY OF ARLINGTON, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008  
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
<b>PAYROLL FUND</b>				
Assets				
Cash and cash equivalents	\$ 3,727	\$ 281,326	\$ 281,825	\$ 3,228
Investments	347	-	57	290
Total assets	<u>\$ 4,074</u>	<u>\$ 281,326</u>	<u>\$ 281,882</u>	<u>\$ 3,518</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 3,727	\$ 281,326	\$ 281,825	\$ 3,228
Accounts payable and accrued liabilities - IRC 401 defined contribution	347	-	57	290
Total liabilities	<u>\$ 4,074</u>	<u>\$ 281,326</u>	<u>\$ 281,882</u>	<u>\$ 3,518</u>
<b>ESCROW FUND</b>				
Assets				
Cash and cash equivalents	\$ 12,580	\$ 25,725	\$ 25,698	\$ 12,607
Total assets	<u>\$ 12,580</u>	<u>\$ 25,725</u>	<u>\$ 25,698</u>	<u>\$ 12,607</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 12,580	\$ 25,725	\$ 25,698	\$ 12,607
Total liabilities	<u>\$ 12,580</u>	<u>\$ 25,725</u>	<u>\$ 25,698</u>	<u>\$ 12,607</u>
<b>ESCHEAT FUND</b>				
Assets				
Cash and cash equivalents	\$ 248	\$ 71	\$ 87	\$ 232
Total assets	<u>\$ 248</u>	<u>\$ 71</u>	<u>\$ 87</u>	<u>\$ 232</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 248	\$ 71	\$ 87	\$ 232
Total liabilities	<u>\$ 248</u>	<u>\$ 71</u>	<u>\$ 87</u>	<u>\$ 232</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
Assets				
Cash and cash equivalents	\$ 16,555	\$ 307,122	\$ 307,610	\$ 16,067
Investments	347	-	57	290
Total assets	<u>\$ 16,902</u>	<u>\$ 307,122</u>	<u>\$ 307,667</u>	<u>\$ 16,357</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 16,555	\$ 307,122	\$ 307,610	\$ 16,067
Accounts payable and accrued liabilities - IRC 401 defined contribution	347	-	57	290
Total Liabilities	<u>\$ 16,902</u>	<u>\$ 307,122</u>	<u>\$ 307,667</u>	<u>\$ 16,357</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 TOMORROW FOUNDATION** - The purpose of the Arlington Tomorrow Foundation is to oversee an endowment fund created by natural gas revenues to be used for the benefit of the Arlington community.

**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, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)

	Arlington Sports Facilities Development Authority, Inc.	Arlington Housing Authority	Arlington Convention and Visitors Bureau, Inc.	Arlington Tomorrow Foundation	Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Total
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash and cash equivalents	\$ 2,236	\$ 4,579	\$ 478	\$ 47,432	\$ 375	\$ 3	\$ 55,103
Investments	14,229	2,804	-	-	-	-	17,033
Receivables (net of allowances for uncollectibles):							
Grants	-	136	-	-	-	-	136
Lease	17,829	-	-	-	-	-	17,829
Accrued interest	1	33	-	-	-	-	34
Settlement agreement	10,759	-	-	-	-	-	10,759
Other	78	78	-	34	-	-	190
Inventory	-	-	3	-	-	-	3
Prepaid expenses	-	-	11	-	-	-	11
<b>Total Current Assets</b>	<u>45,132</u>	<u>7,630</u>	<u>492</u>	<u>47,466</u>	<u>375</u>	<u>3</u>	<u>101,098</u>
<b>Non-Current Assets:</b>							
Capital Assets-							
Buildings and improvements	2,739	-	-	-	-	-	2,739
Machinery and equipment	-	825	653	-	-	-	1,478
Accumulated depreciation	(1,588)	(302)	(443)	-	-	-	(2,333)
<b>Total Non-Current Assets</b>	<u>1,151</u>	<u>523</u>	<u>210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,884</u>
<b>Total Assets</b>	<u>46,283</u>	<u>8,153</u>	<u>702</u>	<u>47,466</u>	<u>375</u>	<u>3</u>	<u>102,982</u>
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts payable and accrued liabilities	-	1,045	87	15	-	-	1,147
Deferred revenue	-	-	1	10,686	-	-	10,687
Bonds payable, current	17,180	-	-	-	-	-	17,180
Sales tax payable	74	-	-	-	-	-	74
<b>Total Current Liabilities</b>	<u>17,254</u>	<u>1,045</u>	<u>88</u>	<u>10,701</u>	<u>-</u>	<u>-</u>	<u>29,088</u>
<b>Non-Current Liabilities:</b>							
Sales tax payable - due in more than one year	239	-	-	-	-	-	239
<b>Total Non-Current Liabilities</b>	<u>239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239</u>
<b>Total Liabilities</b>	<u>17,493</u>	<u>1,045</u>	<u>88</u>	<u>10,701</u>	<u>-</u>	<u>-</u>	<u>29,327</u>
<b>NET ASSETS</b>							
Invested in capital assets (net of related debt)	1,151	523	193	-	-	-	1,867
Restricted for debt service	16,061	-	-	-	-	-	16,061
Restricted for endowments	-	-	-	36,765	-	-	36,765
Unrestricted	11,578	6,585	421	-	375	3	18,962
<b>Total Net Assets</b>	<u>\$ 28,790</u>	<u>\$ 7,108</u>	<u>\$ 614</u>	<u>\$ 36,765</u>	<u>\$ 375</u>	<u>\$ 3</u>	<u>\$ 73,655</u>

**CITY OF ARLINGTON, TEXAS  
 COMBINING STATEMENT OF ACTIVITIES  
 DISCRETELY PRESENTED COMPONENT UNITS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008  
 (AMOUNTS EXPRESSED IN THOUSANDS)**

Functions/Programs	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Component Units:</b>				
Arlington Sports Facilities Development Authority, Inc	\$ 2,983	\$ 2,520	\$ -	\$ -
Arlington Housing Authority	26,738	-	23,089	-
Arlington Convention & Visitors Bureau, Inc.	3,371	3,488	278	-
Arlington Tomorrow Foundation	1,207	-	-	25,341
Arlington Housing Finance Corporation	51	-	10	-
<b>Total Component Units</b>	<u>\$ 34,350</u>	<u>\$ 6,008</u>	<u>\$ 23,377</u>	<u>\$ 25,341</u>

General revenues:  
 Interest revenue  
 Gas lease  
 Other  
 Net increase  
 (decrease) in the fair value of investments  
 Total general revenues and transfers  
 Change in net assets  
 Net assets, October 1  
 Net assets, September 30

**Net (Expenses) Revenue and  
Changes in Net Assets**

Component Units						
Arlington Sports Facilities Development Authority, Inc.	Arlington Housing Authority	Arlington Convention & Visitors Bureau	Arlington Tomorrow Foundation	Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Total
\$ (463)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (463)
-	(3,649)	-	-	-	-	(3,649)
-	-	395	-	-	-	395
-	-	-	24,134	-	-	24,134
-	-	-	-	(41)	-	(41)
<u>\$ (463)</u>	<u>\$ (3,649)</u>	<u>\$ 395</u>	<u>\$ 24,134</u>	<u>\$ (41)</u>	<u>\$ -</u>	<u>\$ 20,376</u>
\$ 1,980	\$ 146	\$ 6	\$ 1,582	\$ 15	\$ -	\$ 3,729
-	-	-	11,044	-	-	11,044
-	291	-	-	-	-	291
92	(3)	-	5	-	-	94
<u>2,072</u>	<u>434</u>	<u>6</u>	<u>12,631</u>	<u>15</u>	<u>-</u>	<u>15,158</u>
1,609	(3,215)	401	36,765	(26)	-	35,534
27,181	10,323	213	-	401	3	38,121
<u>\$ 28,790</u>	<u>\$ 7,108</u>	<u>\$ 614</u>	<u>\$ 36,765</u>	<u>\$ 375</u>	<u>\$ 3</u>	<u>\$ 73,655</u>

**CITY OF ARLINGTON, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Arlington Sports Facilities Development Authority</b>	<b>Arlington Tomorrow Foundation</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,393	\$ -
Cash received from HUD	-	-
Cash received from gas leases	-	10,901
Other operating cash receipts	-	-
Cash payments to suppliers	(866)	(87)
Cash payments to employees	-	(44)
Cash payments to grantees	-	(1,060)
Cash payments for housing assistance	-	-
<b>Net Cash Provided By Operating Activities</b>	<u>2,527</u>	<u>9,710</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	-	-
Transfers out	(2,800)	-
<b>Net Cash 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	-	-
Capital contribution from City	-	36,135
Principal payments on capital lease	-	-
Interest payments on capital lease	-	-
Proceeds from sales of capital assets	-	-
<b>Net Cash Provided By Capital and Related Financing Activities</b>	<u>-</u>	<u>36,135</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from interest earnings	1,980	1,582
Net increase (decrease) in the fair value of investments	92	5
Purchase of investments	(2,597)	-
Maturities/sales of investments	-	-
<b>Net Cash Provided By (Used For) Investing Activities</b>	<u>(525)</u>	<u>1,587</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(798)	47,432
Cash and cash equivalents at October 1	3,034	-
Cash and cash equivalents at September 30	<u>\$ 2,236</u>	<u>\$ 47,432</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities</b>		
<b>Operating Income (Loss)</b>	<u>\$ 2,337</u>	<u>\$ 9,838</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	873	(34)
Inventory of supplies	-	-
Prepaid Expenses	-	-
Increase (decrease) in-		
Accounts payable and accrued liabilities	(719)	15
Estimated claims payable	-	-
Accrued compensated absences	-	-
Deferred revenue	-	(109)
Other accrued expenses	(73)	-
Total adjustments	<u>190</u>	<u>(128)</u>
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>\$ 2,527</u>	<u>\$ 9,710</u>

Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Totals
\$ 10	\$ -	\$ 3,403
-	-	-
-	-	10,901
-	-	-
(51)	-	(1,004)
-	-	(44)
-	-	(1,060)
-	-	-
<u>(41)</u>	<u>-</u>	<u>12,196</u>
-	-	-
-	-	(2,800)
<u>-</u>	<u>-</u>	<u>(2,800)</u>
-	-	-
-	-	36,135
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>36,135</u>
15	-	3,577
-	-	97
-	-	(2,597)
-	-	-
<u>15</u>	<u>-</u>	<u>1,077</u>
(26)	-	46,608
401	3	3,438
<u>\$ 375</u>	<u>\$ 3</u>	<u>\$ 50,046</u>
\$ (41)	\$ -	\$ 12,134
-	-	109
-	-	-
-	-	-
-	-	839
-	-	-
-	-	-
-	-	(704)
-	-	-
-	-	-
-	-	(109)
-	-	(73)
-	-	62
<u>\$ (41)</u>	<u>\$ -</u>	<u>\$ 12,196</u>

**CITY OF ARLINGTON, TEXAS  
 CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS - BY SOURCES (Unaudited)  
 AS OF SEPTEMBER 30, 2008  
 (AMOUNTS EXPRESSED IN THOUSANDS)**

**GOVERNMENTAL FUNDS CAPITAL ASSETS:**

Land	\$ 84,922
Buildings	114,221
Improvements other than buildings	97,487
Machinery and equipment	30,960
Construction-in-progress	784,129
Infrastructure	<u>792,661</u>
<b>Total Governmental Funds Capital Assets</b>	<b><u><u>\$ 1,904,380</u></u></b>

**INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS:**

General fund	\$ 327,590
Capital Project Fund	<u>1,576,790</u>
<b>Total Governmental Funds Capital Assets</b>	<b><u><u>\$ 1,904,380</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, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
<b>ADMINISTRATIVE:</b>					
Technology services	\$ 9,008	\$ -	\$ -	\$ -	\$ 9,008
Tax	6	-	-	-	6
City administration	98,905	15,473	61,681	17,311	4,440
Convention center	378	-	-	-	378
<b>Total Administration</b>	<u>108,297</u>	<u>15,473</u>	<u>61,681</u>	<u>17,311</u>	<u>13,832</u>
<b>OPERATIONS:</b>					
Fire	8,870	-	4,879	-	3,991
Municipal court	1,409	-	-	-	1,409
Police	18,405	-	10,893	-	7,512
Parks and recreation	158,642	63,513	20,779	72,751	1,599
Communication services	88	-	-	-	88
Airport	28,418	5,655	15,700	7,063	-
<b>Total Operations</b>	<u>215,832</u>	<u>69,168</u>	<u>52,251</u>	<u>79,814</u>	<u>14,599</u>
<b>DEVELOPMENT:</b>					
Community development	1,373	-	289	6	1,078
Engineering services	137	-	-	-	137
Transportation	1,951	281	-	356	1,314
<b>Total Development</b>	<u>3,461</u>	<u>281</u>	<u>289</u>	<u>362</u>	<u>2,529</u>
<b>Total Capital Assets</b>					
<b>Allocated to Functions</b>	<u>327,590</u>	<u>\$ 84,922</u>	<u>\$ 114,221</u>	<u>\$ 97,487</u>	<u>\$ 30,960</u>
<b>INFRASTRUCTURE</b>	<u>792,661</u>				
<b>CONSTRUCTION IN PROGRESS</b>	<u>784,129</u>				
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 1,904,380</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, 2008  
(AMOUNTS EXPRESSED IN THOUSANDS)**

Function and Activity	Governmental Funds			Governmental Funds
	Capital Assets October 1, 2007	Additions	Deletions	Capital Assets September 30, 2008
<b>ADMINISTRATIVE:</b>				
Technology services	\$ 9,008	\$ -	\$ -	\$ 9,008
Tax	6	-	-	6
City administration	93,268	5,637	-	98,905
Convention center	178	200	-	378
<b>Total Administration</b>	<u>102,460</u>	<u>5,837</u>	<u>-</u>	<u>108,297</u>
<b>OPERATIONS:</b>				
Fire	5,714	3,156	-	8,870
Municipal court	1,409	-	-	1,409
Police	18,235	170	-	18,405
Parks and recreation	152,881	5,927	(166)	158,642
Communication services	88	-	-	88
Airport	28,418	-	-	28,418
<b>Total Operations</b>	<u>206,745</u>	<u>9,253</u>	<u>(166)</u>	<u>215,832</u>
<b>DEVELOPMENT:</b>				
Community development	539	834	-	1,373
Engineering services	137	-	-	137
Transportation	1,654	297	-	1,951
<b>Total Development</b>	<u>2,330</u>	<u>1,131</u>	<u>-</u>	<u>3,461</u>
<b>INFRASTRUCTURE</b>	<u>783,871</u>	<u>8,790</u>	<u>-</u>	<u>792,661</u>
<b>CONSTRUCTION IN PROGRESS</b>	<u>474,351</u>	<u>340,060</u>	<u>(30,282)</u>	<u>784,129</u>
Total Governmental Funds Capital Asset	<u>\$ 1,569,757</u>	<u>\$ 365,071</u>	<u>\$ (30,448)</u>	<u>\$ 1,904,380</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.

## **STATISTICAL SECTION (Unaudited)**

The City of Arlington's statistical section presents detailed information as a context for understanding the information in the Comprehensive Annual Financial Report, which details the City's overall financial health and well-being.

**FINANCIAL TRENDS** – The financial trends schedules contain information to help financial statement users understand how the city's financial position has changed over time.

**REVENUE CAPACITY** – The Revenue Capacity schedules contain information to help financial statement users assess the City's most significant local revenue source, the property tax.

**DEBT CAPACITY** – The Debt Capacity schedules present information to help financial statement users assess the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**DEMOGRAPHIC AND ECONOMIC INFORMATION** – The Demographic and Economic Statistic schedules offer demographic and economic indicators to help financial statement users understand the environment within which the City's financial activities take place.

**OPERATING INFORMATION** – The Operating Information schedules contain service and infrastructure data to help financial statement users understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF ARLINGTON, TEXAS  
NET ASSETS BY COMPONENT  
Last Seven Fiscal Years  
(accrual basis of accounting)  
(Unaudited) (In Thousands)

Table 1

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$ 357,316	\$ 321,615	\$ 317,946	\$ 408,969	\$ 510,287	\$ 646,693	\$ 778,516
Restricted (Debt Srvcs/Impact Fee/Endowments)	2,259	419	2,993	25,738	25,794	39,767	55,581
Unrestricted	28,636	78,838	98,332	49,571	67,341	89,238	65,896
<b>Total governmental activities net assets</b>	<b>\$ 388,211</b>	<b>\$ 400,872</b>	<b>\$ 419,271</b>	<b>\$ 484,278</b>	<b>\$ 603,422</b>	<b>\$ 775,698</b>	<b>\$ 899,993</b>
<b>Business-type activities</b>							
Invested in capital assets, net of related debt	\$ 307,741	\$ 325,159	\$ 350,885	\$ 380,515	\$ 409,452	\$ 428,961	\$ 453,210
Restricted	-	9,638	9,460	10,041	9,273	9,097	9,753
Unrestricted	67,329	58,105	58,862	20,061	21,519	17,049	14,846
<b>Total business-type activities net assets</b>	<b>\$ 375,070</b>	<b>\$ 392,902</b>	<b>\$ 419,207</b>	<b>\$ 410,617</b>	<b>\$ 440,244</b>	<b>\$ 455,107</b>	<b>\$ 477,809</b>
<b>Primary government</b>							
Invested in capital assets, net of related debt	\$ 665,057	\$ 646,774	\$ 668,831	\$ 789,484	\$ 919,739	\$ 1,075,654	\$ 1,231,726
Restricted (Debt Srvcs/Impact Fee)	2,259	10,057	12,453	35,779	35,067	48,864	65,334
Unrestricted	95,965	136,943	157,194	69,632	88,860	106,287	80,742
<b>Total primary government net assets</b>	<b>\$ 763,281</b>	<b>\$ 793,774</b>	<b>\$ 838,478</b>	<b>\$ 894,895</b>	<b>\$ 1,043,666</b>	<b>\$ 1,230,805</b>	<b>\$ 1,377,802</b>

**Source:** City of Arlington Financial and Management Resources

**Note:** The accrual-basis of financial reporting for the City of Arlington is only available back to 2002, which is the year GASB Statement 34 was implemented.

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

Table 2

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Expenses</b>							
Governmental activities:							
General government	\$ 34,330	\$ 28,511	\$ 30,646	\$ 26,906	\$ 31,812	\$ 34,120	\$ 43,788
Public safety	90,417	89,554	93,852	97,645	102,363	113,343	123,587
Public works	55,327	57,768	55,350	64,369	66,019	73,161	84,115
Public health	2,100	1,424	1,321	2,416	1,697	1,735	1,920
Parks and recreational	20,669	21,327	20,633	23,262	27,761	26,826	28,027
Public welfare	5,288	7,282	5,410	6,383	9,408	11,136	39,282
Convention and event services	5,426	5,478	5,347	5,435	5,094	5,628	6,533
Interest on long term debt	15,674	15,102	14,548	13,898	24,923	24,581	26,624
Total governmental activities expenses	\$ 229,231	\$ 226,446	\$ 227,107	\$ 240,314	\$ 269,077	\$ 290,530	\$ 353,876
Business-type activities:							
Water and sewer	68,106	68,282	67,232	65,220	74,516	72,945	71,929
Landfill	7,743	1,731	2,207	4,310	-	-	-
Total business-type activities expenses	\$ 75,849	\$ 70,013	\$ 69,439	\$ 69,530	\$ 74,516	\$ 72,945	\$ 71,929
Total primary government expenses	\$ 305,080	\$ 296,459	\$ 296,546	\$ 309,844	\$ 343,593	\$ 363,475	\$ 425,805
<b>Program Revenues</b>							
Governmental activities:							
Charges for services:							
General government	\$ 9,121	\$ 11,911	\$ 7,775	\$ 15,449	\$ 21,668	\$ 17,264	\$ 10,528
Public safety	7,966	8,068	9,145	6,851	8,206	8,052	13,998
Public works	8,341	4,395	6,059	3,001	3,025	3,052	5,898
Public health	227	65	1,093	65	71	78	2,692
Parks and recreational	8,190	6,636	7,161	8,243	8,558	8,456	9,529
Public welfare	-	-	14	-	-	-	-
Convention and event services	5,635	2,347	2,422	2,496	2,656	2,418	2,587
Operating grants and contributions	9,430	8,728	7,758	8,144	13,846	14,102	20,787
Capital grants and contributions	12,509	8,525	5,730	4,849	77,683	121,720	145,029
Total governmental activities program revenues	\$ 61,419	\$ 50,675	\$ 47,157	\$ 49,098	\$ 135,713	\$ 175,142	\$ 211,048
Business-type activities:							
Charges for services:							
Water and sewer	\$ 80,747	\$ 81,890	\$ 88,474	\$ 92,144	\$ 102,745	\$ 88,786	\$ 102,324
Landfill	7,897	7,728	6,733	4,484	-	-	-
Capital grants and contributions	6,636	6,064	6,656	3,676	5,529	3,600	2,622
Total business-type activities program revenues	\$ 95,280	\$ 95,682	\$ 101,863	\$ 100,304	\$ 108,274	\$ 92,386	\$ 104,946
Total primary government program revenues	\$ 156,699	\$ 146,357	\$ 149,020	\$ 149,402	\$ 243,987	\$ 267,528	\$ 315,994

(continued)

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

Table 2

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Net (Expense) Revenue</b>							
Governmental activities	\$ (167,812)	\$ (175,771)	\$ (179,950)	\$ (191,216)	\$ (133,364)	\$ (115,388)	\$ (142,828)
Business-type activities	19,431	25,669	32,424	30,774	33,758	19,441	33,017
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>	<u>\$ (95,947)</u>	<u>\$ (109,811)</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	\$ 108,301	\$ 112,477
Sales taxes	-	-	-	60,476	76,483	79,781	81,385
Other taxes	-	-	-	7,286	8,319	9,249	10,447
Gas Lease	-	-	-	-	5,020	25,471	2,091
Franchise fees	29,667	29,181	29,321	28,928	31,140	29,145	25,994
Investment earnings	3,888	2,040	1,957	5,642	19,513	21,849	12,814
Net increase (decrease) in fair value	(380)	(10)	(355)	(1,244)	(293)	2,109	182
Other	3,585	2,278	3,045	4,900	1,469	5,239	9,271
Special Item	-	-	-	4,330	-	-	-
Transfers	4,705	9,254	7,238	40,563	6,432	6,520	12,462
Total governmental activities	<u>\$ 175,954</u>	<u>\$ 188,432</u>	<u>\$ 198,349</u>	<u>\$ 252,116</u>	<u>\$ 252,508</u>	<u>\$ 287,664</u>	<u>\$ 267,123</u>
Business-type activities:							
Investment earnings	\$ 2,394	\$ 1,456	\$ 1,287	\$ 1,255	\$ 2,175	\$ 1,685	\$ 2,196
Gain on sale/retirement of capital assets	(251)	(39)	(223)	(77)	126	257	(49)
Miscellaneous	-	-	55	21	-	-	-
Transfers	(4,705)	(9,254)	(7,238)	(40,563)	(6,432)	(6,520)	(12,462)
Total Business-type activities	<u>\$ (2,562)</u>	<u>\$ (7,837)</u>	<u>\$ (6,119)</u>	<u>\$ (39,364)</u>	<u>\$ (4,131)</u>	<u>\$ (4,578)</u>	<u>\$ (10,315)</u>
Total primary government	<u>\$ 173,392</u>	<u>\$ 180,595</u>	<u>\$ 192,230</u>	<u>\$ 212,752</u>	<u>\$ 248,377</u>	<u>\$ 283,086</u>	<u>\$ 256,808</u>
<b>Change in Net Assets</b>							
Governmental activities	\$ 8,142	\$ 12,661	\$ 18,399	\$ 60,900	\$ 119,144	\$ 172,276	\$ 124,295
Business-type activities	16,869	17,832	26,305	(8,590)	29,627	14,863	22,702
Total primary government	<u>\$ 25,011</u>	<u>\$ 30,493</u>	<u>\$ 44,704</u>	<u>\$ 52,310</u>	<u>\$ 148,771</u>	<u>\$ 187,139</u>	<u>\$ 146,997</u>

(concluded)

Source: City of Arlington Financial and Management Resources

Note: The accrual-basis of financial reporting for the City of Arlington is only available back to 2002, which is the year GASB Statement 34 was implemented.

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

	Fiscal Year				
	1999	2000	2001	2002	2003
General fund					
Reserved for other					
Encumbrances	\$ 1,432	\$ 1,129	\$ 1,379	\$ 1,526	\$ 656
Inventory	508	489	336	279	112
Prepays	32	39	24	48	67
Street maintenance	1,930	350	-	-	-
Capital outlay	500	-	-	-	-
Utility rate case	477	500	500	500	500
Special transportation	816	-	-	-	-
Working capital	10,835	11,335	11,389	-	-
Net increase in fair value investment	-	-	-	-	-
Unreserved					
Telecommunications	194	195	357	754	102
Working capital	-	-	-	12,195	12,981
Subsequent years' expenditure	2,371	2,633	2,633	3,429	4,821
Arbitrage	-	-	-	824	320
Compensated absences	-	-	-	1,152	1,247
Other post employment benefits	-	-	-	-	-
Landfill lease proceeds	-	-	-	-	-
Infrastructure	-	-	-	-	-
Gas lease proceeds	-	-	-	-	-
Undesignated	-	1,551	3,041	-	-
Total general fund	<u>\$ 19,095</u>	<u>\$ 18,221</u>	<u>\$ 19,659</u>	<u>\$ 20,707</u>	<u>\$ 20,806</u>
All Other Governmental Funds					
Reserved for other					
Encumbrances	\$ 26,102	\$ 21,347	\$ 31,219	\$ 22,115	\$ 17,241
Debt services	1,913	1,675	1,740	2,259	2,538
Inventory	-	-	-	-	-
Prepays	2	-	-	3	3
Capital maintenance	140	210	253	468	253
Capital projects	37,236	37,995	36,854	40,587	50,867
Street maintenance	-	-	1,356	379	394
Capital outlay	-	-	624	229	442
Court technology	-	-	-	-	-
Court security	-	-	-	-	-
Juvenile case manager	-	-	-	-	-
Net increase in fair value investment	-	-	-	-	-
Unreserved					
Special revenue funds					
Working capital-other nonmajor fund	-	-	-	-	5,597
Hotel Feasibility	-	-	-	-	-
Central Plaza	-	-	-	-	-
Capital maintenance	-	-	-	-	-
Neighborhood grants	-	-	-	-	-
Innovation/venture	-	-	-	-	-
Reimbursement	-	-	-	-	-
Undesignated	2,017	1,713	1,148	2,487	-
Total all other governmental funds	<u>\$ 67,410</u>	<u>\$ 62,940</u>	<u>\$ 73,194</u>	<u>\$ 68,527</u>	<u>\$ 77,335</u>

Source: City of Arlington Financial and Management Resources

Table 3

		Fiscal Year				
		2004	2005	2006	2007	2008
\$	1,786	\$ 3,230	\$ 4,463	\$ 6,351	\$ 6,074	
	113	254	240	574	600	
	46	46	5	35	2	
	-	-	-	-	-	
	-	-	-	-	-	
	500	500	500	500	500	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	329	274	-	-	-	
	13,585	14,373	15,964	16,232	16,512	
	5,018	5,174	5,747	5,843	5,944	
	38	12	33	184	288	
	1,411	1,125	1,280	1,261	1,556	
	1,718	1,718	1,718	1,718	1,718	
	-	19,887	20,573	21,030	21,487	
	-	-	-	1,000	1,000	
	-	-	5,020	-	-	
	773	5,464	10,571	5,618	508	
\$	<u>25,317</u>	<u>\$ 52,057</u>	<u>\$ 66,114</u>	<u>\$ 60,346</u>	<u>\$ 56,189</u>	
\$	7,514	\$ 21,577	\$ 36,592	\$ 25,665	\$ 48,911	
	2,993	20,216	20,639	34,173	50,274	
	-	-	-	197	217	
	36,476	185	179	1	-	
	-	-	-	-	-	
	26,727	318,632	280,316	156,064	53,952	
	482	1,709	3,899	3,568	6,382	
	-	-	-	-	-	
	292	162	29	188	83	
	-	224	111	-	-	
	-	-	40	83	150	
	-	-	-	-	-	
	3,998	2,045	2,045	2,045	2,045	
	-	-	-	-	400	
	-	-	-	150	-	
	54,474	161	18	311	461	
	-	-	-	-	455	
	-	-	-	-	2,182	
	-	-	-	-	1,425	
	161	3,348	1,639	33,844	9,200	
\$	<u>133,117</u>	<u>\$ 368,259</u>	<u>\$ 345,507</u>	<u>\$ 256,289</u>	<u>\$ 176,137</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		
	1999	2000	2001
<b>REVENUES:</b>			
Taxes:	\$ 116,018	\$ 124,026	\$ 131,167
Licenses and permits	3,220	3,173	3,498
Franchise fees	23,187	26,639	31,201
Fines and forfeitures	5,129	5,135	5,919
Leases, rents, and concessions	694	697	866
Service charges	17,518	19,169	24,925
Investment income	5,357	5,416	5,773
Net increase (decrease) in fair value of investment	-	-	-
Contributions	2,579	3,066	1,956
Intergovernmental	9,838	8,025	11,363
Gas lease	-	-	-
Miscellaneous	2,373	1,986	2,678
Total Revenues	<u>\$ 185,913</u>	<u>\$ 197,332</u>	<u>\$ 219,346</u>
<b>EXPENDITURES:</b>			
General government	21,785	23,991	26,370
Public safety	66,467	72,539	80,015
Public works	19,074	22,796	25,031
Public health	2,062	1,904	1,928
Public welfare	5,023	3,929	3,549
Parks and recreational	15,958	17,564	21,617
Convention and event services	-	-	-
Operating expenditures	4,781	5,393	5,374
Capital outlay	65,792	49,637	39,960
Debt Service:			
Principal retirement	23,950	25,720	26,730
Interest and fiscal charges	14,857	15,373	15,920
Bond issuance cost	-	-	-
Total expenditures	<u>\$ 239,749</u>	<u>\$ 238,846</u>	<u>\$ 246,494</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (53,836)</u>	<u>\$ (41,514)</u>	<u>\$ (27,148)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds issued*	33,150	32,865	35,535
Capital lease	-	-	-
Proceeds from sale of capital assets	-	-	-
Refunding bonds issued	-	-	36,540
Bond premium	-	-	-
Payment of escrow for refunding	-	-	(36,540)
Gain on sale of land	-	-	-
Transfers in	11,014	14,539	17,284
Transfers out	(7,167)	(11,234)	(13,979)
Total other financing sources (uses)	<u>\$ 36,997</u>	<u>\$ 36,170</u>	<u>\$ 38,840</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (16,839)</u>	<u>\$ (5,344)</u>	<u>\$ 11,692</u>
Debt service as a percentage of noncapital expenditures	22.3%	21.7%	20.7%

Source: City of Arlington Financial and Management Resources

\* 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

Fiscal Year						
2002	2003	2004	2005	2006	2007	2008
\$ 134,429	\$ 145,239	\$ 156,958	\$ 169,345	\$ 189,671	\$ 197,877	\$ 205,531
3,837	3,833	4,160	4,476	5,074	4,399	4,650
29,635	29,163	29,371	28,928	31,140	29,145	25,994
6,787	7,475	7,318	6,259	7,675	7,528	10,515
3,548	2,908	3,026	5,207	13,307	7,081	7,363
24,479	19,424	19,424	20,175	20,041	20,196	22,476
3,331	1,931	1,550	4,020	18,559	20,665	11,591
-	-	-	-	(314)	2,041	201
4,078	2,358	2,653	1,664	77,683	121,720	145,029
17,229	14,895	10,426	9,216	13,309	15,586	20,619
-	-	-	-	-	-	2,091
3,238	2,135	2,596	4,292	2,894	29,487	4,915
<u>\$ 230,591</u>	<u>\$ 229,361</u>	<u>\$ 237,482</u>	<u>\$ 253,582</u>	<u>\$ 379,039</u>	<u>\$ 455,725</u>	<u>\$ 460,975</u>
28,393	28,433	30,148	31,094	30,839	30,792	35,911
91,606	90,934	95,499	99,656	103,772	112,704	119,585
59,756	27,874	27,535	36,971	36,127	37,516	45,968
1,999	1,239	1,252	1,435	1,684	1,695	1,826
6,311	3,585	5,546	6,543	9,483	11,166	39,253
29,981	18,565	21,865	21,755	21,261	23,625	24,452
5,426	5,471	5,312	5,435	5,094	5,628	6,533
-	-	-	-	-	-	-
-	38,362	24,169	57,271	144,473	278,858	337,661
27,860	27,420	28,270	28,030	26,160	26,415	24,825
15,663	15,186	14,637	14,632	25,428	25,019	27,054
-	133	-	-	-	-	-
<u>\$ 266,995</u>	<u>\$ 257,202</u>	<u>\$ 254,233</u>	<u>\$ 302,822</u>	<u>\$ 404,321</u>	<u>\$ 553,418</u>	<u>\$ 663,068</u>
<u>\$ (36,404)</u>	<u>\$ (27,841)</u>	<u>\$ (16,751)</u>	<u>\$ (49,240)</u>	<u>\$ (25,282)</u>	<u>\$ (97,693)</u>	<u>\$ (202,093)</u>
24,920	25,590	24,155	303,365	10,780	-	105,075
-	1,159	301	1,626	-	-	322
-	-	633	-	-	-	-
-	17,840	-	68,000	-	-	-
-	2,778	-	12,577	-	-	-
-	(18,835)	-	(72,240)	-	-	-
-	-	-	-	-	-	2,105
14,479	25,922	24,324	51,301	26,263	19,366	30,833
(9,231)	(17,692)	(14,676)	(15,317)	(20,456)	(16,659)	(20,551)
<u>\$ 30,168</u>	<u>\$ 36,762</u>	<u>\$ 34,737</u>	<u>\$ 349,312</u>	<u>\$ 16,587</u>	<u>\$ 2,707</u>	<u>\$ 117,784</u>
<u>\$ (6,236)</u>	<u>\$ 8,921</u>	<u>\$ 17,986</u>	<u>\$ 300,072</u>	<u>\$ (8,695)</u>	<u>\$ (94,986)</u>	<u>\$ (84,309)</u>
16.3%	19.5%	18.7%	17.4%	19.9%	16.7%	15.8%

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

Table 5

Fiscal Year	Estimated Actual Value of Taxable Property		Total Taxable Value <sup>(1)</sup>	Total Direct Tax Rate
	Real Property	Personal Property		
1999	8,905,619	1,962,967	10,868,586	0.6380
2000	9,466,395	1,948,751	11,415,146	0.6380
2001	10,344,386	2,090,767	12,435,153	0.6340
2002	11,304,546	2,208,832	13,513,378	0.6340
2003	12,099,808	2,244,193	14,344,001	0.6340
2004	12,899,757	2,118,968	15,018,725	0.6480
2005	13,349,818	2,249,502	15,599,320	0.6480
2006	13,930,567	2,213,014	16,143,581	0.6480
2007	14,557,436	2,235,989	16,793,425	0.6480
2008	15,304,029	2,287,200	17,591,229	0.6480

**Source:** City of Arlington Financial and Management Resources

**Note:** <sup>(1)</sup> Taxable and estimated actual value of taxable property is obtained from the certified value as of September of each tax year including minimum estimated value of property under protest and incomplete property values

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>
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
2007	0.4467	0.2013	0.6480	1.28	1.30	1.36	1.45	0.64
2008	0.4467	0.2013	0.6480	1.27	1.30	1.49	1.45	0.63

Source: City of Arlington Financial and Management Resources

**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 Junior College District, and the Tarrant County Hospital District

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

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2008		
<u>Taxpayer</u>	<u>Total Taxable Value</u>	<u>Percentage of Total City Taxable Value<sup>a</sup></u>
General Motors Corp.	\$ 199,225,981	11.86 %
Parks @ Arlington	150,541,475	8.96
Oncor Electric Delivery	147,968,679	8.81
Arlington Highlands	114,732,975	6.83
Southwestern	74,764,957	4.45
Six Flags Fund	61,313,903	3.65
Lincoln Square LTD	59,061,363	3.52
USMD Surgical Hospital	55,219,031	3.29
Bell Helicopter	41,182,421	2.45
KC Providence Park	40,509,075	2.41
Total	<u>\$ 944,519,860</u>	<u>56.23 %</u>

**Source:** City of Arlington Financial and Management Resources  
 Tarrant Appraisal District Records

Table 7

1999		
<u>Taxpayer</u>	<u>Total Taxable Value</u>	<u>Percentage of Total City Taxable Value<sup>e</sup></u>
General Motors Corp.	\$ 140,329,902	13.78 %
Texas Utilities Electric	114,719,240	11.27
Southwestern Bell	92,523,679	9.09
Six Flags Over Texas	84,535,329	8.30
Parks @ Arlington	63,004,468	6.19
National Semiconductor	46,841,918	4.60
Don Davis	43,123,511	4.24
Brookhollow Acquisition	39,224,948	3.85
Dillard Department Stores	37,450,215	3.68
ERP Operating LTD	33,192,890	3.26
Total	<u>\$ 694,946,100</u>	<u>68.26 %</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
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	559,424	104,239,487	99.65
2007	108,821,392	106,139,829	97.54	1,177,996	108,630,576	99.82
2008	114,126,102	111,408,733	97.62	1,486,423	113,625,781	99.56

**Source:** City of Arlington Financial and Management Resources

**Note:** Cumulative Tax Collection Comparison

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

Fiscal Year	Governmental Activities				Business-Type Activities			Percentage of Total Taxable Value
	General Obligation Bonds	Certificates of Obligation	Commercial Paper	Other Obligations	Water and Sewer Revenue Bonds	Total Primary Government		
1999	243,650,000	43,385,000	-	-	93,460,000	380,495,000	3.50	
2000	252,305,000	41,875,000	-	-	83,060,000	377,240,000	3.30	
2001	256,425,000	46,165,000	-	-	90,955,000	393,545,000	3.16	
2002	256,795,000	42,855,000	-	-	94,575,000	394,225,000	2.92	
2003	258,190,000	39,630,000	-	-	83,650,000	381,470,000	2.66	
2004	258,960,000	34,745,000	-	-	87,935,000	381,640,000	2.54	
2005	232,475,000	37,600,000	-	297,990,000	94,790,000	662,855,000	4.25	
2006	226,760,000	25,935,000	2,000,000	297,990,000	84,510,000	637,195,000	3.95	
2007	205,875,000	22,405,000	14,000,000	297,990,000	99,000,000	639,270,000	3.81	
2008	242,920,000	65,610,000	22,000,000	297,990,000	90,770,000	719,290,000	4.09	

**Source:** City of Arlington Financial and Management Resources

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

\*See Table 13 for personal income and population data.

Certificates of Obligation include Tax and Revenue certificates

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

N/R - not reported

Table 9

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Estimated Population	Per Capita <sup>a</sup>	Percentage of Personal Income
309,859	1,228	0.95%
332,969	1,133	0.86%
339,215	1,160	0.84%
346,197	1,139	0.83%
351,719	1,085	0.78%
355,634	1,073	0.73%
361,300	1,835	1.04%
362,393	1,758	0.91%
364,300	1,755	N/R
369,150	1,949	N/R

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
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
2007	205,875,000	22,405,000	14,000,000	242,280,000
2008	242,920,000	65,610,000	22,000,000	330,530,000

**Source:** City of Arlington Financial and Management Resources

**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.

Table 10

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Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>	Estimated Population
2.82%	926	309,859
2.89%	884	332,969
2.97%	892	339,215
2.94%	866	346,197
2.93%	847	351,719
2.88%	826	355,634
2.65%	748	361,300
2.50%	703	362,393
2.38%	665	364,300
3.25%	895	369,150

CITY OF ARLINGTON, TEXAS  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 As of September 30, 2008  
 (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	\$ 330,530,000	100.00%	\$ 330,530,000
Overlapping			
Arlington I.S.D.	428,651,121	78.23%	335,333,772
Tarrant County	345,904,856	15.48%	53,546,072
Tarrant County Junior College District	45,157,713	15.48%	6,990,414
Tarrant County Hospital District	64,620,000	15.48%	10,003,176
Kennedale I.S.D.	51,390,037	54.36%	27,935,624
Mansfield I.S.D.	701,849,741	33.00%	231,610,415
Hurst-Euless-Bedford I.S.D.	<u>212,084,610</u>	<u>0.35%</u>	<u>742,296</u>
<b>Total direct and overlapping debt</b>			<b><u><u>\$ 996,691,768</u></u></b>

**Source:** City of Arlington Financial and Management Resources

**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				
	Total Revenues <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue <sup>(3)</sup>	Average Annual Requirement	Times Coverage <sup>(4)</sup>
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
2007	90,471	61,044	29,427	6,660	4.42
2008	104,520	63,231	41,289	6,141	6.72

**Source:** City of Arlington Financial and Management Resources

- Note:**
- <sup>(1)</sup> Revenue determined on the full accrual basis and includes 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

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
1999	309,859	40,231,412	28,285	N/R	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	N/R	60,760	3.9%
2002	346,197	47,735,316	31,295	N/R	62,104	5.3%
2003	351,719	49,151,450	31,565	N/R	62,345	5.5%
2004	355,634	51,951,087	32,735	N/R	62,531	4.5%
2005	361,300	63,800,913	33,133	N/R	62,267	5.0%
2006	362,393	70,308,212	35,578	N/R	63,397	4.5%
2007	364,300	N/R	N/R	N/R	62,863	4.2%
2008	369,150	N/R	N/R	N/R	N/R	5.1%

**Sources:** City of Arlington Financial and Management Resources

**Note:** Additional sources include the Census, Bureau of Labor Statistics, NCTCOG, TWC  
 N/R - not reported

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

2008

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Arlington Independent School District	8,000	3.91%
University of Texas at Arlington	5,700	2.79%
Six Flags over Texas	3,200	1.56%
The Parks at Arlington (Mall)	3,000	1.47%
General Motors	3,000	1.47%
City of Arlington	2,400	1.17%
Chase Bank	1,900	0.93%
Texas Rangers Baseball Club	1,800	0.88%
Americredit	1,300	0.64%
Arlington Memorial Hospital	1,300	0.64%
Wal-Mart	1,200	0.59%
Providian Financial	1,200	0.59%
National Semiconductor	1,100	0.54%
Total	<u>35,100</u>	<u>17.18%</u>

**Source:** City of Arlington Financial and Management Resources

**Note:** 2008 Employment Estimate is 204,474  
 1999 Employment Estimate is 189,182

Table 14

1999		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Arlington Independent School District	6,400	3.38%
University of Texas at Arlington	4,400	2.33%
Six Flags Over Texas	4,300	2.27%
City of Arlington	2,075	1.10%
General Motors	1,700	0.90%
Arlington Memorial Hospital	1,650	0.87%
Doskocil Manufacturing	1,600	0.85%
Harris Methodist Health Plan	1,300	0.69%
Siemens Electrocom	1,100	0.58%
Raytheon	1,050	0.56%
National Semiconductor	1,000	0.53%
Texas Rangers Baseball Club	950	0.50%
Aetna US Healthcare	900	0.48%
	<u>28,425</u>	<u>15.04%</u>

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

Function/Program	Fiscal Year				
	1999	2000	2001	2002	2003
Strategic Support					
Management Resources	16	15	3	3	-
General services fund	15	14	14	14	14
City attorney's office	30	31	30	30	28
City manager's office	12	13	12	11	29
Auditor's office	4	4	5	5	-
Workforce Services	128	125	125	135	121
Judiciary	-	-	-	-	-
Municipal court	3	3	4	4	4
Information technology	56	61	48	48	40
Technology services fund	-	-	13	14	15
Finance	60	61	77	70	69
Economic Development					
Economic development	-	-	-	-	-
Community Development and Planning	21	21	55	55	54
Aviation	-	-	-	-	-
Convention center	33	39	35	35	35
Neighborhood Services					
Police	590	629	653	714	706
Fire	301	301	302	301	304
Community services	97	100	71	72	69
Park and recreation	127	128	133	138	137
Park performance fund	71	76	76	72	67
Library	61	66	66	66	71
Capital Investment					
Public works	-	-	-	-	-
Street maintenance fund	-	-	-	80	67
Environmental services	-	-	-	-	-
Fleet services fund	22	24	24	24	24
Water and sewer fund	227	226	230	227	225
Grant funds	105	83	76	105	104
Support services	34	39	39	36	30
Sanitary landfill fund	26	27	27	26	26
Transportation	122	124	128	72	68
Engineering services	74	80	79	79	73
Total	<u>2,235</u>	<u>2,290</u>	<u>2,325</u>	<u>2,436</u>	<u>2,380</u>

**Source:** City of Arlington Financial and Management Resources

**Note:**

- Fire umbrellas communication services (101 FTEs)

Table 15

Fiscal Year				
2004	2005	2006	2007	2008
-	23	31	42	42
12	12	13	10	10
29	33	33	37	37
28	9	4	6	4
-	-	6	6	6
119	119	19	23	23
-	-	-	5	6
4	4	4	46	46
38	38	38	34	34
15	15	15	20	20
67	78	30	31	31
-	-	-	3	3
52	53	56	69	73
-	-	-	8	8
33	33	32	31	32
746	745	745	768	793
302	302	302	407	414
66	67	74	72	77
132	132	125	130	115
66	66	66	61	81
68	64	64	71	71
118	114	112	125	133
76	75	71	62	62
-	-	-	10	10
3	3	2	2	2
223	223	219	219	218
77	77	79	85	88
28	31	170	-	-
26	26	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>2,328</u>	<u>2,342</u>	<u>2,310</u>	<u>2,383</u>	<u>2,439</u>

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

Function/Program	Fiscal Year			
	1999	2000	2001	2002
Public safety				
Police				
Number of employees	613	653	659	718
Number of dispatch calls	140,504	156,337	157,291	158,229
Fire				
Number of employees	301	302	301	297
Number of service calls	22,320	27,925	28,803	28,924
Miles of streets and alleys				
Street - paved (lane miles)	1,837	1,852	1,907	1,959
Sidewalks (miles)	377	384	390	407
Parks and recreational				
Parks - programs registration	N/R	N/R	N/R	N/R
Membership				
Library				
Central library	1	1	1	1
Branch libraries	4	4	4	4
Book stock	367,038	444,565	388,126	486,176
Average monthly circulation	122,949	117,973	121,601	128,639
Water and sewer				
Number of accounts	89,905	92,378	94,867	96,974
Average daily water consumption (gallons)	51,159,014	56,676,767	59,681,000	52,169,473
Ozonated treatment capacity (gpd)	137,000,000	137,000,000	170,000,000	174,110,000
Miles of water mains	1,353	1,372	1,392	1,414
Number of fire hydrants	8,648	8,584	8,253	8,091
Number of sewer connections	84,463	86,746	89,042	90,198
Golf Course				
Number of clinics	N/R	17	19	38
Number of participants in clinics	N/R	209	315	515
Number of private lessons	N/R	228	2,002	2,401

**Source:** City of Arlington Financial and Management Resources

**Notes:** N/R - not reported  
 2004-2008 Police employment represents full-time sworn officers

Table 16

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
726	524	534	558	582	598
150,352	142,154	146,891	146,408	147,668	142,861
296	296	301	394	407	414
26,381	28,734	27,788	48,468	30,665	31,090
1,991	2,029	2,477	2,939	2,969	2,985
419	425	908	974	981	988
N/R	31,355	36,407	20,573	38,366	39,450
	48,274	34,763	41,031	41,205	39,398
1	1	1	1	1	1
5	5	5	5	5	6
515,113	507,891	522,703	579,445	598,869	611,402
125,512	131,244	131,738	134,710	139,909	155,417
94,279	101,057	102,421	97,299	98,195	98,924
56,364,260	51,550,000	53,550,000	65,019,372	47,582,642	53,516,147
174,000,000	174,000,000	174,000,000	140,000,000	140,000,000	140,000,000
1,428	1,350	1,358	1,378	1,378	1,532
9,233	9,992	10,195	10,325	10,493	10,550
91,774	94,052	95,479	95,124	96,905	98,187
13	24	3	104	127	92
241	338	44	438	646	517
2,037	2,639	984	2,071	1,770	1,653

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

Function/Program	Fiscal Year			
	1999	2000	2001	2002
Public safety				
Police stations	2	2	2	2
Fire stations	16	16	16	16
Miles of streets and alleys				
Streets- paved (lane miles)	1,837	1,852	1,907	1,959
Sidewalks (miles)	377	384	390	407
Cultural and recreational				
Parks (acres) (golf courses included)	3,420	3,888	4,226	4,180
Swimming pools	6	5	5	6
Tennis courts	40	41	41	49
Recreation centers	5	5	5	5
Senior center	-	-	-	-
Miles of park trails	31	33	35	33
Sports fields-youth	74	80	80	122
Basketball courts-outdoors	28	29	29	29
Number of golf courses	4	4	4	4
Water and Sewer				
Water mains (miles)	1,353	1,372	1,392	1,414
Fire hydrants	8,648	8,584	8,253	8,091
Sanitary sewers (miles)	1,108	1,123	1,145	1,163

**Source:** City of Arlington Financial and Management Resources

Table 17

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
3	3	3	3	3	3
16	16	16	16	16	16
1,991	2,029	2,477	2,939	2,969	2,985
419	425	908	974	981	988
4,529	4,529	4,652	4,652	4,663	4,669
6	5	7	6	7	7
48	49	49	49	49	47
5	5	5	5	5	5
-	-	2	2	2	2
43	43	45	40	43	46
73	54	54	77	77	77
24	24	24	22	22	22
4	4	4	4	4	4
1,428	1,350	1,358	1,378	1,389	1,532
9,233	9,992	10,195	10,325	10,493	10,550
1,176	1,181	1,186	1,194	1,194	1,282

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
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%	14.18%	4.34%
2006	334,823	447,440	74.8%	112,617	113,822	98.9%	14.55%	4.85%
2007	342,766	466,521	73.5%	123,755	128,574	96.3%	14.88%	5.10%
2008	348,785	569,404	61.3%	220,619	130,958	168.5%	15.51% <sup>(a)</sup>	9.44%

Source: City of Arlington Financial and Management Resources

<sup>(a)</sup> Phase in rate for 2008 15.51%