City of Arlington, Texas

Comprehensive Annual Financial Report

Year ended September 30, 2012

Focus On Priorities

ARLINGTON

CITY OF ARLINGTON, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2012

PREPARED BY THE FINANCIAL AND MANAGEMENT RESOURCES DEPARTMENT, ACCOUNTING DIVISION

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ARLINGTON

CITY OF ARLINGTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION (Unaudited)	
Letter of Transmittal	v
Organizational Chart	x
Certificate of Achievement in Financial Reporting	xi
Elected Officials and Administrative Officers	xii
FINANCIAL SECTION	
Independent Auditors' Report	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	19
Statement of Activities	22
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	24
Reconciliation of the Statement of Net Assets of Governmental Funds to the Balance Sheet	25
Statement of Revenues, Expenditures, and Changes in Fund Balances	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Proprietary Fund Financial Statements	
Statement of Net Assets	28
Statement of Revenues, Expenses, and Changes in Fund Net Assets	30
Statement of Cash Flows	31
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	32
Statement of Changes in Fiduciary Net Assets	33
Notes to the Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)	
Budgetary Comparison Schedule-General Fund	73
Schedule of Funding Progress-TMRS	74
Schedule of Funding Progress-Part-Time Deferred Income Trust Plan	75
Schedule of Funding Progress-Disability Income Plan	76
Schedule of Funding Progress-Postemployment Healthcare Plan	77
COMBINING FINANCIAL STATEMENTS	
Nonmajor Governmental Funds	
Description of Nonmajor Governmental Funds	79
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	86

		Page
Budgetary Comparison Schedule		
Debt Service Fund		89
Street Maintenance		90
Park Performance		91
Convention and Event Services		92
Water and Sewer Fund		93
Storm Water Utility		94
Internal Service Funds		
Description of Internal Service Funds		95
Combining Statement of Net Assets		96
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets		98
Combining Statement of Cash Flows		100
Fiduciary Funds		
Description of Fiduciary Funds		102
Combining Statement of Pension Trust Funds Net Assets		103
Combining Statement of Agency Funds Assets and Liabilities		104
Combining Statement of Changes in Fiduciary Net Assets		105
Combining Statement of Changes-All Agency Funds		106
Discretely Presented Component Units		
Description of Discretely Presented Component Units		107
Combining Statement of Net Assets		108
Combining Statement of Activities		110
Combining Statement of Cash Flows		112
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS		
Capital Assets Used in Operation of Governmental Funds By Sources		115
Capital Assets Used in the Operation of Governmental Funds Schedule by Function and Activity		116
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes in Capital Assets		117
STATISTICAL SECTION (Unaudited)	**Table**	
Description of Statistical Section		119
Net Assets by Component	1	120
Changes in Net Assets	2	122
Fund Balance, Governmental Funds	3	124
Changes in Fund Balances, Governmental Funds	4	126
Taxable Property Value	5	128
Direct-Overlapping Property Tax Rates	6	129
Principal Property Tax Payers	7	130
Property Tax Levies and Collections	8	132
Ratio of Outstanding Debt by Type	9	134
Ratio of General Bonded Debt Outstanding	10	136
Direct and Overlapping Governmental Activities Debt	11	138
Pledged Revenue Coverage	12	139
Demographic and Economic Statistics	13	140
Principal Employers	14	141
Full-time Equivalent City Government Employees by Function/Program	15	142
Operating Indicators by Function/Program	16	144
Capital Asset Statistics by Function/Program	17	146
TMRS Analysis of Funding Progress and Contribution Rates	18	148

February 27, 2013

Dear Reader:

The Arlington, Texas Comprehensive Annual Financial Report (CAFR or report) for the fiscal year ended September 30, 2012, 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. Grant Thornton LLP has issued an unqualified opinion on the City's financial statements for the year ended September 30, 2012. 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/Arlington 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 City of Arlington includes seven component units, six of which are discretely presently. Six of the component units have activity in the current year and are discussed in the MD&A and the notes to the financial statements.

Financial Planning and Policies

Arlington is proactive in managing 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. The City strives to take an innovative approach to management. City staff works to identify areas for improvement in processes and policies, and management focuses on developing strong relationships with local and regional partners in nonprofit and for profit industries. City services and programs are developed according to community and citizen needs in conjunction with an evaluation of long-term sustainability. City of Arlington management and staff are committed to maintaining a high quality of life for residents of Arlington.

Long Term Financial Planning

The Arlington Economy is broad and diverse. Major employers include the Arlington Independent School District, The University of Texas at Arlington, Six Flags over Texas, City of Arlington, The Parks at Arlington and General Motors. Major taxpayers include General Motors, Chesapeake Operating, Oncor Electric Delivery, The Parks at Arlington, and The Arlington Highlands; making up approximately 4.5% of the City's assessed value. Arlington has proactively managed its financial condition over the years, with a built-in conservative bias. City leaders are continuing to carefully manage the City's and will continue to take steps necessary to preserve the Arlington's Aa1/AA+/AA+ general obligation bond rating and our ability to serve the public.

The City has a long history of conservative fiscal planning. The City entered the 2012 fiscal year focusing on a theme of 'hopeful realism'. The vision of the City of Arlington is to be a pre-eminent city that provides an exemplary environment

in which to live, learn, work and play. By monitoring the economy and the City's own revenue and expenditure streams continuously, the City has been able to adjust quickly to shifts and changes in the economy. The City also believes that long-term planning contributes to financial resiliency, and the City is dedicated to monitoring revenues and expenditures on a five-year horizon.

Over the past three years, as part of an on-going review, the City examined programs and projects to determine what could be changed or eliminated with the least impact on service delivery. During the economic downturn, Arlington was relatively fortunate. The City saw home values fall, and an increase in residential and commercial foreclosures; however, these were not nearly as dramatic as some other cities in the region and certainly across the country. While property values fell, resulting in less revenue for the same tax rate, Council and City management recognized that the rate, given the impact of the recession on Arlington residents, should not be increased. With decreased tax revenues, City staff was tasked with improving efficiency and identifying potential areas for partnerships with the private sector. In 2012, Arlington began to experience noticeable improvement in the local economy. Foreclosures have slowed, and sales tax receipts have increased significantly. Coupled with efficiencies and innovation, the improving financial forecast for the City puts us is in a position to be hopeful but realistic about the future.

In 2012, departments and teams throughout the City accomplished business plans and provided outstanding service for events and challenges that were unanticipated. City staff responded to the tornado that hit Arlington in the spring of 2012 and the outbreak of West Nile virus during the summer. Overall, the City achieved key goals for the year, while helping residents in their unexpected hours of need.

The multi-year financial forecast assumes the continuation of existing services and competitive pay and benefits for the City's workforce. Management expects to continue to improve the City's outlook by focusing on service delivery, and expanding neighborhood and community partnerships. The City anticipates that the local economy will continue a slow recovery. Fortunately the recovery combined with sound financial planning, the steady housing market and economic development activity is allowing City leaders to focus on priorities beyond basic service delivery. Council has identified the following key priorities for the coming year:

- Enhance regional mobility
- Build a thriving community
- Define an identifiable brand
- Support quality education

The 2013 budget focuses on these priorities and maintains the City's core value of quality, cost effective service delivery. 2013 will mark the tenth consecutive year that the City of Arlington has maintained the property tax rate at 64.8 cents.

Major Initiatives/Highlights

Texas Rangers Major League Baseball Team and Ballpark

In 2012 the Texas Rangers played in the major league playoffs. While they did not make it to the World Series this year; fans still ensured that attendance at the Ballpark set an all-time record of more than 3.4 million. Arlington Rangers fans showed their spirit at the Let's GLO Rangers Rally, celebrating the 40th anniversary of the team's first season in Arlington, and the Ballpark played host to the City's first annual Christkindl German Christmas Market during the holidays.
Renovations to the Ballpark kept fans seated in style with major upgrades at Vandergriff Plaza and additional restaurants and concessions on Greene's Hill in the outfield. New additions include the Batter's Eye Club, an indoor seating area for up to 100 fans with its own buffet, bar and dining area.

Cowboys Stadium

In November of 2004, voters authorized the City to provide planning, acquisition, construction and financing for the Cowboys Stadium, which opened for the 2010-2011 professional football season. The City hosted Super Bowl XLV in February 2011. The City of Arlington is pleased to have the Cowboys Stadium annually host the Cotton Bowl, as well as numerous other special events. Upcoming is the NCAA "Final Four" college basketball tournament in March, 2014.

Arlington Tomorrow Foundation
This foundation oversees an endowment fund created with gas lease revenues and royalties 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 and governmental entities. In 2012, the Foundation approved over $1.3 million for projects building safe and strong neighborhoods and promoting quality leisure, learning, and culture activities.

General Motors
General Motors began construction on their expansion and retooling of the Arlington Assembly Plant. Arlington competed with other General Motors locations in the United States and internationally to be chosen for significant upgrades and expansions, including the Arlington Stamping Facility, currently under construction. The City Council passed an ordinance in April, 2011 establishing the General Motors site as a reinvestment zone and approved an incentive package to encourage General Motors to make further investments at the Arlington plant. In June, 2012 GM announced the addition of a third shift to the Arlington Assembly Plant. The change will add approximately 800 new jobs to the local economy in the first quarter of 2013. The resulting third shift allows GM to continue to meet market demand for current full-size SUVs while retooling and expansion of the plant for the next generation of vehicles is completed.

The University of Texas at Arlington College Park District
College Park has housing for 600 students, retail and office suites, a Welcome Center and a satellite campus police station. UTA's College Park District includes the 7,000-seat College Park Center, which opened in February, 2012 and the Green at College Park, an outdoor space where students and the community can gather, play and relax. By March, 2012 several restaurants and retail businesses opened in the mixed-use space in College Park, which officially opened in the fall. The College Park District, located just south of City Hall on Center Street, complements the City's efforts to revitalize the downtown area, where new restaurants, retail and service businesses are thriving. Continued cooperation and partnerships contribute to the synergy between the City and UTA.

Tornado Response
On April 3 2012, a tornado producing winds in excess of 135 mph tore through the City of Arlington, damaging more than 500 homes and apartments. Fortunately, no serious injuries or fatalities were reported. Immediately after the storm, the City set up the Tornado Recovery Center, a one-stop shop for residents with questions about available services. The Arlington Fire Department, Police Department and Public Works Department ensured that citizens were safe and secure during the cleanup and that debris was removed as quickly as possible. The Parks and Recreation Department launched the Tornado Re-LEAF program to provide free trees to damaged neighborhoods.

Other notable 2012 accomplishments include:

- **The launch of MyArlingtonTX**- www.myarlingtontx.com, a locally focused website designed to keep citizens informed about Arlington. The site features articles about Arlington, updates on road closures and construction, community events, volunteer opportunities, parks and recreation classes and animal services. Arlington citizens are encouraged to use MyArlingtonTX to stay abreast of developments and items of interest in the community.
- **The establishment of the Keep Arlington Beautiful Board (KAB)**- The board will focus on the implementing the mission of Keep Arlington Beautiful: to educate and engage the Arlington community to take responsibility for improving their environment. KAB will be a 501c3 nonprofit organization, structured to accept donations and solicit grants for community advocacy. As a Keep Texas Beautiful affiliate, KAB works with similar organizations statewide.
- **Christkindl Market**- The City hosted its first annual Christkindl Market; an outdoor family market in the tradition of markets held throughout Germany during the holiday season. The market featured authentic German cuisine, beverages, entertainment, arts, crafts and holiday gifts. The City plans to host the market annually. Information on the Christkindl Market is available at www.ArlingtonChristkindl.com.
- **City Tower upgrades**- The City received an Energy Efficiency Community Block Grant through the American Reinvestment and Recovery Act to make improvements to this City Hall satellite building. The single-pane windows original to the building's construction were replaced with new energy efficient windows and the building's HVAC system was upgraded. Native Texas water conservation landscaping was added with funding from a grant from the Arlington Tomorrow Foundation, matching funds from the Water Utilities' conservation program, and in-kind services from the Parks and Recreation Department.

- **Viridian**- Developer construction continued on the Viridian mixed-use development. The plan will take 10-15 years to complete and will result in a 2,300-acre community which is expected to have 3,600 homes, condominiums and high-end rentals.

Government Finance Officers Association (GFOA) Awards

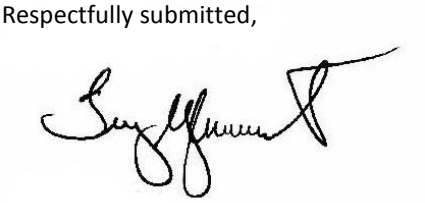
The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its CAFR for the year ended September 30, 2011. This was the 34th year the City has earned this prestigious award. A Certificate of Achievement is valid for a period of one year. The City believes the current CAFR continues to meet the certificate requirements and will be submitting the document to the GFOA to determine ongoing eligibility for the certificate.

The GFOA also awarded to the City of Arlington a Certificate for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2011. This was the fourth year the City applied for and received this prestigious award. The Certificate is valid for a period of one year. The City will submit a Popular Annual Financial Report which meets requirements for the award again this year.

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 Financial Operations, especially Sherry Wright, Barbara Whitehorn, Honora Bracken, Daryl Holder, Kristi Janes, Cynthia Moss, Joan Wilson, Linda Beavers, Ethan Klos, Erin Roseman, Jitesh Patel, Erin Clark and Deven Mercer, who assisted and contributed to the preparation of this report.

Respectfully submitted,



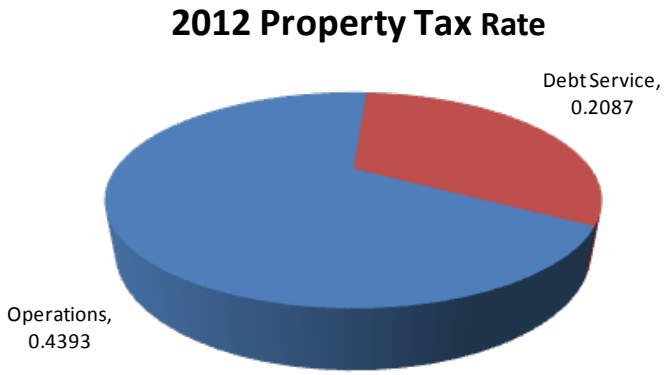
Trey Yelverton
City Manager

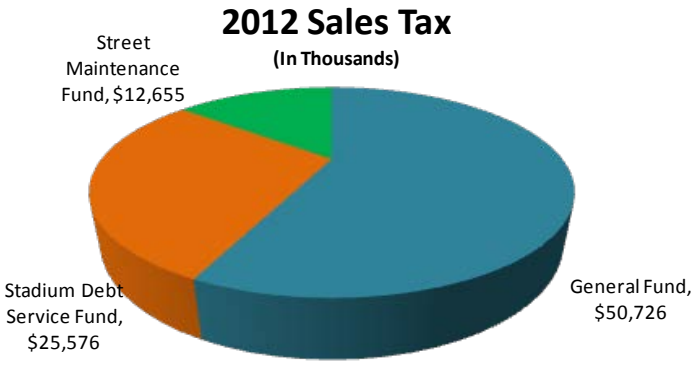
April Nixon
Financial and Management
Resources Director/CFO

Local Economic Indicators

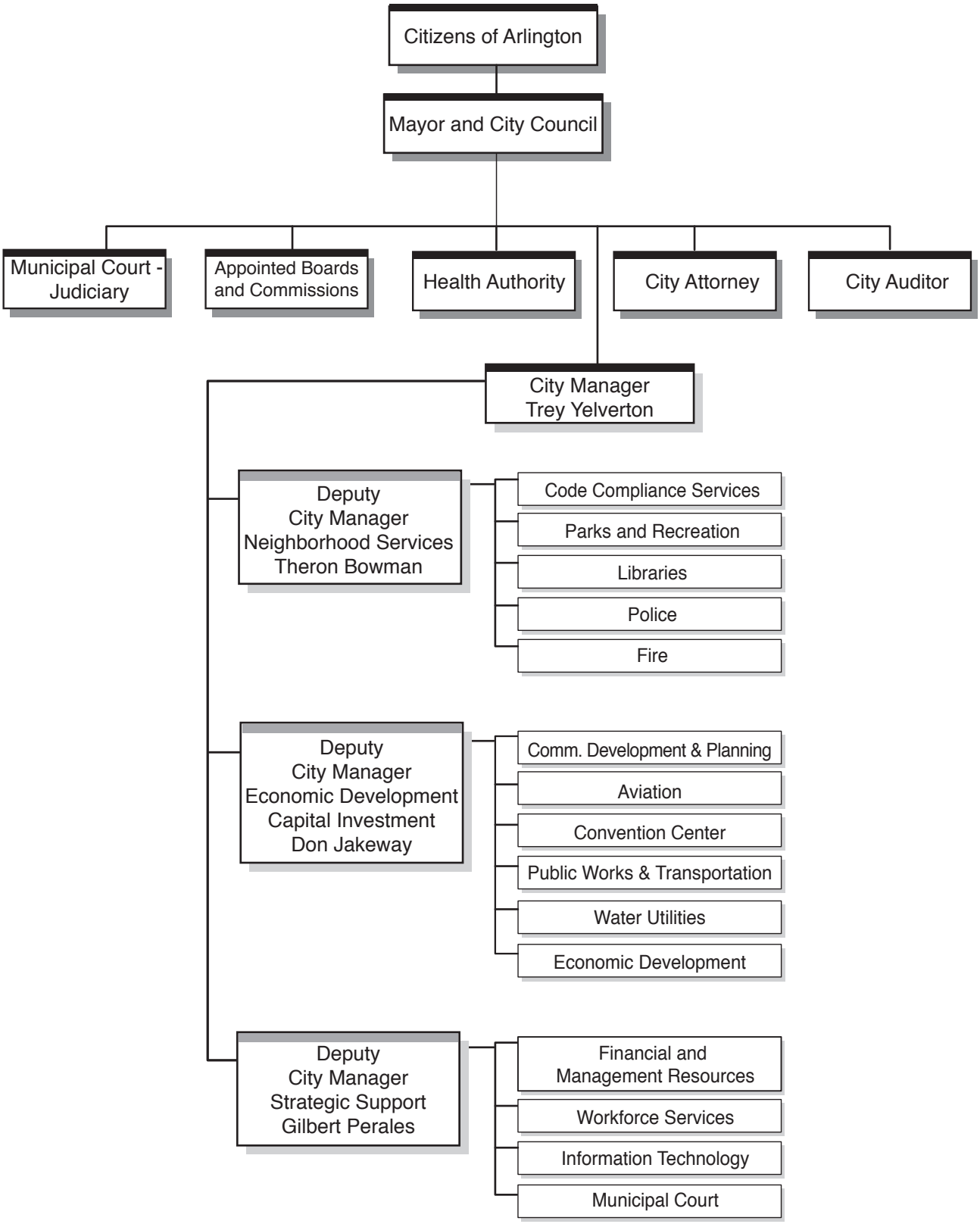
	2012	2011	2010
Property Tax Base (in thousands)*	(tax year 2011)	(tax year 2010)	(tax year 2009)
Personal	2,166,757	2,248,800	2,518,615
Real Estate	14,785,924	14,820,909	15,828,665
Mineral Lease Properties	397,038	140,280	137,541
Agricultural Properties	579	698	711
Total	17,350,298	17,210,687	18,485,532
Property Tax Rate			
Operations	0.4393	0.4330	0.4467
Debt Service	0.2087	0.2150	0.2013
Total	0.6480	0.6480	0.6480
Sales Tax (in thousands)			
Collections	88,957	86,219	81,517
Annual Growth	3.18%	5.80%	1.65%
Population**	365,860	365,530	365,438
General Obligation Debt per Capita	$ 864	$ 886	$ 917
Labor Force	205,683	209,258	208,628
Unemployment Rate	6.8%	7.6%	7.8%
Housing start permits issued	465	230	284
Foreclosure (residential and commercial)	981	914***	1,262
Occupancy Rates			
Office	88.0%	88.0%	85.3%
Industrial	91.0%	90.0%	85.7%
Retail	92.9%	91.6%	92.0%
Residential (multi-family)****	93.2%	92.1%	
North Arlington - 4th quarter			93.0%
South Arlington - 4th quarter			91.0%

*Certified Appraisal Roll; does not include properties under protest or supplemental information
**2010 population is based on census data, all other years are estimates
***Does not include February, 2011; no data was obtained due to inclement weather
**** North and South Arlington are no longer tracked separately





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, 2011

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

President

Executive Director

City of Arlington, Texas

City Council

Robert Cluck
Mayor
Term expires May 2013

Kathryn Wilemon, District 4
Mayor Pro Tem
Term expires May 2013

Charlie Parker District 1
Term expires May 2014

Sheri Capehart, District 2
Term expires May 2014

Robert Rivera, District 3
Term expires May 2013

Lana Wolff, District 5
Term expires May 2013

Robert Shepard, District 6 At Large
Term expires May 2014

Jimmy Bennett, District 7 At Large
Term expires May 2014

Michael Glaspie, District 8 At Large
Term expires May 2013

Grant Thornton

Report of Independent Certified Public Accountants

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The Honorable Mayor, City Council and City Manager
The City of Arlington, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arlington Housing Authority or the Arlington Convention and Visitors Bureau, Inc., which are discretely presented component units which represent 7%, 6%, and 53%, respectively, of assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Arlington Convention and Visitors Bureau, Inc., audited by other auditors were not audited in accordance with *Government Auditing Standards*. 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 financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 18, the Budgetary Comparison Schedule – General Fund, the Schedule of Funding Progress – TMRS, the Schedule of Funding Progress – Part-Time Deferred Income Trust Plan, the Schedule of Funding Progress – Disability Income Plan, and the Schedule of Funding Progress – Postemployment Healthcare Plan on pages 73 through 77, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements, individual nonmajor fund financial statements, individual fund budgetary comparison schedules, and the schedules of capital assets used in the operation of governmental funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

GRANT THORNTON LLP

Dallas, Texas
February 27, 2013

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

CITY OF ARLINGTON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

SEPTEMBER 30, 2012

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, 2012. It should be read in conjunction with the accompanying letter of transmittal and financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets of governmental activities **increased** by $2.3M (<1%) this year, primarily due to a decrease in liabilities, including $12.9M outstanding commercial paper that was refunded in July, 2012.

  - The City's **increase** in total net assets of $23.5M for the year was $4.5M higher than the $19M increase last year. The change is primarily related to an increase in the amount invested in capital assets, net of related debt in the enterprise funds. Invested in capital assets, net of related debt represents the capital assets and construction in progress of the City (net of depreciation), less the related outstanding debt liability. The Water Utility fund added $21.5M; the Storm Water Utility fund added $7.8M.

  - The City's governmental funds reported combined ending fund balances of $263M, an i**ncrease** of $26.5M over last year. This increase is due to:

    - The $8.4M decrease in the Street Capital Projects Fund and $4.5M in other special revenue fund liabilities due to the refunding of commercial paper held in those funds.
    - Also in the Street Capital Projects Fund, the City recorded $4.2M in construction contributions, including $3.5M from Tarrant County for various projects completed within the City of Arlington.

  - The 2012 General Fund assigned fund balance was $61.7M with nothing unassigned, a **decrease** in the aggregate from prior year. In 2011, the comparable balances were $57.8M and $6.1M. Total assigned and unassigned fund balance of $61.7M is $2.2M lower than last year primarily due to the budgeted use of existing fund balance in fiscal year 2012. Fund balance assignment changes in the General Fund include increases to the business continuity reserve and working capital reserve of $.6M and $.7M respectively.

  - Total debt of $717.7M **decreased** $20M during the year. Debt issues in 2012 include $43.5M in Permanent Improvement and Refunding bonds, $16.6M and in Water and Wastewater System Revenue bonds, and $3.5M in bonds related to the 2008 and 2010 Texas Water Development Board (TWDB) Clean and Drinking Water Programs. Bond principal payments for 2012 total $41.48M on existing obligations with an additional $24.96M in principal refunded. Exclusive of Cowboy's Stadium debt, City of Arlington debt is allocated 68% for general government, with the remaining 32% to water, wastewater and storm water 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 express an opinion. 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 functions are reported here, including general government, public safety, public works, public health, parks and recreation, public welfare, convention and event services and interest and fiscal charges. Property taxes, sales taxes and franchise fees provide the majority of funding for these activities, with the addition of charges for services, grants and contributions.

- 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, as well as storm water utilities.

- Component Units – The City includes one blended component unit with financial activity in 2012 in its report – Arlington Property Finance Authority, Inc. For fiscal year 2012, the City includes six discretely presented component units in its report – Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB) d/b/a Experience Arlington, Arlington Housing Finance Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Industrial Corporation (AIC) and the Arlington Convention Center Development Corporation (ACCDC). Although legally separate, these component units are important because the City is financially accountable for them.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

The City charges customers for water and sewer services and storm water runoff. These services are reported in enterprise funds, 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 and postemployment healthcare to the employees.

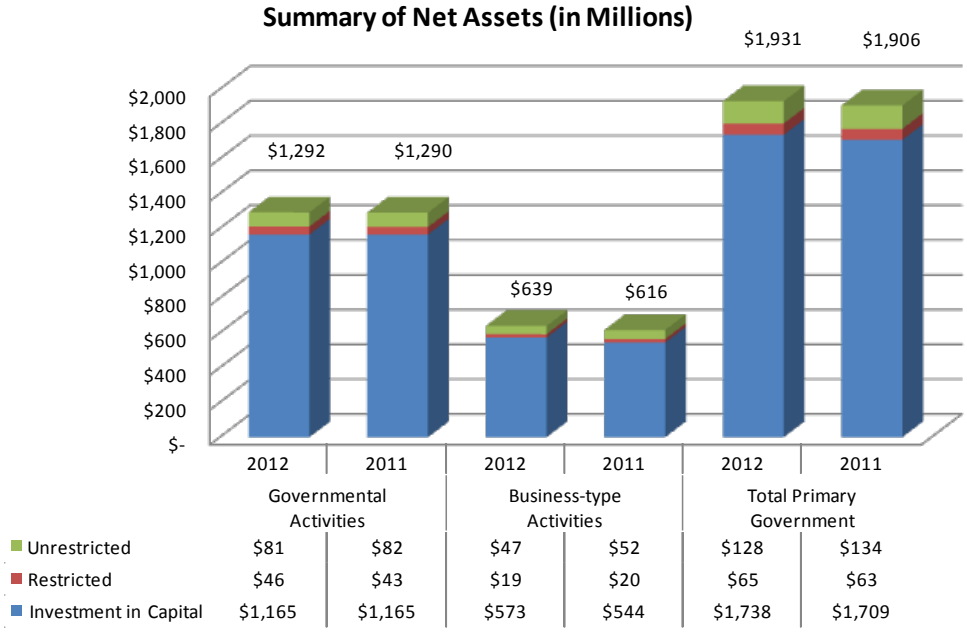
THE CITY AS A WHOLE – Government-wide Financial Analysis

The City's combined net assets were $1.9B as of September 30, 2012. Analyzing the net assets and net expenses of governmental and business-type activities separately, the governmental activities net assets are $1.3B and the business-type activities net assets are $640M. This analysis focuses on the net assets and changes in general revenues and significant expenses of the City's governmental and business-type activities.

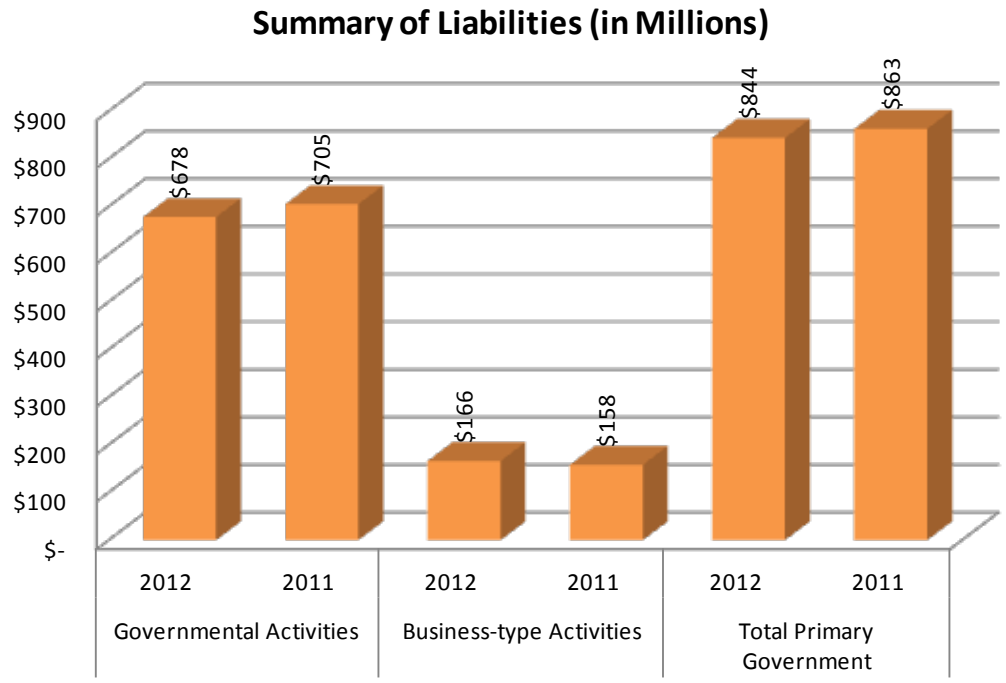
Table 1
Summary of Net Assets
(Amounts Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 350	$ 346	$ 145	$ 146	$ 495	$ 492
Capital assets	1,620	1,649	658	628	2,278	2,277
Total assets	1,970	1,995	803	774	2,773	2,769
Long-term liabilities	614	622	138	135	752	757
Other liabilities	64	83	28	23	92	106
Total liabilities	678	705	166	158	844	863
Net assets:						
Invested in capital assets, net of related debt	1,165	1,165	573	544	1,738	1,709
Restricted	46	43	19	20	65	63
Unrestricted	81	82	47	52	128	134
Total net assets	$1,292	$ 1,290	$ 639	$ 616	$ 1,931	$ 1,906

By far the largest portion of the City's net assets (90%) 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.



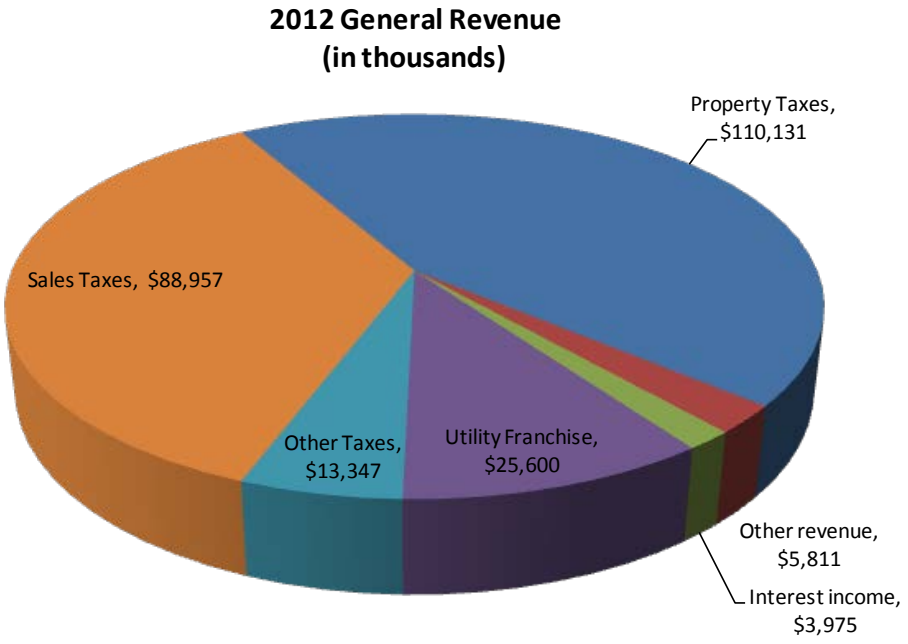
Governmental Activities

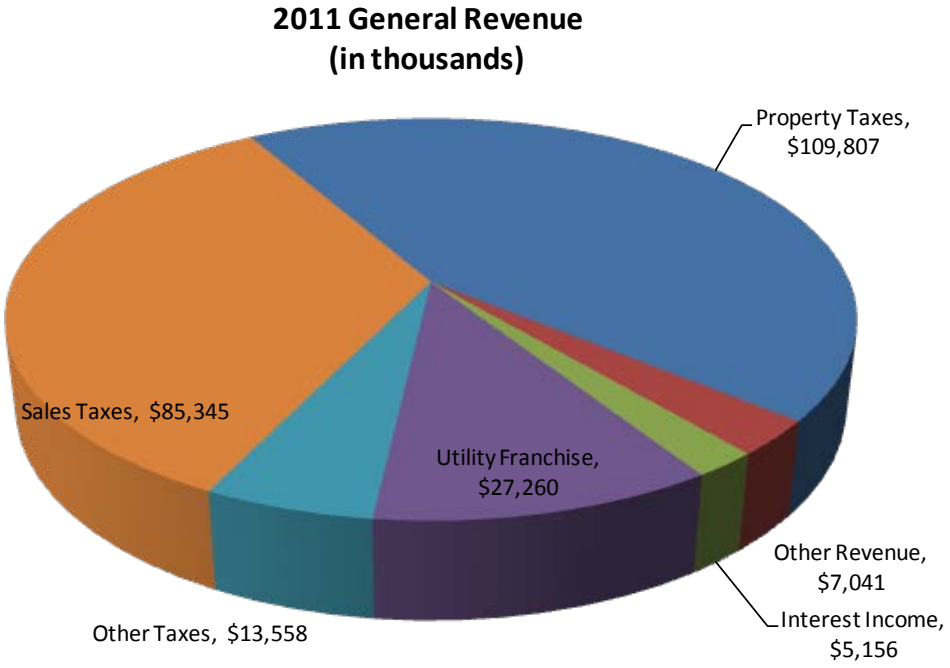
The City's general revenues remained substantially the same compared to the prior year, decreasing overall by .14%. Both property and sales tax saw increases over 2011.

Property tax collections were up about $300,000 due primarily to an addition to the tax rolls of $256M in mineral lease property value. Other than the increase in mineral lease value, the City saw little change from the prior year. Residential property value fell slightly (0.8%), while commercial property values increased by 0.6%. While the mineral lease property value increases are encouraging, as a tax revenue generator, they are considerably less predictive or reliable in the long-term than other kinds of property. This is due to the nature of mineral lease property; the valuation is based on a temporary activity with value only as long as mineral recovery is taking place. Nevertheless, the City anticipates other property values to increase slowly with the overall economic recovery. As a lagging economic indicator, property tax improvements are typically seen only after changes in the economy as a whole have taken effect. The property tax rate for 2012 was set at $0.6480 per $100 assessed valuation; remaining unchanged for the ninth consecutive year.

Sales tax collections were up by more than four percent with stronger-than-anticipated improvement in the retail economy. Because sales tax is a coincident economic indicator, sales tax collections reflect the current economic conditions: the increase is indicative of the economic recovery Arlington is experiencing.

Utility franchise fee collections were lower than 2011, primarily due to an unusually warm winter driving a decrease in gas consumption, which corresponded with downward price pressure from natural gas drilling and excess industry inventory.





Governmental activities increased the City's net assets by $2.2M, and Business-type activities increased net assets by $21.2M, for a total increase of $23.5M. Changes from 2011 to 2012 are shown in Table 2.

Table 2
Changes in Net Assets
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for services	$ 60,940	$ 60,058	$ 125,255	$ 133,934	$ 186,195	$ 193,992
Operating grants and contributions	26,270	23,455	-	-	26,270	23,455
Capital grants and contributions	6,132	2,625	1,253	1,120	7,385	3,745
General Revenues:					-	-
Taxes	212,435	208,710	-	-	212,435	208,710
Utility franchise fees	25,600	27,260	-	-	25,600	27,260
Interest income	3,975	5,156	569	855	4,544	6,011
Other	5,811	7,041	(101)	(105)	5,710	6,936
Total revenues	341,163	334,305	126,976	135,804	468,139	470,109
Expenses						
General government	66,080	74,285	-	-	66,080	74,285
Public Safety	137,561	135,371	-	-	137,561	135,371
Public Works	71,957	71,828	-	-	71,957	71,828
Public Health	4,320	3,892	-	-	4,320	3,892
Parks and recreation	32,515	28,663	-	-	32,515	28,663
Public welfare	9,475	11,897	-	-	9,475	11,897
Convention and event services	6,821	6,194	-	-	6,821	6,194
Interest and fiscal charges	24,898	29,890	-	-	24,898	29,890
Water, sewer and storm water	-	-	91,012	89,131	91,012	89,131
Total expenses	353,627	362,020	91,012	89,131	444,639	451,151
Increase (decrease) in net assets before transfers	(12,464)	(27,715)	35,964	46,673	23,500	18,958
Transfers and capital contributions	14,770	15,348	(14,770)	(15,348)	-	-
Increase (decrease) in net assets	2,306	(12,367)	21,194	31,325	23,500	18,958
Net Assets, October 1	1,290,161	1,302,528	615,962	584,637	1,906,123	1,887,165
Net Assets, September 30	$ 1,292,467	$ 1,290,161	$ 637,156	$ 615,962	$ 1,929,623	$ 1,906,123

The increase in capital grants and contributions compared to prior year is the result of contributions from Tarrant County, other governmental agencies and developers for capital projects within the City, as discussed above in the financial highlights section on page 3. Capital contribution revenue is non-spendable; it increases the infrastructure assets of the City but has no effect on cash.

The decrease in general government expenses in fiscal year 2012 is due primarily to position vacancies resulting in significant savings in salary and benefit expense in the General Fund. Overall, expenses for governmental activities would have been even lower had the City not incurred considerable expense in Public Safety and Public Works related to storm clean-up after the April tornado.

Revenue and expense variances in business activities (Water and Wastewater/Storm Water Utility) were largely a result of unusual weather conditions in 2011, including record-breaking heat and drought. Water sales continued to be high in 2012; however, wastewater flows were lower than anticipated. Significant savings on Trinity River Authority (TRA) and Tarrant Regional Water District (TRWD) fees and electricity, enhanced efficiency, and bond and debt savings were only partially offset by an increase in expense from water main breaks and equipment maintenance, resulting in minimal increase in costs from 2011 to 2012.

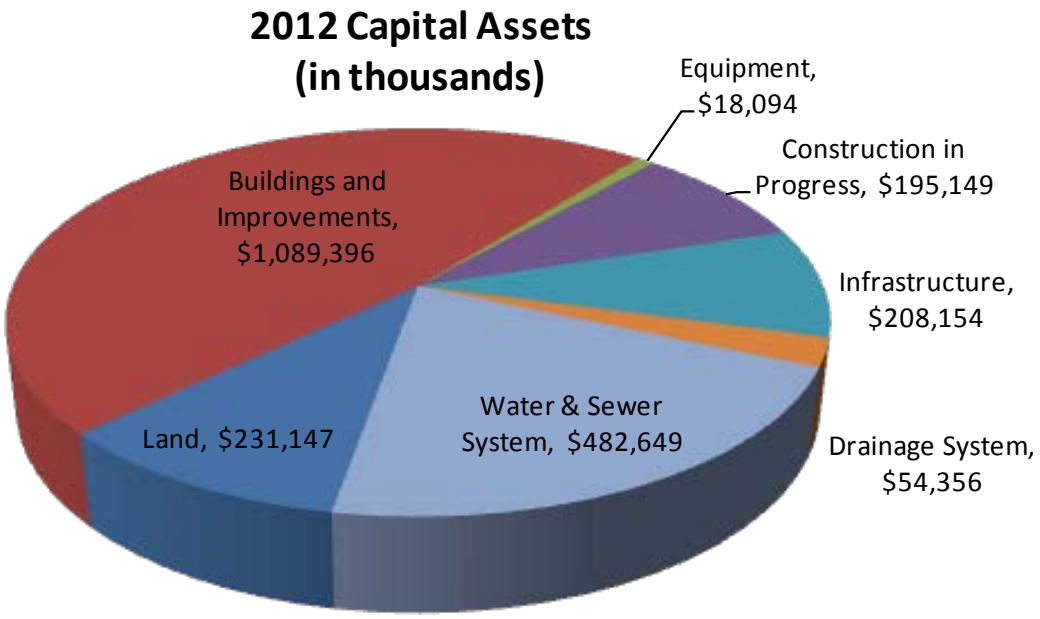
CAPITAL ASSET AND DEBT ADMINISTRATION

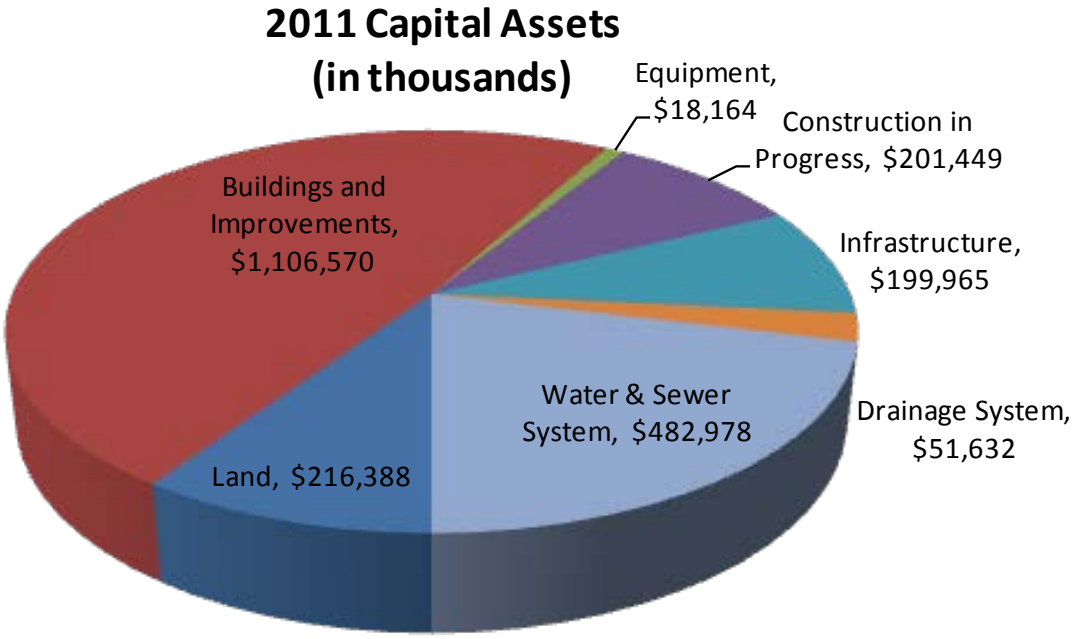
Capital Assets

At the end of the fiscal year 2012, the City had $2.28B invested in a broad range of capital assets. This amount represents a net increase (including additions and deductions) of $1.8M or .08% from the prior fiscal year. The increase is comprised of a $28.6M decrease in governmental activities and a $30.4M increase in business-type activities, which included the City's buyout of the properties in the Rush Creek watershed of more than $13M. The change in other capital assets is related to typical, ongoing improvements of City infrastructure and replacement of machinery and equipment along with related depreciation. Footnote 5 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.

Table 3
Capital Assets, net of Accumulated Depreciation
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 209,703	$ 209,397	$ 21,444	$ 6,991	$ 231,147	$ 216,388
Buildings and improvements	1,087,860	1,104,979	1,536	1,593	1,089,396	1,106,572
Equipment	17,158	17,153	936	1,011	18,094	18,164
Construction in progress	97,618	117,637	97,531	83,812	195,149	201,449
Infrastructure	208,154	199,965	-	-	208,154	199,965
Drainage system	-	-	54,356	51,632	54,356	51,632
Water and sewer system	-	-	482,649	482,978	482,649	482,978
Totals	$ 1,620,493	$ 1,649,131	$ 658,452	$ 628,017	$ 2,278,945	$ 2,277,148

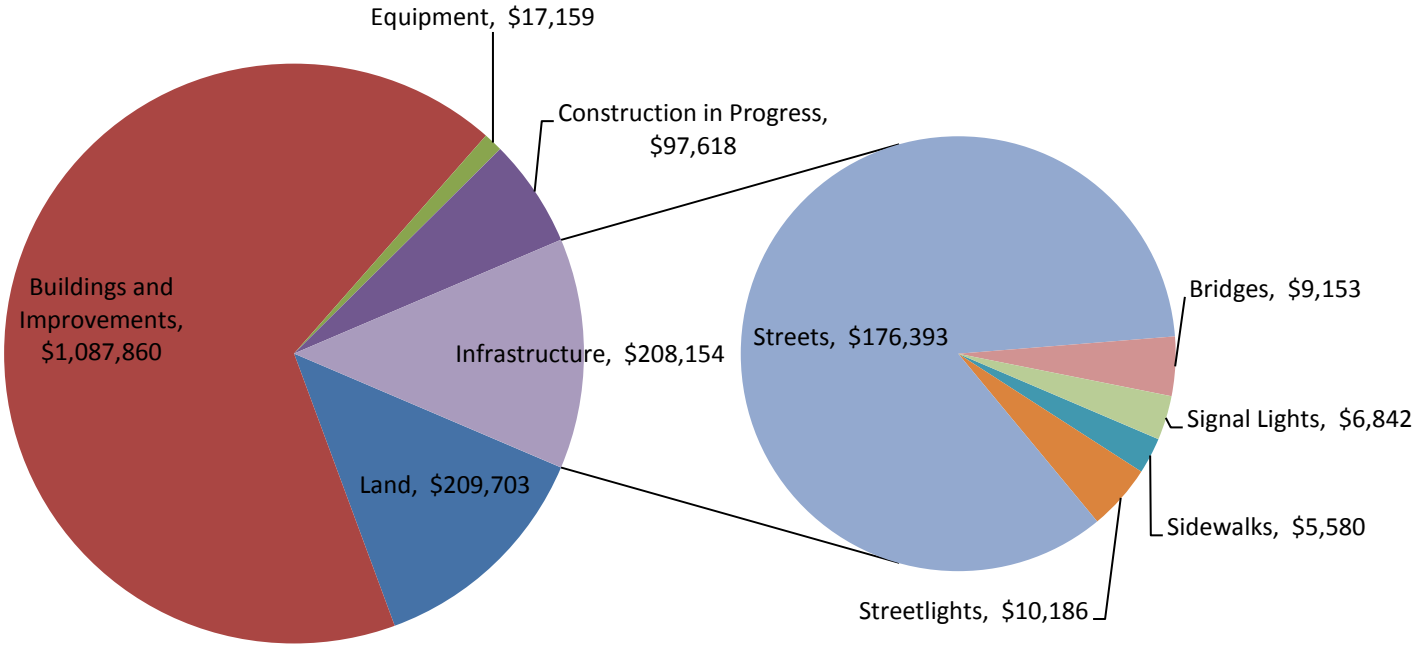

2012 Capital Assets
(in thousands)
Equipment, $18,094
Construction in Progress, $195,149
Infrastructure, $208,154
Drainage System, $54,356
Water & Sewer System, $482,649
Land, $231,147
Buildings and Improvements, $1,089,396


2011 Capital Assets
(in thousands)
Equipment, $18,164
Construction in Progress, $201,449
Infrastructure, $199,965
Drainage System, $51,632
Water & Sewer System, $482,978
Land, $216,388
Buildings and Improvements, $1,106,570

The City's governmental activities infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):

Asset	Book Value	Accumulated Depreciation	Net Value
Sidewalks	$ 65,736	$ (60,156)	$ 5,580
Streetlights	19,202	(9,016)	10,186
Streets	675,617	(499,224)	176,393
Bridges	32,097	(22,944)	9,153
Signal Lights	14,247	(7,405)	6,842
	$ 806,899	$ (598,745)	$ 208,154

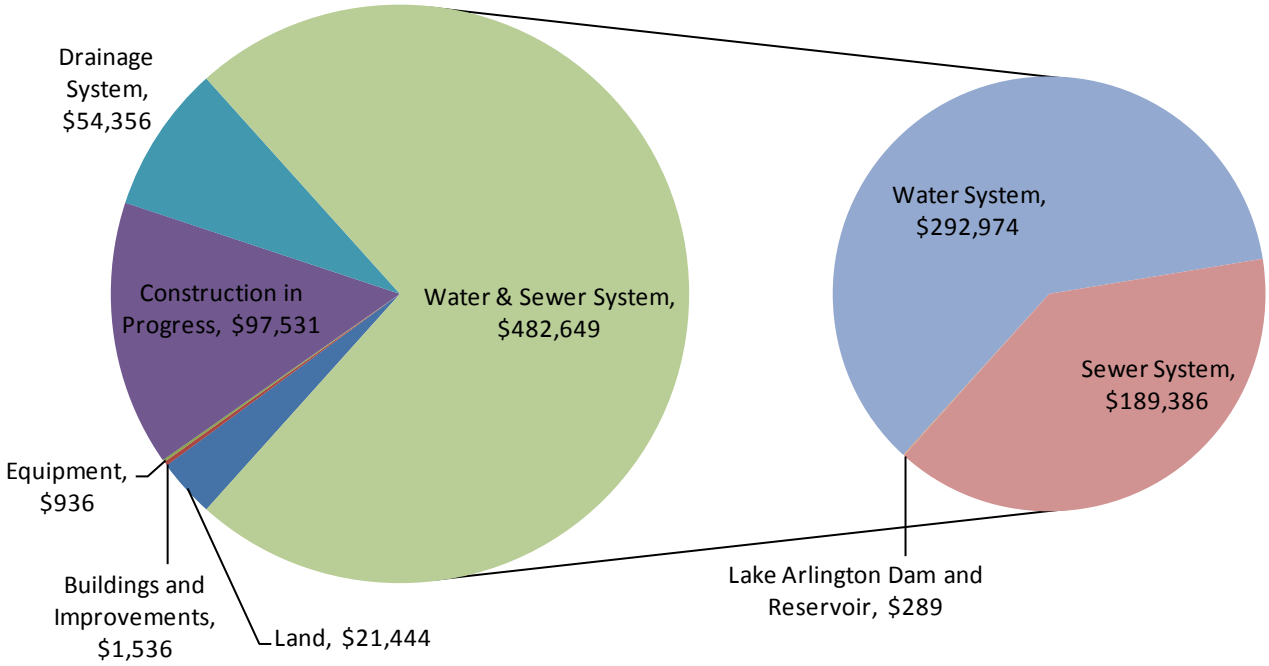
2012 Capital Assets – Governmental Infrastructure Detail (in thousands)



The City's water and sewer enterprise infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):

Asset	Book Value	Accumulated Depreciation	Net Value
Lake Arlington	$ 2,619	$ (2,330)	$ 289
Water System	$ 445,836	$ (152,862)	$ 292,974
Sewer System	$ 270,009	$ (80,623)	$ 189,386
	$ 718,464	$ (235,815)	$ 482,649

2012 Capital Assets – Enterprise Infrastructure Detail (in thousands)



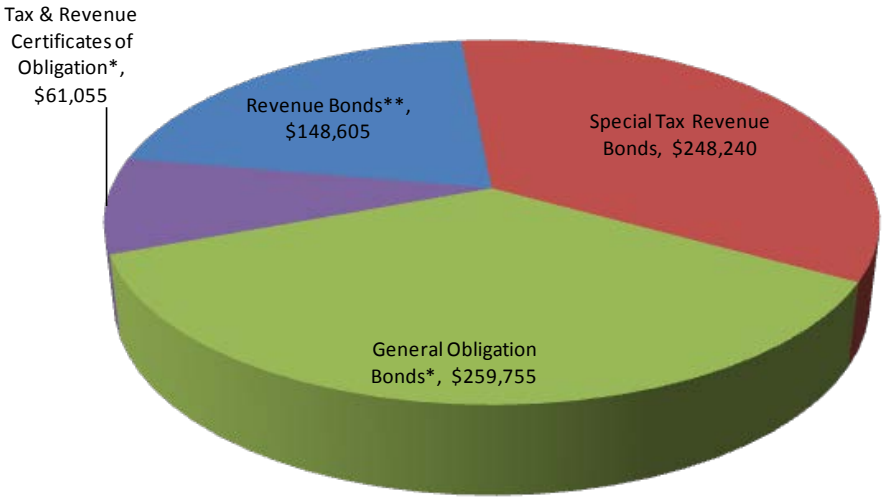
Major capital asset additions during the fiscal year include the following:

- Private developer capital contributions of $1.6M to the City's water and sewer infrastructure in connection with various residential and commercial developments
- Public works and street infrastructure additions of $29M, including $4.9M in contributions from other government agencies and developers
- Improvements to parks and recreation facilities of $4.5M

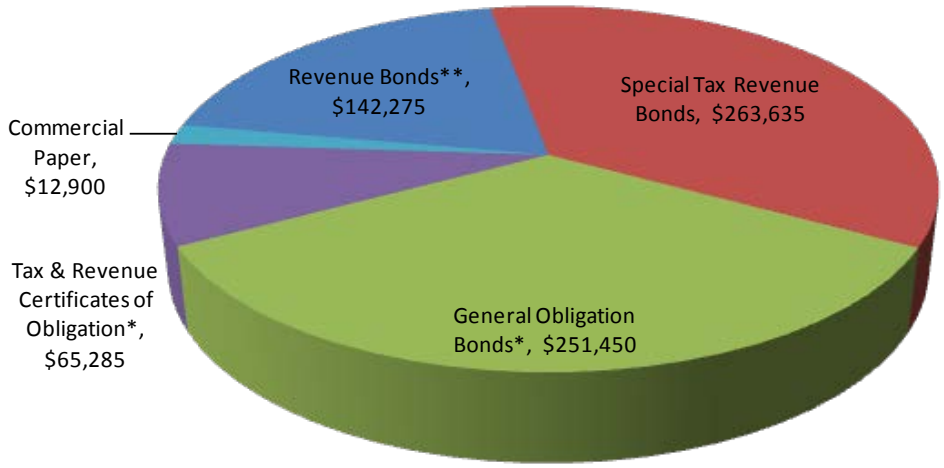
Debt

At year-end, the City had $717.7M in debt, a decrease of $17.9 from 2011. The City refunded all $12.9M remaining in commercial paper. Reductions in certificates of obligation and special tax revenue debt, offset by increases in general obligation and revenue debt, account for the remaining $5M decrease.

2012 Outstanding Debt
(in thousands)



2011 Outstanding Debt
(in thousands)



**Secured by City Tax Base*
***Secured by Water and Sewer or Drainage Revenue*

Table 4
Outstanding Debt
(Amounts Expressed In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds (backed by the City)	$ 259,755	$ 251,450	$ -	$ -	$ 259,755	$ 251,450
Combination tax and revenue certificates of obligation (backed by the City)	61,055	65,285	-	-	61,055	65,285
Commercial Paper	-0-	12,900	-	-	-0-	12,900
Special tax revenue bonds	248,240	263,635	-	-	248,240	263,635
Revenue bonds (backed by fee revenues)	-	-	148,605	142,275	148,605	142,275
Totals	$ 569,050	$ 593,270	$ 148,605	$ 142,275	$ 717,655	$ 735,545

During the current fiscal year, the City issued $43.5M in Permanent Improvement and Refunding bonds to refund certain debt obligations of the City, to make various capital improvements, to pay costs related to the issuance of the bonds, and to refund $11.9M of commercial paper notes. The City contributed an additional $1M from available funds to pay the remaining principal outstanding balance of commercial paper notes. The City issued no new certificates of obligation or special obligation bonds in 2012. In June, 2012, the City issued $16.64M in Water and Sewer Revenue Bonds for the purpose of improving and expanding existing water and wastewater infrastructure. Additionally, the City issued $2.2M and 1.3M related to the 2010 and 2008 (respectively) debt issues held by the Texas Water Development Board (TWDB) as part of the TWDB Clean and Drinking Water Programs. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2012, the City's tax supported debt rating was AA+ by Fitch, Inc. and was an Aa1 rating by Moody's Investor Services. The City maintained its AA+ rating by Standard and Poor's Corporation on its tax supported debt. The City also maintained ratings of water and wastewater revenue bonds, AA+ rating from Standard and Poor's Corporation, Aa2 rating from Moody's Investor Service and AAA from Fitch, Inc. The ratings on the Cowboys Complex Special Obligations remained rated A2 by Moody's and AA by Standard and Poor's. The ratings for Municipal Drainage Utility System Revenue Bonds (Storm Water) are Aa2 by Moody's and AAA by Standard and Poor's Corporation.

General bonded debt per capita decreased from $886 in 2011 to $864 in 2012.

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net bonded debt to assessed value of all taxable property is 1.85%.

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 $500,000 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 which can

vary considerably from year to year. Total estimated claims liability at September 30, 2012 was $7.6M. The City hired new actuaries in fiscal year 2012, changing to a single actuarial firm for all required studies including those mentioned above as well as the City's Group Health Plan, Disability Income Plan (DIP) and Part-time, Seasonal and Temporary Deferred Income Plan (PSTDIP).

COWBOYS COMPLEX DEVELOPMENT PROJECT

The Stadium Complex opened in July 2009, and the Dallas Cowboys began playing their home season games there. The City and the Complex hosted Super Bowl XLV in 2011 and is annual host to the Cotton Bowl. In 2014, the City will host the NCAA Final Four Basketball Championship.

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 Cowboys Complex Development Project. Pursuant to the agreement, the City paid $325M, to build the Complex. In July of 2005, the City issued $298M Cowboy Complex Special Obligations Series A, B, and C, pledging one-half cent sales tax, 2% hotel occupancy tax and 5% car rental tax. The 2005B bonds were refunded partially by Series 2008 in November of 2008, and the remainder was refunded by Series 2009 in April of 2009. 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 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 equal to 5% of the net naming rights revenue, if any, received by the tenant capped at $500,000 per year.

In July of 2006, $148M 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, provided 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 with four ten-year renewal options.

THE CITY'S FUNDS

The governmental funds of the City reported a combined fund balance of $263M. The General Fund balance was $63.5M, a decrease of $3.3M from prior year. This decrease can be attributed to a considered attempt by City management to balance current revenues against current expenditures and a budgeted use of existing fund balance. The Debt Service fund balance increased $1M, ending the year with $39.2M. The increase was a result of general obligation debt issuance and the refunding and retirement of principal on existing debt. Other changes in fund balances should be noted:

- Street Capital Projects fund spending increased in fiscal year 2012, up from $11.2M to $14.2M. This represents a return to 2010 spending levels after a decrease in 2011. Fund balance increased with capital contributions of $4.2M and another debt issuance during fiscal year 2012 of $14.8M, adding a total of $14M to the fund for ongoing street projects.

- The City's water and sewer fund net assets of $562.8 increased by $16.3M over the prior year net asset balance. The increase in net assets is primarily due to operating revenues exceeding expenses by $30.2M.

- The Storm Water Utility fund, created in 2009 to address the City's need to manage issues associated with storm water runoff, saw an increase to fund balance in 2012; storm water fee revenues exceeded fund expenses by $5.8M, increasing fund balance to $76.3M at the end of the fiscal year.

GENERAL FUND BUDGET HIGHLIGHTS

During fiscal year 2012, there were budget amendments in the General Fund as follows:
On February 21, 2012, City Council approved an amendment to the General Fund operating budget using $1,693,275 of undesignated, unreserved fund balance-

- $30,000 was added to fund the Ride2Work program, a demand response transportation program serving low-income residents, and
- $1,663,275 to purchase approximately 250 mobile computers for police and fire vehicles as part of the implementation of a new computer-aided dispatch system.

On April 3, 2012, City Council approved an additional amendment to the General Fund operating budget using $1,025,000 of undesignated, unreserved fund balance and $300,000 transferred from the Parks Gas Fund-

- $40,000 to fund the cost of legal services associated with recent FCC actions to reduce local control of City rights-of-way,
- $61,000 to upgrade the Kronos payroll system,
- $250,000 increase to the Information Technology department budget to address a backlog of special projects,
- $280,000 to conduct an Information Technology security assessment,
- $394,000 to upgrade the power and HVAC systems at the Ott Cribbs building, and
- $300,000 to fund repair of the terrace at the Bob Duncan Center.

Also on April 3, the following revisions funded by a transfer to the General Fund from the General Gas Fund of $350,000-

- $44,026 to promote a program manager (Fire Captain) for six months and $45,441 to hire a gas well inspector (Fire Prevention Specialist) for six months, and
- 260,533 to provide initial training for responders and to purchase response equipment and light response vehicles for the Gas Well Preparedness Response Plan.

Ongoing funding of the Gas Well Preparedness Response Plan is included in the Fiscal Year 2013 Operating Budget.

Actual expenditures on a budgetary basis of $211.5M were slightly less than budgeted expenditures of $211.7M. Savings in administrative and support functions offset budget overages in Public Safety related to storm response.

Revenues on a budgetary basis exceeded expectations of $207.1M by $3.6M. Tax collections, leases, rents and concessions, and licenses and permits exceeded budgetary expectations by $6.5M, $1.1M and $1.9M, respectively. Other revenues, including service charges and utility franchise fees, were lower than expected. As discussed above, lower than budgeted utility franchise fee collections were due primarily to falling prices and a decrease in demand for natural gas heating due to the mild winter of 2011-2012.

ECONOMIC FACTORS AND FISCAL YEAR 2013

The City's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for the business-type activities. The City of Arlington is beginning to see progress in our economic recovery. Home sales are increasing, for FY 2013 the City

expects an increase of 2.4%. General Fund sales tax revenues reached $50 million for the first time in FY 2012, and are expected to continue to grow with the growth in the City's Entertainment District. Nevertheless, City Council and management remain committed to prudent, conservative fiscal planning. Key budget strategies continue to be:

- Identification of efficiencies and cost reductions
- Position management
- Vigilant monitoring of revenues
- Benefit cost offsets

The City's total General Fund revenues and transfers for 2013 are budgeted at $205.1M, and total General Fund expenditures are expected to be $205.1M, an increase of $4.4M over 2012.

The General Fund's largest single revenue source is property taxes. This revenue represents 37.1% of the General Fund budget. The property tax rate for 2013 is $0.6480 per $100 valuation, unchanged since 2004. The tax rate is broken into two pieces, operations and maintenance, $0.4423 per $100 valuation, to the General Fund, and interest and sinking, $0.2057 per $100 valuation, for debt service. The General Fund property tax revenue for 2013 is estimated to be $76.8M, up $2.8M (3.7%) from last year's estimate.

The City's portion of the local 8.00 cent 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 debt service for the Cowboy Project debt. Sales tax revenue for the General Fund for fiscal year 2013 is estimated at $52.1M, a 3.0% increase over 2012 collections.

The City's Water and Sewer Fund accounts for nearly 30% of the City's revenue. The mission of the Water Utilities Department is to provide a continuous supply of high quality drinking water and ensure safe disposal of wastewater in a responsive, cost-effective manner while continuing to improve service to citizens and planning for future needs. The largest revenue sources for the Water and Sewer Fund is water sales and wastewater treatment budgeted at $62.3M and $50.6M respectively for FY 2013. The City maintains a rate structure designed to ensure that each category of service is self-supporting.

Details of the City of Arlington Fiscal Year 2013 Operating Budget can be accessed on the City's website: www.arlingtontx.gov.

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 information, contact the Controller, Barbara Whitehorn (barbara.whitehorn@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 MSRB's Electronic Municipal Market Access (EMMA), which keeps the Arlington CAFR on file. Additionally, the CAFR can be found on the City's website at www.arlingtontx.gov.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 268,509	$ 38,537	$ 307,046	$ 15,630
Investments	2,010	-	2,010	84,129
Receivables (net of allowance for uncollectibles):				
Taxes	4,993	-	4,993	-
Sales taxes	15,815	-	15,815	-
Trade accounts	5	9,260	9,265	-
Franchise fees	7,763	-	7,763	-
Unbilled trade accounts	-	7,148	7,148	-
Special assessments	138	-	138	-
Accrued interest	773	-	773	386
Ballpark lease	15,080	-	15,080	-
Settlement agreement	9,365	-	9,365	-
Other	3,832	5	3,837	587
Internal balances	1,869	(1,869)	-	-
Due from other governments	4,349	-	4,349	-
Deferred charge - issuance costs	6,067	-	6,067	-
Inventory of supplies	1,540	412	1,952	-
Prepaid expenses	21	-	21	41
Net other post employment benefit asset	390	-	390	-
Restricted assets-				
Bond contingency-				
Investments	-	13,420	13,420	-
Accrued interest receivable	-	20	20	-
Capital construction-				
Investments	-	66,049	66,049	-
Escrow	-	6,608	6,608	-
Meter deposits-				
Investments	-	4,973	4,973	-
Closure/Post-closure trust fund				
Investments	7,657	-	7,657	-
Capital Assets-				
Land	209,703	21,444	231,147	-
Buildings and improvements	1,272,747	2,833	1,275,580	563
Water and sewer system	-	718,464	718,464	-
Machinery and equipment	84,834	11,494	96,328	1,106
Infrastructure	806,899	-	806,899	-
Drainage systems	-	86,261	86,261	-
Construction in progress	97,618	97,531	195,149	-
Accumulated depreciation	(851,308)	(279,575)	(1,130,883)	(981)
Total Assets	$ 1,970,669	$ 803,015	$ 2,773,684	$ 101,461

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, 2012
(CONTINUED)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable and accrued liabilities	$ 15,971	$ 4,152	$ 20,123	$ 929
Retainage payable	1,234	-	1,234	-
Accrued interest	3,181	-	3,181	-
Unearned revenue	2,627	-	2,627	956
Commercial paper	-	-	-	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	1,723	1,723	-
Retainage payable	-	2,041	2,041	-
Accrued interest	-	1,706	1,706	-
Meter deposits	-	4,973	4,973	-
Non-current liabilities				
Due within one year:				
Estimated claims payable	3,448	-	3,448	-
Sales tax payable	55	-	55	-
General obligation and certificates of obligation debt	28,325	-	28,325	-
Special tax revenue debt	8,000	-	8,000	-
Accrued compensated absences	1,355	140	1,495	-
Capital lease obligation	17	-	17	-
Revenue bonds	-	13,396	13,396	-
Due in more than one year:				
Estimated claims payable	4,195	-	4,195	-
Sales tax payable	-	-	-	-
Net other post-employment benefit obligation	27,203	-	27,203	-
Net pension obligation	17,681	-	17,681	-
General obligation and certificates of obligation debt	294,267	-	294,267	-
Special tax revenue debt	238,906	-	238,906	-
Landfill closure accrued liabilities	7,657	-	7,657	-
Accrued compensated absences	24,080	1,706	25,786	-
Capital lease obligation	-	-	-	-
Revenue bonds	-	136,022	136,022	-
Total Liabilities	678,202	165,859	844,061	1,885
NET ASSETS				
Invested in capital assets, net of related debt	1,164,831	573,042	1,737,873	688
Restricted for debt service	39,162	18,655	57,817	-
Restricted for use of impact fees	6,870	-	6,870	-
Restricted for housing assistance	-	-	-	1,254
Restricted for endowments	-	-	-	87,815
Designated for future initiatives	-	-	-	5,275
Unrestricted	81,604	45,459	127,063	4,544
Total Net Assets	$ 1,292,467	$ 637,156	$ 1,929,623	$ 99,576

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

ARLINGTON

CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General government	$ 66,080	$ 23,670	$ -	$ 1,269
Public safety	137,561	19,498	7,483	-
Public works	71,957	1,160	6,908	4,603
Public health	4,320	2,730	1,996	-
Parks and recreation	32,515	10,861	128	260
Public welfare	9,475	222	9,755	-
Convention and event services	6,821	2,799	-	-
Interest and fiscal charges	24,898	-	-	-
Total Governmental Activities	353,627	60,940	26,270	6,132
Business-Type Activities:				
Water and sewer	86,235	114,719	-	1,253
Storm water utility	4,777	10,536	-	-
Total Business-Type Activities	91,012	125,255	-	1,253
Total Primary Government	$ 444,639	$ 186,195	$ 26,270	$ 7,385
Component Units:				
Arlington Housing Authority	$ 29,389	$ -	$ 25,998	$ -
Arlington Convention and Visitors Bureau	4,136	4,180	-	-
Arlington Tomorrow Foundation	1,370	-	-	-
Arlington Housing Finance Corporation	15	-	9	-
Arlington Convention Center Development Corp	12,002	-	221	12,000
Total Component Units	$ 46,912	$ 4,180	$ 26,228	$ 12,000

General Revenues:
- Property taxes
- Sales taxes
- Criminal justice tax
- State liquor tax
- Bingo tax
- TIF/TIRZ
- Occupancy tax
- Franchise fees based on gross receipts
- 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			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (41,141)	$ -	$ (41,141)	$ -
(110,580)	-	(110,580)	-
(59,286)	-	(59,286)	-
406	-	406	-
(21,266)	-	(21,266)	-
502	-	502	-
(4,022)	-	(4,022)	-
(24,898)	-	(24,898)	-
(260,285)	-	(260,285)	-
-	29,737	29,737	-
-	5,759	5,759	-
-	35,496	35,496	-
$ (260,285)	$ 35,496	$ (224,789)	$ -
$ -	$ -	$ -	$ (3,391)
-	-	-	44
-	-	-	(1,370)
-	-	-	(6)
-	-	-	219
$ -	$ -	$ -	$ (4,504)
110,131	-	110,131	-
88,957	-	88,957	-
451	-	451	-
1,190	-	1,190	-
109	-	109	-
3,738	-	3,738	-
7,859	-	7,859	-
25,600	-	25,600	-
3,975	569	4,544	2,295
(179)	(101)	(280)	(3,573)
5,990	-	5,990	18,552
14,770	(14,770)	-	-
262,591	(14,302)	248,289	17,274
2,306	21,194	23,500	12,770
1,290,161	615,962	1,906,123	86,806
$ 1,292,467	$ 637,156	$ 1,929,623	$ 99,576

CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Street Capital Projects	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 57,283	$ 33,729	$ 66,325	$ 94,037	$ 251,374
Closure/Post-closure restricted cash	7,657	-	-	-	7,657
Receivables (net of allowance for uncollectibles)					
Taxes	2,753	538	-	1,702	4,993
Sales taxes	9,021	4,529	-	2,265	15,815
Franchise fees	7,763	-	-	-	7,763
Special assessments	-	-	138	-	138
Accrued interest	398	367	-	-	765
Lease and settlement agreements	24,445	-	-	-	24,445
Other	3,070	-	-	762	3,832
Due from other funds	3,351	-	-	-	3,351
Due from other governments	-	-	-	4,349	4,349
Inventory of supplies, at cost	1,251	-	-	245	1,496
Prepaid Expenditures	16	-	-	5	21
Total Assets	$ 117,008	$ 39,163	$ 66,463	$ 103,365	$ 325,999
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 11,027	$ 1	$ 534	$ 3,413	$ 14,975
Retainage payable	49	-	523	662	1,234
Due to other funds	-	-	-	3,351	3,351
Closure/Post-closure trust fund	7,657	-	-	-	7,657
Deferred revenue-					
Taxes	2,454	-	-	-	2,454
Landfill liability	5,716	-	-	-	5,716
Gas lease	-	-	-	117	117
Lease and settlement agreements	24,445	-	-	-	24,445
Other	2,163	-	138	939	3,240
Total Liabilities	53,511	1	1,195	8,482	63,189
Fund Balances:					
Nonspendable:					
Inventory	1,252	-	-	245	1,497
Prepaids	16	-	-	5	21
Restricted for:					
Debt Service	-	39,162	-	-	39,162
Capital Projects	-	-	65,268	17,380	82,648
Other purposes	-	-	-	33,727	33,727
Committed to:					
Utility rate case	500	-	-	-	500
Capital Projects	-	-	-	20,679	20,679
Other purposes	-	-	-	21,594	21,594
Assigned to:					
Encumbrances	7,766	-	-	-	7,766
Working capital	16,745	-	-	-	16,745
Subsequent years' expenditures	6,378	-	-	-	6,378
Compensated absences	1,252	-	-	-	1,252
Other post employment benefits	1,718	-	-	-	1,718
Future initiatives	21,487	-	-	-	21,487
Dispatch	566	-	-	-	566
Information Technology	607	-	-	-	607
Business continuity	5,155	-	-	-	5,155
Other purposes	55	-	-	1,253	1,308
Unassigned	-	-	-	-	-
Total Fund Balances	63,497	39,162	65,268	94,883	262,810
Total Liabilities and Fund Balances	$ 117,008	$ 39,163	$ 66,463	$ 103,365	$ 325,999

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

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

Total fund balance per balance sheet			$ 262,810
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 $12,344 recorded in the internal service funds).			1,608,149
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Deferred & Unearned	Unearned	
Taxes	$ 2,454	$ -	
Closure/Post-closure	7,657	-	
Landfill	5,716	5,716	
Gas lease	117	117	
Grant revenue	441	(5,352)	
Ballpark lease	15,080	-	
Settlement	9,365	-	
Other	2,799	2,146	
	43,629	2,627	41,002
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.			24,768
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 $7,726 recorded in the internal service funds).			
Bonds payable		$(569,050)	
Less: Deferred charge for issuance costs (to be amortized as interest expense)		6,067	
Premium general obligation debt		(10,947)	
Discount on bonds		3,125	
Deferred loss refunding		7,373	
Accrued interest payable		(3,181)	
Current year accrued interest payable		(74)	
Sales tax payable		(55)	
Landfill closure		(7,657)	
Compensated absences		(25,352)	
Net other post-employment benefit obligation		(27,203)	
Net other post-employment asset		390	
TMRS net pension obligation		(17,681)	
Capital leases		(17)	(644,262)
Net assets of governmental activities			$ 1,292,467

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, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	$ 126,158	$ 63,964	$ -	$ 22,869	$ 212,991
Licenses and permits	6,673	-	-	-	6,673
Utility franchise fees	25,600	-	-	-	25,600
Fines and forfeitures	15,425	-	-	-	15,425
Leases, rents and concessions	6,968	2,000	-	-	8,968
Service charges	5,355	-	-	14,726	20,081
Interest revenue	2,168	867	311	451	3,797
Net decrease in fair value of investments	(44)	(22)	(32)	(41)	(139)
Contributions	1,336	-	4,190	606	6,132
Intergovernmental revenues	(219)	-	-	25,580	25,361
Gas lease royalty	-	-	-	8,978	8,978
Gas lease other	-	-	-	336	336
Other	736	92	254	4,120	5,202
Total Revenues	190,156	66,901	4,723	77,625	339,405
EXPENDITURES					
Current-					
General government	38,075	-	-	3,705	41,780
Public safety	125,571	-	-	8,595	134,166
Public works	18,940	-	-	21,014	39,954
Public health	1,859	-	-	2,304	4,163
Public welfare	-	-	-	8,372	8,372
Parks and recreation	13,834	-	-	10,488	24,322
Convention and event services	-	-	-	6,821	6,821
Capital outlay	-	-	14,218	18,044	32,262
Debt service-					
Principal retirement	-	42,765	-	-	42,765
Redemption premium	-	249	-	-	249
Interest and fiscal charges	-	25,976	-	-	25,976
Total Expenditures	198,279	68,990	14,218	79,343	360,830
Excess (deficiency) of revenues over (under) expenditures	(8,123)	(2,089)	(9,495)	(1,718)	(21,425)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	14,785	4,850	19,635
Issuance of refunding bonds	-	12,180	7,607	4,078	23,865
Amount used for refunding bond refunding escrow	-	(13,328)	-	-	(13,328)
Bond premium	-	1,305	525	208	2,038
Issuance of Certificates of Obligation	-	-	-	-	-
Transfers in	20,142	3,615	651	20,097	44,505
Transfers out	(15,297)	(651)	-	(12,847)	(28,795)
Total Other Financing Sources and Uses	4,845	3,121	23,568	16,386	47,920
Net Change in Fund Balances	(3,278)	1,032	14,073	14,668	26,495
Fund Balances, October 1,	66,775	38,130	51,195	80,215	236,315
Fund Balances, September 30	$ 63,497	$ 39,162	$ 65,268	$ 94,883	$ 262,810

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

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

Net change in fund balance - total governmental funds		$ 26,495
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.		29,447
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.		(57,919)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,055
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.		
Interest on bond payoff	(935)	
Repayment of general obligation debt	42,765	
Proceeds from issuance of bonds	(30,172)	
Repayment of capital lease	64	
Amortization of deferred loss on bond refunding	(519)	
Amortization of bond premium	1,200	
		12,403
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	245	
Arbitrage	(75)	
Accrued interest expense	120	
Post-employment benefit obligation expense	(6,472)	
Post-employment benefit asset	74	
TMRS net pension obligation	36	
Amortization of issuance cost	(344)	
Sales tax	223	
		(6,193)
Internal service funds are used by management to charge the costs of fleet management and management information systems, property liability loss, health claims and offices services to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities.		(2,982)
Change in net assets of governmental activities		$ 2,306

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, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			
	Water and Sewer	Storm Water Utility	Total	Governmental Activities- Internal Service Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 12,650	$ 25,887	$ 38,537	$ 17,135
Investments	-	-	-	2,010
Receivables (net of allowances for uncollectibles):				
Trade accounts	8,353	907	9,260	5
Unbilled trade accounts	6,705	443	7,148	-
Accrued interest	-	-	-	8
Other	5	-	5	-
Inventory of supplies, at cost	412	-	412	44
Subtotal	28,125	27,237	55,362	19,202
Restricted Assets:				
Bond contingency-cash and cash equivalents	6,782	-	6,782	-
Capital construction-cash and cash equivalents	21,856	-	21,856	-
Total Current Assets	56,763	27,237	84,000	19,202
Non-Current Assets:				
Restricted Assets:				
Bond contingency-				
Investments	6,638	-	6,638	-
Accrued interest	20	-	20	-
Capital construction-				
Investments	44,193	-	44,193	-
Escrow	6,608	-	6,608	-
Meter deposit investments	4,973	-	4,973	-
Capital Assets:				
Land	7,021	14,423	21,444	-
Buildings and improvements	2,833	-	2,833	467
Water and sewer system	718,464	-	718,464	-
Machinery and equipment	11,494	-	11,494	39,424
Drainage system	-	86,261	86,261	-
Construction-in-progress	90,582	6,949	97,531	-
Accumulated depreciation	(247,670)	(31,905)	(279,575)	(27,547)
Total Capital Assets Net of Accumulated Depreciation	582,724	75,728	658,452	12,344
Total Noncurrent Assets	645,156	75,728	720,884	12,344
Total Assets	$ 701,919	$ 102,965	$ 804,884	$ 31,546

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, 2012
(CONTINUED)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			
	Water and Sewer	Storm Water Utility	Total	Governmental Activities- Internal Service Funds
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	$ 3,402	$ 750	$ 4,152	$ 921
Accrued compensated absences	133	7	140	-
Revenue bonds payable from unrestricted assets	7,120	1,280	8,400	-
Capital lease obligation	-	-	-	-
Current Liabilities Payable From Restricted Assets:				
Accounts payable and accrued liabilities	1,723	-	1,723	-
Retainage payable	1,967	74	2,041	-
Accrued interest	1,372	334	1,706	-
Estimated claims payable	-	-	-	3,448
Revenue bonds payable	4,996	-	4,996	-
Meter deposits	4,973	-	4,973	-
Total Current Liabilities	25,686	2,445	28,131	4,369
Noncurrent Liabilities:				
Estimated claims payable	-	-	-	4,195
Compensated absences	1,534	172	1,706	83
Revenue bonds payable from restricted assets	-	24,085	24,085	-
Revenue bonds payable from unrestricted assets	111,937	-	111,937	-
Total Noncurrent Liabilities	113,471	24,257	137,728	4,278
Total Liabilities	139,157	26,702	165,859	8,647
NET ASSETS				
Invested in capital assets, net of related debt	522,753	50,289	573,042	12,344
Restricted for debt service	18,655	-	18,655	-
Unrestricted	21,354	25,974	47,328	10,555
Total Net Assets	$ 562,762	$ 76,263	$ 639,025	$ 22,899
Reconciliation to government-wide statements of net assets:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(1,869)	
Net assets of business-type activities			$ 637,156	

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, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			
	Water and Sewer	**Storm Water Utility**	**Total**	**Governmental Activities- Internal Service Funds**
Operating Revenues:				
Water sales	$ 61,937	$ -	$ 61,937	$ -
Sewer service	47,999	-	47,999	-
Storm water fee - commercial	-	4,780	4,780	-
Storm water fee - residential	-	5,756	5,756	-
Service charges	-	-	-	29,671
Sundry	4,783	-	4,783	127
Total Operating Revenues	114,719	10,536	125,255	29,798
Operating Expenses:				
Purchase of water	17,931	-	17,931	-
Purchase of sewage treatment	23,979	-	23,979	-
Salaries and wages	12,090	1,576	13,666	393
Employees' retirement	1,865	253	2,118	57
Supplies	3,448	55	3,503	4,331
Maintenance and repairs	3,508	345	3,853	287
Utilities	3,183	8	3,191	60
Claims (net of adjustments)	-	-	-	19,220
Legal and professional	-	-	-	947
Depreciation	14,209	1,903	16,112	3,468
Miscellaneous services	4,296	637	4,933	3,978
Total Operating Expenses	84,509	4,777	89,286	32,741
Operating Income (Loss)	30,210	5,759	35,969	(2,943)
Nonoperating Revenues (Expenses):				
Interest revenue	470	99	569	111
Net increase (decrease) in the fair value of investments	(95)	(6)	(101)	(40)
Gain on sale of assets	-	-	-	308
Interest expense and fiscal charges	(1,206)	-	(1,206)	-
Total Nonoperating Revenues (Expenses)	(831)	93	(738)	379
Income (loss) before transfers and contributions	29,379	5,852	35,231	(2,564)
Contributions in aid of construction	1,253	-	1,253	-
Transfers in	-	-	-	2,548
Transfers out	(14,262)	(508)	(14,770)	(3,488)
Change in Net Assets	16,370	5,344	21,714	(3,504)
Total Net Assets, October 1	546,392	70,919	617,311	26,403
Total Net Assets, September 30	$ 562,762	$ 76,263	$ 639,025	$ 22,899

Net change in net assets - total proprietary funds	$ 21,714
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(520)
Change in net assets of business-type activities	$ 21,194

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, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities-Enterprise Funds			
	Water and Sewer	Storm Water Utility	Total	Governmental Activities-Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 117,754	$ 10,538	$ 128,292	$ 29,847
Cash payments to suppliers	(54,606)	(701)	(55,307)	(32,185)
Cash payments to employees	(13,848)	(1,847)	(15,695)	(373)
Net Cash Provided By (Used For) Operating Activities	49,300	7,990	57,290	(2,711)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	2,548
Transfers out	(14,262)	(508)	(14,770)	(3,488)
Net Cash Provided By (Used For) Noncapital Financing Activities	(14,262)	(508)	(14,770)	(940)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(34,387)	(7,515)	(41,902)	(3,419)
Decrease in escrow balance	2,232	-	2,232	-
Proceeds from sales of capital assets	-	-	-	424
Proceeds from issuance of long-term debt	17,945	-	17,945	-
Repayment of long-term debt	(10,393)	(1,280)	(11,673)	-
Interest payment long-term debt	(3,754)	(1,283)	(5,037)	-
Net Cash Provided By (Used For) Capital And Related Financing Activities	(28,357)	(10,078)	(38,435)	(2,995)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from interest earnings	541	147	688	111
Net increase (decrease) in the fair value of investments	(95)	(6)	(101)	(40)
Purchase of investments	(84,033)	-	(84,033)	-
Maturities/sales of investments	84,218	-	84,218	31
Net Cash Provided By (Used For) Investing Activities	631	141	772	102
Net Increase (Decrease) In Cash And Cash Equivalents	7,312	(2,455)	4,857	(6,544)
Cash And Cash Equivalents, October 1	33,976	28,342	62,318	23,679
Cash And Cash Equivalents, September 30	$ 41,288	$ 25,887	$ 67,175	$ 17,135
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 30,210	$ 5,759	$ 35,969	$ (2,943)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	14,210	1,903	16,113	3,468
Amortization of bond premium	222	110	332	-
Amortization of deferred loss on bond refunding	(164)	-	(164)	-
Provision for bad debts	(100)	(7)	(107)	-
(Increase) decrease in-				
Receivables	3,035	2	3,037	119
Inventory of supplies	49	-	49	3
Prepaid expenses	-	-	-	81
Increase (decrease) in-				
Accounts payable and accrued liabilities	503	179	682	376
Estimated claims payable	-	-	-	(3,850)
Retainage payable	1,057	-	1,057	-
Meter deposits	69	-	69	-
Accrued compensated absences	209	44	253	35
Total adjustments	19,090	2,231	21,321	232
Net Cash Provided By (Used For) Operating Activities	$ 49,300	$ 7,990	$ 57,290	$ (2,711)
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	1,253	-	1,253	-

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, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 7,505
Investments		
Money market fund	33,912	-
Corporate bonds	1,437	-
Fixed income mutual bond funds	14,209	-
Common stock mutual bond funds	57,145	117
Balanced mutual funds	17,140	-
Participant borrowing	5,073	-
Self directed brokerage accounts	3,002	-
Total Investments	131,918	117
Total Assets	$ 131,918	$ 7,622
LIABILITIES		
Accounts payable and accrued liabilities	$ -	$ 7,505
IRC 401 deferred compensation plans	-	117
Total Liabilities	$ -	$ 7,622
NET ASSETS		
Held in trust for pension benefits	$ 131,918	

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, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

		Pension Trust Funds
ADDITIONS		
Employer contributions	$	2,805
Employee contributions		5,827
Net appreciation in fair value of investments		21,337
Total Additions		29,969
DEDUCTIONS		
Benefits		9,779
Plan administration		168
Total Deductions		9,947
Increase in Net Assets		20,022
Net Assets, October 1		111,896
Net Assets, September 30	$	131,918

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

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CITY OF ARLINGTON, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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, business-type 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 GASB 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. A budgetary comparison statement is presented that compares the originally adopted and final General Fund budget with actual results, and schedules of funding progress for pension and retirement plans are provided, as required, in the Required Supplementary Information section.

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 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. 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. d/b/a Experience Arlington, 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 (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.

Arlington Convention Center Development Corporation

Arlington Convention Center Development Corporation (the "ACCDC") was formed to encourage and assist with planning, designing, constructing and maintaining a convention center complex, sports facility or hotel facility. The City Council serves as the board of directors. Separate ACCDC 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 and Street Capital Projects Fund. The enterprise funds are made up of the Water Utility and Storm Water Utility funds. 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 taxes and other revenue to be available if they are collected within 60 days of the end of the current fiscal period, while grants typically are received within 90 days. 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. The City has agreements with various entities in which a portion of the sales tax is rebated. The sales tax revenue is reported net of the rebate. 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. 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.

d. Other Governmental Funds is a summarization of all of the nonmajor governmental funds, including capital project and special revenue 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 Enterprise Funds are the Water Utility Fund and the Storm Water Utility Fund. The Water Utility Fund accounts for the administration, operation and maintenance of the water and sewer utility system, as well as 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 Utility Fund, while revenues from solid waste franchise fees and landfill royalties are accounted for in the General Fund. The Storm Water Utility Fund accounts for the design, construction and maintenance of the City's storm water drainage systems.

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; 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 Trust Funds and the AHA, 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 completed. 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:

Assets	Years
Buildings	45 - 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 2012, $2,479,509 of interest cost, net of $70,747 interest earned, was 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 2012 for the Water and Sewer Fund amounted to approximately $1,206,000 and $470,000, respectively. In the Storm Water Utility Fund $913,542 of interest cost, net of $47,923 interest earned, was capitalized as capital assets as part of the costs of constructing various projects. Interest earned in fiscal 2012 for the Storm Water Utility Fund amounted to approximately $99,000.

I. Arbitrage Liability

The City accrues a liability for an amount of arbitrage rebate 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). The full amount of accumulated sick pay 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. Nature and Purpose of Classifications of Fund Equity

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes,

neither restricted nor committed. Assignments are made by City management based on Council direction as established by resolution 11-361 dated September 27, 2011 adopting the fund balance policy.

For the classification of Governmental Fund balances, the City considers an expenditure to have been made from the most restrictive classification first when more than one classification is available.

M. Minimum Fund Balance Policy

It is the desire of the City to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a General Fund working capital reserve at a minimum level of 8.33% (1/12th) of annual General Fund expenditures. Total General Fund balances shall be maintained at a minimum of 15% of annual General Fund expenditures.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City of through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

O. New Accounting Pronouncements

During fiscal year 2012, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans and clarifies when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers. This pronouncement had no impact on current financial statements.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53.* The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This pronouncement had no impact on current financial statements.

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

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is effective for the City beginning in fiscal year 2013. This Statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators.

Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, which is effective for the City beginning in fiscal year 2013. This Statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for the City beginning in fiscal year 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA

pronouncements issued on or before November 30, 1989. This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which is effective for the City beginning in fiscal year 2013. This Statement standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which is effective for the City beginning in fiscal year 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which is effective for the City beginning in fiscal year 2014. The objective of this Statement is to improve accounting and financial reporting for a government financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, which is effective for the City beginning in fiscal year 2014. This Statement enhances note disclosures and Required Supplementary Information for pension plans.

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27,* which is effective for the City beginning in fiscal year 2015. The objective of this Statement is to improve financial reporting for pension plans. This statement requires recognition of a long-term obligation for pension benefits as a liability.

Statement No. 69, *Government Combinations and Disposals of Government Operations,* which is effective for the City beginning in fiscal year 2014. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

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 2012, there were budget amendments in the General Fund in the amount of $30,000 to fund costs associated with the Ride2Work program and $1,663,275 increase to purchase approximately 250 mobile data computers for Police and Fire vehicles. This action will appropriate $1,693,275 of undesignated, unreserved fund balance available from FY 2011. In addition, there was a $40,000 increase to fund the cost of legal services associated with recent FCC actions to reduce local control of City rights of way, a $61,000 increase for upgrading the Kronos payroll system, $250,000 for professional services in the Information Technology department to address a backlog of special projects, $280,000 for an Information Technology security assessment, $394,000 to upgrade the power and HVAC equipment at the Ott Cribbs building, and $300,000 for repairs to the terrace at the Bob Duncan Center. These adjustments will appropriate $1,025,000 of undesignated, unreserved fund balance available in the General Fund from FY 2011 and $300,000 of Parks Gas funds. Additionally, funds needed to staff and equip the Gas Well Preparedness and Response Program require an appropriation of $350,000 of General Gas funds to fund $44,026 to promote a program manager (Fire Captain) and $45,441 to hire a gas well inspector(Fire Prevention Specialist) for six months beginning in April 2012, and $260,533 to provide initial training needs for responders and purchase response equipment and light response vehicles for the program.

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.

The City utilizes encumbrance accounting to ensure appropriated funds are adequately committed and remaining unspent balances are carried forward into the next fiscal year. Encumbrances are created for purchase order, grant match requirements, and capital project funding. These amounts are reported in fund balance as follows:

General Fund	Debt Service Fund	Street Capital Projects Fund	Other Nonmajor Funds	Total
$ 7,766	$ -	$ 7,325	$ 17,426	$ 32,517

B. Excess of expenditures over appropriations

For the year ended September 30, 2012, there were no expenses exceeding budget in the aggregate.

C. Deficit fund equity

The Police Capital Projects fund has a deficit balance of $103,000. This fund is not separately reported, but is included as part of the Other Special Revenue Funds of the City. This deficit will be funded through the issuance of permanent improvement bonds and certificates of obligation.

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 United States Treasuries, its agencies or instrumentalities, other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities, obligations of Texas and its agencies, counties and cities, and other political subdivisions rated not less than AA, fully insured or collateralized certificates of deposit, fully collateralized repurchase agreements, Guaranteed Investment Contracts, commercial paper rated A-1+, P-1 with an underlying long-term rating of AA or better, government pools and money market funds consisting of any of these securities listed. 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, 2012, the carrying amount of the City's demand deposits was ($1,007,000) (bank balance, $1,161,000). The ($1,007,000) balance consisted of a ($1,609,000) balance in City Funds and a $602,000 balance in Component Unit Funds. The balance in cash on hand was $34,000 at year end.

Investments – 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.

The City is the beneficiary of a Closure/Post Closure Trust in the amount of $7,657,000. 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 lessee contributed $5,154,000 at closing and makes annual contributions of approximately $600,000. 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.

As of September 30, 2012, the City had the following cash, cash equivalents and investments (amounts in thousands):

City Funds	Fair Value	Weighted average Maturity (in days)
Demand Deposits	($1,609)	n/a
Cash on Hand	34	n/a
Other Cash in Bank	(64)	n/a
General Operating/Internal Pool	360,546	381
Debt Service and Working Capital Reserve	3,522	144
Dallas Cowboy Complex Development Project Debt Service Reserve	29,059	921
Closure/Post-closure trust fund	7,657	1
Self-Insurance	2,010	105
Total City	**$401,155**	

Fiduciary Funds	Fair Value	Weighted average Maturity (in days)
Agency Funds-Internal Pool	$7,519	381
Agency Funds- Cash in Bank	(14)	n/a
Agency Funds- Mutual Funds	117	n/a
Pension Trust Funds – Money Market Fund	33,912	n/a
Pension Trust Funds – Corporate Bonds	1,437	n/a
Pension Trust Funds- Mutual Funds	96,569	n/a
Total Fiduciary Funds	**$139,540**	

Component Units	Fair Value	Weighted average Maturity (in days)
Demand Deposits	$602	n/a
Cash in Bank	3,029	n/a
ATF – Internal Pool	11,999	381
ATF – Investments	81,502	1434
AHA – Bank Cert. of Deposit	2,627	175
Total Component Units	**$99,759**	
Total Entity – Cash, Cash Equivalents and Investments	**$640,454**	

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

Fund	Maximum Maturity	Maximum WAM
General Operating	3 Years	18 Months
Capital Project	3 Years	18 Months
Working Capital Reserve	5 Years	4 Years
Dallas Cowboy Complex Development Debt Service Reserve	10 Years	10 Years
Debt Service Sinking &Debt Service	10 Years	10 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.

Concentration of Credit Risk. The City's investment policy places the following limits on the amount the City may invest in any one issuer. All securities are AAA rated.

Security	% of Portfolio
United States Treasury	100%
U.S. Agencies and Instrumentalities	30%/Issuer
Other Obligations guaranteed by U.S.	5%
Obligations of Texas and its subdivisions	5%/Issuer
Certificates of Deposit	20%
Repurchase Agreements	15%/counterparty
Commercial Paper	5%/Issuer – 20%
Money Market Mutual Fund	15%/MMF
Local Government Investment Pools	25%/pool

As of September 30, 2012 the City's overall portfolio consisted of:

City Funds	Fair Value
Demand Deposits	**($1,609)**
Cash on Hand	**34**
Cash in Bank	**(64)**
Federal Home Loan Bank Bonds	**50,793**
Federal Home Loan Mortgage Corp. Bonds	**48,123**
Federal National Mortgage Association Bonds	**33,264**
Federal Farm Credit Bonds	**65,388**
Farmer Mac	**32,264**
Wells Fargo Money Market	**15,510**
City of San Antonio	**3,834**
State of Texas	**1,734**
City of Ennis	**1,529**
TexPool	**41,842**
TexasDaily	**43,722**
TexStar	**41,056**
Chase of Texas	**23,735**
Total City	**$401,155**

Fiduciary Funds	Fair Value
Agency Funds - Cash in Bank	**$(14)**
Agency Funds - Mutual Funds	**117**
Agency Funds - Federal Home Loan Bank	**802**
Agency Funds - Federal Home Loan Mortgage Corp.	**977**
Agency Funds - Federal National Mortgage Association	**683**
Agency Funds – Federal Farm Credit	**1,161**
Agency Funds – Farmer Mac	**663**
City of San Antonio	**79**
State of Texas	**36**
City of Ennis	**31**
Agency Funds - TexPool	**859**
Agency Funds - TexasDaily	**898**
Agency Funds - TexStar	**843**
Pension Trust Funds - Money Market Fund	**33,912**
Pension Trust Funds - Corporate Bonds	**1,437**
Pension Trust Funds - Mutual Funds	**96,569**
Chase of Texas	**487**
Total Fiduciary Funds	**$139,540**

Component Units	Fair Value
Demand Deposits	**$602**
Cash in Bank	**3,029**
ATF - Federal Home Loan Bank	**1,280**
ATF - Federal Home Loan Mortgage Corp.	**1,559**
ATF - Federal National Mortgage Association	**1,090**
ATF - City of San Antonio	**126**
ATF - State of Texas	**57**
ATF - City of Ennis	**50**
ATF - Farmer Mac	**1,058**
ATF - Federal Farm Credit	**1,851**
ATF - TexPool	**1,371**
ATF - TexasDaily	**1,433**
ATF - TexStar	**1,346**
AHA – Bank Cert. of Deposit	**2,627**
Chase of Texas	**778**
ATF Dodge & Cox	**35,335**
JP Morgan Core Bond	**35,383**
Vanguard Inter'l Equity	**10,784**
Total Component Units	**$99,759**

Total Entity – Cash, Cash Equivalents and Investments	**$640,454**

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation (FDIC) 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 or by a Letter of Credit from a Federal Agency.

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, 2012, the City's investment in TexPool was $44,072,000 with a market value of $44,073,000. The City's investment in TexasDaily was $46,053,000 with a market value of $46,053,000 and the City's investment in TexStar was $43,245,000 with a market value of $43,245,000.

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. Penalties and interest are 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 September 1, 2011, upon which the original FY12 levy was based, was $17,323,444,005.

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, 2012, the City had a tax rate of $0.6480 ($0.4393 for general government and $0.2087 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 $329,830,183 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately $17,323,444,005.

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. COWBOYS COMPLEX DEVELOPMENT PROJECT

In 2004, the voters authorized the City to provide the planning, acquisition, construction and financing for the 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 was completed in July 2009 and is a multi-functional enclosed facility with a retractable roof and seating for approximately 85,000. The final cost of the project was $1.1 billion and in accordance with the funding and closing agreement, the City paid a portion of the projected costs, $325 million, to build the Complex.

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. Monthly lease payments of $166,666.67 began in June, 2009 for an annualized 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. There was no such naming rights revenue for the latest fiscal year. The lease is accounted for as an operating lease. The cost of the stadium is $1,109,951,954 with an accumulated depreciation of $79,530,415.

City Debt – In 2005, the City issued $297,990,000 Cowboy Complex Special to fund the City's share of the project costs for the Complex, including $164,265,000 Cowboys Complex Special Obligation Tax-Exempt Special Tax Bonds, Series 2005B (the "Multi-Modal Bonds"). In December, 2008 the City issued $112,185,000 in Special Tax Revenue Bonds to refund $104,265,000 of the Series 2005B bonds and in May 2009 issued $62,820,000 to refund the remaining $60,000,000 of the Series 2005B bonds.

Conduit Debt - In 2006, $147,865,000 Cowboy Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2006 (the "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., were issued to fund a portion of the Dallas Cowboy's funding for the Complex. The 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, 2012, outstanding conduit debt was $142,300,000.

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, 2012 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	Storm Water Utility	Water & Sewer	Street Capital Projects	Other Nonmajor Governmental Funds	Internal Service Funds	Total
Receivables:								
Taxes	$ 9,024	$ 538	$ -	$ -	$ -	$ 1,702	$ -	$ 11,264
Franchise Fees	7,763	-	-	-	-	-	-	7,763
Trade Accounts	-	-	956	10,841	-	-	5	11,802
Unbilled Trade Accounts	-	-	443	6,948	-	-	-	7,391
Special Assessments	-	-	-	-	138	-	-	138
Sales Taxes	9,021	4,529	-	-	-	2,265	-	15,815
Lease and settlement agreements	24,445	-	-	-	-	-	-	24,445
Accrued Interest	398	367	-	-	-	-	8	773
Other	3,070	-	-	5	-	762	-	3,837
Gross Receivables	53,721	5,434	1,399	17,794	138	4,729	13	83,228
Less: Allowance for Uncollectibles	(6,271)	-	(49)	(2,731)	-	-	-	(9,051)
Net total Receivables	$ 47,450	$ 5,434	$ 1,350	$ 15,063	$ 138	$ 4,729	$ 13	$ 74,177

5. CAPITAL ASSETS

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

(Amounts expressed in thousands)

	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 209,397	$ 514	$ (208)	$ 209,703
Construction in progress-other	117,637	34,462	(54,481)	97,618
Total capital assets, not being depreciated	327,034	34,976	(54,689)	307,321
Capital assets, being depreciated:				
Buildings and improvements	1,258,998	13,950	(201)	1,272,747
Equipment	80,499	8,747	(4,412)	84,834
Infrastructure	776,945	29,954	-	806,899
Total capital assets, being depreciated	2,116,442	52,651	(4,613)	2,164,480
Less accumulated depreciation for:				
Buildings and improvements	154,021	30,995	(128)	184,888
Equipment	63,346	8,627	(4,298)	67,675
Infrastructure	576,980	21,765	-	598,745
Total accumulated depreciation	794,347	61,387	(4,426)	851,308
Total capital assets, being depreciated, net	1,322,095	(8,736)	(187)	1,313,172
Governmental activities capital assets, net	$ 1,649,129	$ 26,240	$ (54,876)	$ 1,620,493

	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 6,991	$ 14,453	$ -	$ 21,444
Construction in progress	83,812	45,080	(31,361)	97,531
Total capital assets, not being depreciated	90,803	59,533	(31,361)	118,975
Capital assets, being depreciated:				
Buildings and improvements	2,833	-	-	2,833
Drainage System	81,635	4,626	-	86,261
Water and sewer system	704,836	13,628	-	718,464
Machinery and equipment	11,373	121	-	11,494
Total capital assets, being depreciated	800,677	18,375	-	819,052
Less accumulated depreciation for:				
Buildings and improvements	1,240	57	-	1,297
Drainage System	30,003	1,902	-	31,905
Water and sewer system	221,858	13,957	-	235,815
Machinery and equipment	10,362	196	-	10,558
Total accumulated depreciation	263,463	16,112	-	279,575
Total capital assets, being depreciated, net	537,214	2,263	-	539,477
Business-type activities capital assets, net	$ 628,017	$ 61,796	$ (31,361)	$ 658,452

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

Governmental activities:	
General Government	$ 27,110
Public Safety	3,178
Parks and recreation	4,721
Public works	22,910
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	3,468
Total depreciation expense – governmental activities	$61,387
Business-type activities:	
Storm Water Utility	1,903
Water and sewer	$ 14,209
Total depreciation expense – business-type activities	$ 16,112

Discretely presented component units:

(amounts expressed in thousands)

	Balance at Beginning of Year	Transfer and Additions	Transfers and Retirements	Balance at End of Year
Arlington Housing Authority, Inc.				
Capital assets, being depreciated:				
Buildings and improvements	$ 563	$ -	$ -	$ 563
Machinery and equipment	369	-	-	369
Totla capital assets, being depreciated	932	-	-	932
Less accumulated depreciation for:				
Machinery and equipment	(439)	(75)	-	(514)
Total accumulated depreciation	(439)	(75)	-	(514)
Arlington Housing Authority, Inc.				
Capital assets, net	$ 493	$ (75)	$ -	$ 418

	Balance at Beginning of Year	Transfer and Additions	Transfers and Retirements	Balance at End of Year
Arlington Convention and Visitors Bureau, Inc.				
Capital asset, being depreciated:				
Machinery and equipment	$ 585	$ 152	$ -	$ 737
Total capital assets, being depreciated	585	152	-	737
Less accumulated depreciation for:				
Machinery and equipment	(450)	(17)	-	(467)
Total accumulated depreciation	(450)	(17)	-	(467)
Arlington Convention and Visitors Bureau, Inc.				
Capital assets, net	$ 135	$ 135	$ -	$ 270

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 847 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, 2011 valuations are contained in the 2011 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.tmrs.com.

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. In 2012, that amount was equal to 50% of the change in the consumer price index (CPI).

Members can retire at age 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 contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. The rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City discloses the annual pension costs (which equal the required contributions) based on the calculated rates for the City's fiscal year. The rate is 17.16% of covered payroll for the months in calendar year 2011, and 16.77% for the months in calendar year 2012. 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, 2010 valuation is effective of rates beginning January 1, 2012). If a change in plan provisions is elected by the City, this rate can change.

Annual Pension Cost and Net Pension Obligation:

The City's annual pension cost of $25,111,256 was $35,811 lower than the City's contributions.

Annual required contribution (ARC)	$	24,937,133
Interest		1,240,201
Adjustment to the ARC		(1,066,079)
Annual pension cost (expense)		25,111,256
Contribution made		25,147,067
Increase (decrease) in net pension obligation		(35,811)
Net pension obligation beginning of year		17,717,160
Net pension obligation end of year	$	17,681,349

Three-Year Trend Information

Fiscal Year	Annual Pension Cost	Percentage of APC Contribution	Net Pension Obligation (Asset)
2012	$25,111,256	100.14%	$17,681,349
2011	$28,051,791	87.70%	$17,717,160
2010	$30,917,593	77.43%	$14,266,151

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.

Changes in Actuarial and Amortization Methods:

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).

Funding Status and Funding Progress:

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial

experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

As of December 31, 2011, the most recent actuarial valuation date, the plan was 84.8 percent funded. The actuarial accrued liability for benefits was $868,504,849, and the actuarial value of assets was $736,848,666, resulting in an unfunded actuarial accrued liability (UAAL) of $131,656,183. The covered payroll (annual payroll of active employees covered by the plan) was $149,939,786, and the ratio of the UAAL to the covered payroll was 87.8%.

Actuarial Methods and Assumptions:

A summary of actuarial assumptions is as follows:

Actuarial valuation date	12/31/2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll
Remaining amortization period	26.1 years (closed)
Asset valuation method	Amortized cost
Investment rate of return	7.0 percent
Projected salary increases	Varies by age and service
Payroll growth	3 percent
Withdrawal rate (low, mid or high) for male/female	Mid-High/Mid-High
Inflation rate	3 percent
Cost of living adjustments	1.5 percent

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, 2012, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $128,203,000.

The City's total payroll during fiscal 2012 was $155,192,000. The current year contribution was calculated based on a covered payroll of $89,874,000, resulting in a required and actual employer contribution of $2,433,000 and actual employee contributions of $5,737,000. The employer contribution represents 2.70 percent of the covered payroll. The employee contribution represents approximately 6.40 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2012. 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, 2012, the most recent actuarial valuation date, the plan was 119.0 percent funded. The actuarial accrued liability for benefits was $2,000,068, and the actuarial value of assets was $2,380,534, resulting in an excess funded actuarial accrued liability (EAAL) of $380,466. The covered payroll (annual payroll of active employees covered by the plan) was $2,916,821, and the ratio of the EAAL to the covered payroll was 13.1 percent.

The contribution rate for employees is 3 percent, and the City's actuarially determined matching percent is zero for fiscal year 2012, however a rate of .5 percent was chosen to provide a cushion for future adverse experience (particularly investment experience, which can be volatile). For fiscal year 2013, the contribution rate required is .5 percent. The City's required contribution rate was determined as part of the July 1, 2012, actuarial valuation (the most recent actuarial valuation) using the aggregate cost method, which does not identify or separately amortize unfunded actuarial liabilities. Under this method the City's contribution rate is equal to the level percentage of future pay that is equivalent to the present value of future benefits less the plan assets.

The actuarial assumptions used in the July 1, 2012 actuarial valuation included were (a) 5.50 percent investment return, (b) no inflation rate adjustment, and (c) 3.50 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. Because the assets of the plan exceed the actuarial liability, amortization of the unfunded liability is discontinued and the contribution required for the plan was developed under the aggregate cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities; the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

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

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
9/30/12	$15,000	100.00%	-
9/30/11	$75,000	100.00%	-
9/30/10	$81,000	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.

City contributions for the above plans for the year ended September 30, 2012, are as follows (amounts in thousands):

TMRS	$25,147
THRIFT	2,433
PTDIT	15
	$27,595

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.

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, 2012 (amounts in thousands):

	Net Assets		
	Part-Time Deferred Income Trust	Thrift Savings Plan	Total
ASSETS			
Investments	$ 2,451	$ 128,203	$ 130,654
Total Assets	2,451	128,203	130,654
NET ASSETS, Held in Trust for Pension Benefits	$ 2,451	$ 128,203	$ 130,654

	Changes in Net Assets		
	Part-Time Deferred Income Trust	Thrift Savings Plan	Total
ADDITIONS			
Employer contributions	$ 15	$ 2,433	$ 2,448
Employee contributions	90	5,737	5,827
Net appreciation in fair value of investments	277	20,884	21,161
Total Additions	382	29,054	29,436
DEDUCTIONS			
Benefits	(86)	(9,476)	(9,562)
Plan administration	(36)	(60)	(96)
Total Deductions	(122)	(9,536)	(9,658)
Increase in Net Assets	260	19,518	19,778
NET ASSETS, October 1	2,191	108,685	110,876
NET ASSETS, September 30	$ 2,451	$ 128,203	$ 130,654

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, a fiduciary fund of the City.

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, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits:	17

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. For the year ended September 30, 2012, the City contributed $357,000 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, presents 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, 2012, the most recent actuarial valuation date, the plan was 67.4 percent funded. The actuarial accrued liability for benefits was $1,774,123, and the actuarial value of assets was $1,196,570, resulting in an unfunded actuarial accrued liability (UAAL) of $577,553.

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	7/1/2012
Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization
Remaining amortization period	26 years (closed)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.5 percent
Inflation rate	3.0 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 asset (dollar amounts in thousands):

Annual required contribution	$ 279
Interest on net OPEB asset	(21)
Adjustment to annual required contribution	25
Annual OPEB cost (expense)	283
Contributions made	(357)
Increase in net OPEB asset	(74)
Net OPEB asset - beginning of year	(316)
Net OPEB asset - end of year	$ (390)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2012 and the four preceding years are as follows:

Ending	Cost	Contribution	Asset
9/30/12	$283,000	126.10%	($390,000)
9/30/11	$249,000	149.80%	($316,000)
9/30/10	$305,000	127.21%	($192,000)
9/30/09	$358,000	142.25%	($109,000)
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, 2012 (in thousands):

Net Assets	
Assets	
Investments	$ 1,264
Total assets	1,264
Net assets, held in trust for	
Other postemployment benefits	$ 1,264

Changes in Net Assets	
Additions	
Employer contributions	$ 357
Net appreciation in fair value	
Of investments	176
Total additions	$ 533
Deductions	
Benefits	(217)
Plan Administration	(72)
Total deductions	(289)
Increase in net assets	244
Net assets, October 1, 2010	1,020
Net assets, September 30, 2011	$ 1,264

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, 2012, 656 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	$ 12,445
Interest on net OPEB Obligation	933
Adjustment to annual required contribution	(1,245)
Annual OPEB cost (expense)	12,133
Contributions made	(5,661)
Increase in net OPEB obligation	6,472
Net OPEB obligation – beginning of year	20,731
Net OPEB obligation – end of year	$ 27,203

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the four preceding years are as follows (dollar amounts in thousands):

Ending	Cost	Contribution	Obligation
9/30/12	$ 12,133	46.66%	$ 27,203
9/30/11	$ 8,379	56.14%	$ 20,731
9/30/10	$ 8,398	31.80%	$ 17,056
9/30/09	$ 8,947	26.72%	$ 11,328
9/30/08	$ 8,100	41.09%	$ 4,772

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $147.7 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $147.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $123.3 million, and the ratio of the UAAL to the covered payroll was 119.8 percent.

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.

Valuation date	07/01/2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open
Remaining amortization period	30 years
Healthcare Cost trend rate - medical	8.5% initial (2012)
	4.5% ultimate (2021)
Inflation rate	3.00%

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 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.

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 .14 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, 2012, 2011, and 2010, were $209,933, $201,409, and $257,104, 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 2012 commercial paper of $11,900,000 was paid off from permanent improvement bond refunding. The City also used $1,000,000 of available funds to pay the remaining principle outstanding balance of commercial paper notes.

General short-term debt balances and transactions for the year ended September 30, 2012 are as follows (amounts in thousands):

	Balance October 1, 2011	Additions	Retirements and Other	Balance September 30, 2012
Commercial Paper	$ 12,900	$ -	$ (12,900)	$ -

General Obligation Bonds

On June 1, 2012, the City issued Permanent Improvement Refunding Bonds, Series 2012B of $12,180,000 with an interest rate of 1.0 to 4.0 percent and serial maturities on August 15 from 2015 through 2024. Interest on the bonds is due every February and August 15, beginning August 15, 2012. The bonds were issued to refund certain

debt obligations of the City and to pay costs related to the issuance of the bonds. The refunding resulted in a deferred loss of $1,386,429. Total interest requirements for the Series B bonds at a rate from 1.00 to 4.00 percent is $2,975,842 in the aggregate. The following is a breakdown of the refunded obligations (amounts in thousands):

Bonds	Original Dated Date	Original Maturity Date	Interest Rate	Amount Refunded
Permanent Improvement Bonds, Series 2004	6/1/2001	8/15/2015	4.125	1,210
		8/15/2016	4.25	1,205
		8/15/2017	4.25	1,205
		8/15/2018	4.375	1,205
		8/15/2019	4.50	1,205
		8/15/2020	4.50	1,205
		8/15/2021	4.50	1,205
		8/15/2022	4.625	1,205
		8/15/2023	4.625	1,205
		8/15/2024	4.625	1,205
				12,055
		Total Refunded Obligations		$12,055

In June, 2012, the City issued $31,320,000 in Permanent Improvement and Refunding Bonds, Series A, for the purpose of refunding a portion of the City's outstanding debt, making various capital improvements, paying the cost of issuance of the bonds, and refunding $11,900,000 of commercial paper notes. The Series A bonds mature on August 15 over a period from 2013 to 2032. Interest is payable February 15 and August 15 of each year, commencing August 15, 2012. Total interest requirements for the Series A bonds at a rate from 2.50 to 5.00 percent is $10,430,909 in the aggregate. The refunding was undertaken to achieve a present value savings on debt service payments of $910,131. Following is the schedule of refunded obligations (amounts in thousands):

Bonds	Original Dated Date	Original Maturity Date	Interest Rates	Amount Refunded
Commercial Paper Notes	2/8/2010	7/6/2012	0.24%	$11,900
		Total Refunded Obligations		$11,900

General obligation bonds currently outstanding are as follows (amounts in thousands):

Purpose	Interest Rates	Amount
Governmental activities	2.5-5.500%	$ 75,395
Governmental activities - refunding	1.0-5.375%	184,360
Total Governmental		$ 259,755

Annual debt service requirements to maturity for general obligation bonds are as follows (amounts in thousands):

Year Ending September 30	Governmental Activities, General Obligation	
	Principal	Interest
2013	$ 23,455	$ 10,329
2014	24,280	9,398
2015	24,300	8,423
2016	22,925	7,406
2017	22,265	6,457
2018-2022	77,060	20,999
2023-2027	45,095	9,076
2028-2032	20,375	1,694
	$ 259,755	$ 73,782

General obligation debt authorized and unissued as of September 30, 2012, amounted to $94,690,000.

Certificates of Obligation

Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows (amounts in thousands):

Year Ending September 30	Governmental Activities, Certificates of Obligation	
	Principal	Interest
2013	$ 4,870	$ 2,490
2014	4,810	2,344
2015	4,535	2,198
2016	4,295	2,062
2017	3,065	1,934
2018-2022	12,120	8,027
2023-2027	13,465	5,106
2028-2032	11,430	2,153
2033	2,465	114
	$ 61,055	$ 26,428

Special Obligation Bonds

In 2005, the City issued $297,990,000 Cowboys Complex Special Obligation Sales tax Revenue Bonds to fund the City's share of the project costs for the Complex, including $164,265,000 Cowboys complex Special Obligation Tax-Exempt Special Tax bonds, Series 2005B (the "Multi-Modal Bonds"). In 2008-2009, the City issued $112,185,000, Series 2008, and $62,820,000, Series 2009, in Special Tax Revenue Bonds, refunding a total of $164,265,000 of the 2005B issue principal.

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

Year Ending September 30	Governmental Activities, Special Revenue	
	Principal	Interest
2013	$ 8,000	$ 12,632
2014	7,710	12,266
2015	8,070	11,904
2016	8,530	11,519
2017	8,570	11,093
2018-2022	73,045	46,808
2023-2027	94,955	25,618
2028-2032	39,360	7,010
	$ 248,240	$ 138,850

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 Cowboys Stadium Bonds. Annual principal and interest payments are expected to require 100 percent of these revenues. Series 2005A are subject to mandatory sinking fund redemption to the extent that there are moneys on deposit available for such purpose. In 2012, the City redeemed $6,130,000 of the 2005A Term Bonds maturing August 15, 2033, and $1,570,000 of bonds maturing August 15, 2032. The total principal and interest remaining to be paid on the Cowboys Stadium Bonds is $387,090,000. Principal and interest payments and total pledged revenues for the year ended September 30, 2012 were $21,034,000 and $21,031,000, respectively, exclusive of the redemption.

Revenue Bonds

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

In fiscal year 2012, the City issued $1,305,000 related to the 2008 debt issue held by the Texas Water Development Board (TWDB) as part of the TWDB Drinking Water Programs. The City also drew down $2,207,000 related to previously issued 2010 TWDB Clean Water Debt. Funds from the 2010 debt are held in escrow until the City requests a draw down of funds for a specific purpose. The total outstanding TWDB balance is $39,360,000. These bonds will mature June 2013 to June 2024 at interest rates to 1.7 percent.

In June, 2012, the City issued $16,640,000 in Water and Wastewater System Revenue Bonds, Series 2012. Proceeds from the sale of these bonds will be used to provide funds to improve and extend the System and to pay cost of issuance associated with the Bonds. These bonds mature June 1 over a period from 2013 to 2032. Interest, at a rate of 2.00 to 4.00 percent, is $5,470,679 in the aggregate.

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

	Business Activities					
Year Ending	Water/Wastewater		Water/Wastewater TWDB		Storm Water Utility	
September 30	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 8,085	$ 3,310	$ 2,595	$ 781	$ 1,280	$ 1,002
2014	7,610	3,038	2,595	752	1,280	963
2015	7,555	2,728	2,595	717	1,280	925
2016	7,005	2,441	2,595	680	1,280	874
2017	6,385	2,169	2,595	639	1,280	822
2018-2022	27,500	7,135	12,975	2,471	6,400	3,306
2023-2027	15,170	2,656	11,335	952	6,400	1,910
2028-2032	5,615	548	2,075	69	5,120	560
	$ 84,925	$ 24,025	$ 39,360	$ 7,061	$ 24,320	$ 10,362

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 and wastewater systems. The pledge continues for the life of the bonds. For the year ended September 30, 2012, net pledged revenues for the water enterprise fund were $44,889,000 and debt service on the revenue bonds was $7,491,000. The same pledge for repayment applies to the City's Storm Water Utility revenue of $7,761,000 for the bonds issued in fiscal year 2011.

Sales Tax Liability

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 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. As of September 30, 2012, this liability is reported at $55,704 in the governmental activities. This remaining liability will be completely paid in fiscal year 2013.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2012 (amounts expressed in thousands):

	10/1/2011	Increases	Reductions	9/30/2012	Due Within One Year
Governmental activities:					
General obligation debt	$251,450	$43,500	($35,195)	$259,755	$23,455
Special tax revenue debt	263,635	-	(15,395)	248,240	8,000
Certificates of obligation	65,285	-	(4,230)	61,055	4,870
Premium on general bonds	6,373	1,049	(1,153)	6,269	-
Premium on special bonds	5,012	-	(334)	4,678	-
Deferred loss on refunding	(3,483)	(1,386)	382	(4,487)	-
Deferred loss on special bond refund	(3,023)	-	137	(2,886)	-
Discount on special bonds	(3,412)	-	287	(3,125)	-
Net governmental bonds payable	581,837	43,163	(55,501)	569,499	36,325
Compensated absences	25,645	1,044	(1,254)	25,435	1,355
Capital leases	84	-	(67)	17	17
Claims	11,493	2,419	(6,269)	7,643	3,448
Landfill closure	7,276	381	-	7,657	-
Sales tax	278	-	(223)	55	55
Net other post-employ benefit oblg.	20,731	6,472	-	27,203	-
Net pension oblg.	17,717	-	(36)	17,681	-
Total governmental long-term liabilities	$665,061	$53,479	($63,350)	$665,190	$41,200
Business-type activities:					
Water and sewer bonds	$116,675	$17,945	($10,335)	$124,285	$10,680
Premium on water and sewer bonds	1,335	-	(222)	1,113	-
Deferred loss on refunding	(1,509)	-	164	(1,345)	-
Storm water utility bonds	25,600	-	(1,280)	24,320	1,280
Premium on storm water utility bonds	1,155	-	(110)	1,045	-
Net water and sewer bonds payable	143,256	17,945	(11,783)	149,418	11,960
Compensated Absences	1,592	408	(154)	1,846	140
Total business-type long term liabilities	$144,848	$18,353	($11,937)	$151,264	$12,100

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, 2012, previously defeased debt still outstanding amounted to $20,760,000.

10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2012, is as follows (amounts in thousands):

Fund	Interfund Receivables	Interfund Payables
General Fund	$3,351	$ -
Nonmajor Funds	-	3,351
	$3,351	$3,351

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2013.

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

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	$ 15,297	$ 20,142
Debt Service Fund	651	3,615
Street Capital Projects Fund	-	651
Total Major Governmental Funds	15,948	24,408
Major Enterprise Fund-Water and Sewer	14,262	-
Major Enterprise Fund-Storm Water Utility	508	-
Other Funds:		
Nonmajor Governmental Funds	12,847	20,097
Internal Service Funds	3,488	2,548
Total All Funds	$47,053	$47,053

The combined Water and Sewer, Storm Water Utility, and Convention and Event Services transferred $4,146,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred $10,951,000 to Street Maintenance Fund, Special Transportation (Handitran), Parks Performance Fund 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 $1,339,000 from the Convention and Event Services and Water and Sewer 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 $7,657,000 reported as a landfill closure and post-closure accrued liability at September 30, 2012, represents the cumulative amount reported to date based on the use of approximately 67 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of $1,384,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2012. 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; the remaining balance of deferred revenue of $5,716,000 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, 2012, 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, 2012. 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):

Project	Spent-to-Date	Remaining Commitment
Street Construction	$ 36,560	$ 6,334
Park Construction	18,125	1,758
Police Construction	-	3
Traffic Construction	9,659	541
Storm Water Utility Construction	6,949	2,447
Water and Sewer Construction	90,582	23,715
	$ 161,875	$ 34,798

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 and storm water utility construction projects are funded by revenue bond proceeds and cash from operating revenues of the water and sewer and storm water systems.

Litigation

The City is currently involved in several lawsuits that are in appeals, with potential liability for the City; however, the City does not consider these lawsuits to contain a probable likelihood of unfavorable outcomes.

Some liability is probable in two lawsuits in which the City is involved. Probable liability as of September 30, 2012 is approximately $162,000 and between $58,000 and $250,000. Pursuant to the Texas Tort Claims Act, damages would be capped at $250,000.

Various other 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.

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 1.0 percent.

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 $500,000 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 1.0 percent.

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. Changes in the balances of claims liabilities during fiscal 2012 and 2011 were as follows (amounts in thousands):

	Workers Compensation		Health		APFA	
	2012	2011	2012	2011	2012	2011
Unpaid claims, Oct 1	$ 6,296	$ 5,243	$ 1,790	$ 1,814	$ 3,407	$ 2,428
Incurred Claims (including IBNRs and changes in estimates)	(1,989)	3,955	18,761	15,652	(1,402)	2,963
Claim payments	-	(2,902)	(19,011)	(15,676)	(209)	(1,984)
Unpaid claims, Sept 30	$ 4,307	$ 6,296	$ 1,540	$ 1,790	$ 1,796	$ 3,407

14. LEASES

A. As Lessee

As lessee, the City is committed under a lease for a building. This lease is considered for accounting purposes to be a capital lease. The liability for future capital lease payments totals approximately $17,000 and is reported as capital lease obligations current liabilities (approximately $17,000) in the General Fund.

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

Year ending September 30, 2012	Rental Payments
2013	17
Total minimum future lease payments	17
Less: Amount representing interest	-
Present value of net minimum lease payments	$17

The City's investment in equipment under capital lease arrangements as of September 30, 2012 is $322,000.

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 2012 were approximately $271,432.

15. SETTLEMENT AGREEMENT

On April 27, 1999, 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 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 City on or before December 31 of each year as follows:

Year	Amount
2012	$ 1,000,000
2013	1,000,000
2014	1,000,000
2015	1,000,000
2016	1,000,000
2017 to 2021	5,000,000
2022 to 2024	3,000,000
	13,000,000
Less Discount	3,635,000
	$9,365,000

The total is reported as a settlement agreement receivable by the City. The payment in 2024 is due on or before March 1. By entering into this agreement, 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 City 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. At the end of the lease, 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.

Minimum future rentals are as follows:

September 30	
2013	$ 2,000,000
2014	2,000,000
2015	2,000,000
2016	2,000,000
2017	2,000,000
2018-2022	10,000,000
2023-2024	3,055,556
	23,055,556
Less Discount	7,975,236
Minimum future lease rentals	$15,080,320

17. CONDENSED COMPONENT UNIT INFORMATION

The City includes five discretely presented component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2012, for all discretely presented component units is as follows (amounts in thousands):

Condensed Schedule of Net Assets

	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Current and other assets	$94,058	$5,714	$1,001	$ 100,773
Capital assets	-	418	270	688
Total assets	94,058	6,132	1,271	101,461
Other liabilities	968	660	257	1,885
Total liabilities	968	660	257	1,885
Net assets:				
Invested in capital assets, net of related debt	-	418	270	688
Restricted	87,815	1,254	-	89,069
Designated	5,275	-	-	5,275
Unrestricted	-	3,800	744	4,544
Total net assets	$93,090	$5,472	$1,014	$99,576

Condensed Schedule of Activities

	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	$1,370	$29,389	$16,153	$46,912
Program Revenues:				
Charges for services	-	-	4,180	4,180
Operating grants and contributions		25,998	230	26,228
Capital grants and Contributions	-	-	12,000	12,000
Net Program (Expense) Revenue	(1,370)	(3,391)	257	(4,504)
Interest Revenues	2,271	20	4	2,295
Other NonTax General Revenues	16,956	1,596	(3,573)	14,979
Change in Net Assets	14,284	(1,775)	261	12,770
Net Assets, October 1,	78,806	7,247	753	86,806
Net Assets, September 30	$93,090	$ 5,472	$ 1,014	$99,576

18. SUBSEQUENT EVENTS

Subsequent to fiscal year end, the City settled an Americans with Disabilities Act (ADA) lawsuit for approximately $310,000, paid from the APFA fund.

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)
REVENUES						
Taxes	$ 123,256	$ 123,256	$ 126,158	$ 3,585	$ 129,743	$ 6,487
Licenses and permits	4,732	4,732	6,673	-	6,673	1,941
Utility franchise fees	35,327	35,327	25,600	6,696	32,296	(3,031)
Fines and forfeitures	16,218	16,218	15,425	-	15,425	(793)
Leases, rents and concessions	5,827	5,827	6,968	-	6,968	1,141
Service charges	19,568	19,568	5,355	10,040	15,395	(4,173)
Interest revenue	644	644	2,168	-	2,168	1,524
Other revenue	1,498	1,498	1,853	-	1,853	355
Net increase (decrease) in the fair value of investments	-	-	(44)	200	156	156
Total Revenues	207,070	207,070	190,156	20,521	210,677	3,607
EXPENDITURES						
Current-						
General government	39,265	42,067	38,075	1,934	40,009	2,058
Public safety	131,559	131,881	125,571	9,218	134,789	(2,908)
Public works	21,678	21,634	18,940	(12)	18,928	2,706
Public health	1,806	1,801	1,859	1,545	3,404	(1,603)
Parks and recreation	14,032	14,325	13,834	507	14,341	(16)
Total Expenditures	208,340	211,708	198,279	13,192	211,471	237
Excess Of Revenues Over Expenditures	(1,270)	(4,638)	(8,123)	7,329	(794)	3,844
OTHER FINANCING SOURCES (USES)						
Transfers in	4,146	4,146	20,142	(13,796)	6,346	2,200
Transfers out	(10,860)	(10,860)	(15,297)	4,345	(10,952)	(92)
Total Other Financing Sources (Uses)	(6,714)	(6,714)	4,845	(9,451)	(4,606)	2,108
Net Change In Fund Balances	(7,984)	(11,352)	(3,278)	(2,122)	(5,400)	5,952
Fund Balances, October 1	66,775	66,775	66,775	-	66,775	-
Fund Balances, September 30	$ 58,791	$ 55,423	$ 63,497	$ (2,122)	$ 61,375	$ 5,952

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF FUNDING PROGRESS - TMRS
LAST TEN FISCAL YEARS

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL	Funded Percent	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/11	$736,849	$868,505	$131,656	84.8%	$149,940	87.8%
12/31/10	688,015	832,168	144,154	82.7%	142,875	100.9%
12/31/09	373,896	621,177	247,280	60.2%	147,276	167.9%
12/31/08	360,029	594,442	234,413	60.6%	143,791	163.0%
12/31/07	348,785	569,404	220,619	61.3%	130,958	168.5%
12/31/06	342,766	466,521	123,755	73.5%	128,574	96.3%
12/31/05	334,823	447,440	112,617	74.8%	113,823	98.9%
12/31/04	342,453	444,422	101,969	77.1%	115,074	88.6%
12/31/03	336,817	433,336	96,519	77.7%	109,451	88.2%
12/31/02	316,095	397,483	81,388	79.5%	110,722	73.5%

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

The following table discloses certain ten-year historical trend information (amounts expressed in thousands, except for percentages):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess Funded AAL	Funded Percent	Annual Covered Payroll	EAAL as a Percentage of Covered Payroll
7/1/12	$2,381	$2,000	$381	119.0%	$2,917	13.1%
7/1/11	2,230	1,628	602	136.9%	2,693	22.4%
7/1/10	1,983	1,525	458	130.0%	2,510	18.2%
7/1/09	1,680	1,387	293	121.1%	2,669	10.9%
7/1/08	1,616	1,255	361	128.8%	4,097	8.8%
7/1/07	1,485	1,156	329	128.5%	3,328	9.9%
7/1/06	1,270	1,056	214	120.3%	2,558	8.4%
7/1/04	1,039	914	125	113.7%	2,415	5.2%
7/1/03	929	874	55	106.3%	2415	2.3%
7/1/02	891	834	57	106.9%	2,415	2.4%

An actuarial valuation was not performed as of 7/1/2005. Valuation results for 7/1/2003 were estimated based on 7/1/02 and 7/1/04 valuations.

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

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
9/30/12	$ 15,000	100.00%	-
9/30/11	75,000	100.00%	-
9/30/10	81,000	100.00%	-
9/30/09	102,000	100.00%	-
9/30/08	112,000	100.00%	-
9/30/07	114,000	100.00%	-
9/30/06	67,000	100.00%	-

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

The following table discloses certain ten-year historical trend information (amounts expressed in thousands, except for percentages):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/12	$1,197	$1,774	67.4%	$ 577	Not available	Not available
7/1/11	1,008	2,663	37.9%	1,654	125,371	1.3%
7/1/10	798	2,532	31.5%	1,734	119,943	1.4%
7/1/09	581	2,770	21.0%	2,189	122,952	1.8%
7/1/08	482	2,734	17.6%	2,252	117,128	1.9%
7/1/07	349	2,633	13.3%	2,284	105,480	2.2%
7/1/04	286	2,960	9.7%	2,674	102,013	2.6%
7/1/02	288	3,104	9.3%	2,816	104,055	2.7%

An actuarial valuation was not performed as of 7/1/2003, 7/1/2005 or 7/1/2006.

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

The following table discloses certain historical trend information (amounts expressed in millions, except for percentages):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/12	-	147.7	-	147.7	123.3	119.8%
1/1/11	-	109.0	-	109.0	95.6	87.6%
1/1/10	-	100.9	-	100.9	99.5	101.4%
1/1/09	-	104.5	-	104.5	106.0	98.6%
1/1/07	-	101.8	-	101.8	138.8	73.8%

An actuarial valuation was not performed as of 1/1/2008.

ARLINGTON

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

TEXAS DEPARTMENT OF TRANSPORATION 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.

US DEPARTMENT OF JUSTICE FUND - This fund accounts for money received from the US Department of Justice 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, Texas Criminal Justice Division, Local Law Enforcement Block Grant, Court Technology Fund, Texas State Library, Gifts and Donations, Auto Theft Prevention, Historic Preservation, Disaster Assistance Fund, Tax Increment Reinvestment Zone #5, Highlands TIF, Juvenile Case Manager, HUD Special Projects, Environmental Protection Agency, Texas Parks and Wildlife, Department of Energy, Public Improvement District #1, Viridian TIRZ #6, Downtown BID, 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.

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

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.

OTHER CAPITAL PROJECTS FUNDS – Other Capital Projects Funds consist of capital project funds which are individually insignificant to the Capital Projects Fund's assets, liabilities, revenues, expenditures, and fund balance as a whole. These funds are Police Capital Projects, Fire Capital Projects, Library Capital Projects, Technical Capital Projects, and Infrastructure Maintenance Reserve.

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CITY OF ARLINGTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Special Revenue				
	Federal Transit Administration	**Street Maintenance**	**Downtown TIF**	**Texas Department of Transportation**	**Community Development Block Grant**
ASSETS					
Cash and cash equivalents	$ 83	$ 16,417	$ 6,484	$ 33	$ -
Receivables (net of allowances for uncollectibles)					
Taxes	-	-	-	-	-
Sales taxes	-	2,265	-	-	-
Other	-	1	-	-	269
Inventory, at cost	-	-	-	-	-
Due from other governments	55	-	-	138	792
Prepaid expenditures	-	5	-	-	-
Total Assets	$ 138	$ 18,688	$ 6,484	$ 171	$ 1,061
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 138	$ 1,068	$ -	$ 10	$ 280
Retainage payable	-	104	-	-	39
Due to other funds	-	-	-	-	424
Deferred revenue					
Gas lease	-	-	-	-	-
Other	-	-	-	-	318
Commercial paper	-	-	-	-	-
Total Liabilities	138	1,172	-	10	1,061
FUND BALANCES					
Nonspendable:					
Inventory	-	-	-	-	-
Prepaids	-	5	-	-	-
Restricted for:					
Capital projects	-	-	-	-	-
Other purposes	-	17,511	6,484	161	-
Committed to:					
Capital projects	-	-	-	-	-
Other purposes	-	-	-	-	-
Assigned to:					
Capital projects	-	-	-	-	-
Other purposes	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balance	-	17,516	6,484	161	-
Total Liabilities and Fund Balance	$ 138	$ 18,688	$ 6,484	$ 171	$ 1,061

Special Revenue							Capital Projects	
Home Investment Partnership	FEMA	Gas Lease	US Dept of Justice	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Airport
$ -	$ -	$ 17,325	$ -	$ 1,853	$ 1,939	$ 7,401	$ 650	$ 1,687
-	-	-	-	-	1,702	-	-	-
-	-	-	-	-	-	-	-	-
-	-	171	-	85	44	192	-	-
-	-	-	-	245	-	-	-	-
218	2,054	-	761	-	-	331	-	-
-	-	-	-	-	-	-	-	-
$ 218	$ 2,054	$ 17,496	$ 761	$ 2,183	$ 3,685	$ 7,924	$ 650	$ 1,687
$ 48	$ 108	$ 13	$ 128	$ 487	$ 173	$ 419	$ 35	$ -
-	6	-	-	-	-	25	-	25
151	1,884	-	633	-	-	156	-	-
-	-	117	-	-	-	-	-	-
19	-	-	-	198	300	104	-	-
-	-	-	-	-	-	-	-	-
218	1,998	130	761	685	473	704	35	25
-	-	-	-	245	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	56	-	-	-	-	6,204	-	-
-	-	-	-	-	-	-	615	1,662
-	-	17,366	-	-	3,212	1,016	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	1,253	-	-	-	-
-	-	-	-	-	-	-	-	-
-	56	17,366	-	1,498	3,212	7,220	615	1,662
$ 218	$ 2,054	$ 17,496	$ 761	$ 2,183	$ 3,685	$ 7,924	$ 650	$ 1,687

CITY OF ARLINGTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Park	TIRZ #5	Traffic	Other Capital Projects	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 18,846	$ 3,635	$ 3,585	$ 14,099	$ 94,037
Receivables (net of allowances for uncollectibles)					
Taxes	-	-	-	-	1,702
Sales tax	-	-	-	-	2,265
Other	-	-	-	-	762
Inventory, at cost	-	-	-	-	245
Due from other governments	-	-	-	-	4,349
Prepaid expenditures	-	-	-	-	5
Total Assets	$ 18,846	$ 3,635	$ 3,585	$ 14,099	$ 103,365
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 333	$ -	$ 170	$ 3	$ 3,413
Retainage payable	111	235	104	13	662
Due to other funds	-	-	-	103	3,351
Deferred revenue					
Gas lease	-	-	-	-	117
Other	-	-	-	-	939
Commercial paper	-	-	-	-	-
Total Liabilities	444	235	274	119	8,482
FUND BALANCES					
Nonspendable:					
Inventory	-	-	-	-	245
Prepaids	-	-	-	-	5
Restricted for:					
Capital projects	-	3,400	-	13,980	17,380
Other purposes	-	-	3,311	-	33,727
Committed:					
Capital projects	18,402	-	-	-	20,679
Other purposes	-	-	-	-	21,594
Assigned:					
Capital projects	-	-	-	-	-
Other purposes	-	-	-	-	1,253
Unassigned	-	-	-	-	-
Total Fund Balance	18,402	3,400	3,311	13,980	94,883
Total Liabilities and Fund Balance	$ 18,846	$ 3,635	$ 3,585	$ 14,099	$ 103,365

ARLINGTON

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

			Special Revenue		
	Federal Transit Administration	**Street Maintenance**	**Downtown TIF**	**Texas Department of Transportation**	**Community Development Block Grant**
REVENUES					
Taxes	$ -	$ 12,788	$ 1,168	$ -	$ -
Service charges	222	-	-	-	-
Intergovernmental	1,402	-	-	231	3,314
Interest revenue	-	89	31	-	-
Net increase (decrease) in the fair value of investments	-	(10)	(3)	-	-
Contributions	-	-	-	-	-
Gas lease royalty	-	-	-	-	-
Gas lease other	-	-	-	-	-
Other	1	14	-	-	22
Total Revenues	1,625	12,881	1,196	231	3,336
EXPENDITURES					
Current:					
General government	-	-	658	-	-
Public safety	-	-	-	-	-
Public works	-	20,020	-	411	-
Public health	-	-	-	-	-
Public welfare	3,085	-	-	-	2,313
Parks and recreation	-	-	-	-	-
Convention and event services	-	-	-	-	-
Capital outlay	-	-	-	-	1,023
Total Expenditures	3,085	20,020	658	411	3,336
Net change in fund balances	(1,460)	(7,139)	538	(180)	-
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	-	-
Proceeds from refunding bond issue	-	-	-	-	-
Issuance of Certificates of Obligation	-	-	-	-	-
Bond Premium	-	-	-	-	-
Transfers in	1,460	7,262	-	188	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	1,460	7,262	-	188	-
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	-	123	538	8	-
Fund Balance, October 1	-	17,393	5,946	153	-
Fund Balance, September 30	$ -	$ 17,516	$ 6,484	$ 161	$ -

Special Revenue							Capital Projects	
Home Investment Partnership	FEMA	Gas Lease	US Dept of Justice	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Airport
$ -	$ -	$ 36	$ -	$ -	$ 6,102	$ 2,775	$ -	$ -
-	-	-	-	9,721	2,799	1,066	-	-
1,360	3,347	-	3,417	-	-	12,509	-	-
-	-	73	-	19	12	23	4	10
-	-	(1)	-	-	(3)	(2)	(1)	(4)
-	-	-	-	-	-	-	-	-
-	-	8,978	-	-	-	-	-	-
-	-	336	-	-	-	-	-	-
1	-	-	-	-	8	2,239	51	-
1,361	3,347	9,422	3,417	9,740	8,918	18,610	54	6
-	-	-	-	-	-	1,890	476	-
-	3,666	-	3,417	-	-	1,512	-	-
-	-	-	-	-	-	583	-	-
-	-	-	-	-	-	2,304	-	-
1,361	-	237	-	-	-	1,376	-	-
-	-	-	-	10,360	-	128	-	-
-	-	-	-	-	6,821	-	-	-
-	-	7	-	-	-	6,319	-	1,355
1,361	3,666	244	3,417	10,360	6,821	14,112	476	1,355
-	(319)	9,178	-	(620)	2,097	4,498	(422)	(1,349)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	319	-	-	2,262	-	314	33	104
-	-	(5,116)	-	(1,956)	(1,762)	(1,883)	-	(101)
-	319	(5,116)	-	306	(1,762)	(1,569)	33	3
-	-	4,062	-	(314)	335	2,929	(389)	(1,346)
-	56	13,304	-	1,812	2,877	4,291	1,004	3,008
$ -	$ 56	$ 17,366	$ -	$ 1,498	$ 3,212	$ 7,220	$ 615	$ 1,662

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Park	TIRZ #5	Traffic	Other Capital Projects	Total Nonmajor Governmental Funds
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ 22,869
Service charges	918	-	-	-	14,726
Intergovernmental	-	-	-	-	25,580
Interest revenue	94	20	24	52	451
Net increase (decrease) in the fair value of investments	(10)	(4)	(6)	3	(41)
Contributions	260	-	346	-	606
Gas lease royalty	-	-	-	-	8,978
Gas lease other	-	-	-	-	336
Other	712	-	-	1,072	4,120
Total Revenues	1,974	16	364	1,127	77,625
EXPENDITURES					
Current:					
General government	-	-	-	681	3,705
Public safety	-	-	-	-	8,595
Public works	-	-	-	-	21,014
Public health	-	-	-	-	2,304
Public welfare	-	-	-	-	8,372
Parks and recreation	-	-	-	-	10,488
Convention and event services	-	-	-	-	6,821
Capital outlay	4,518	666	3,526	630	18,044
Total Expenditures	4,518	666	3,526	1,311	79,343
Net change in fund balances	(2,544)	(650)	(3,162)	(184)	(1,718)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	3,740	-	1,110	-	4,850
Proceeds from refunding bond issue	4,078	-	-	-	4,078
Issuance of Certificates of Obligation	-	-	-	-	-
Bond Premium	198	-	10	-	208
Transfers in	384	-	6	7,765	20,097
Transfers out	-	-	(29)	(2,000)	(12,847)
Total Other Financing Sources (Uses)	8,400	-	1,097	5,765	16,386
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	5,856	(650)	(2,065)	5,581	14,668
Fund Balance, October 1	12,546	4,050	5,376	8,399	80,215
Fund Balance, September 30	$ 18,402	$ 3,400	$ 3,311	$ 13,980	$ 94,883

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
REVENUES						
Taxes	$ 35,904	$ 35,904	$ 63,964	$ (27,992)	$ 35,972	$ 68
Interest revenue	176	176	867	(757)	110	(66)
Net increase (decrease) in fair value of investments	-	-	(22)	24	2	2
Leases, rents and concessions	-	-	2,000	(2,000)	-	-
Other revenue	-	-	92	(92)	-	-
Total Revenues	36,080	36,080	66,901	(30,817)	36,084	4
EXPENDITURES						
Debt Service-						
Principal retirement	27,370	27,370	42,765	(15,395)	27,370	-
Redemption premium	-	-	249	(249)	-	-
Interest and fiscal charges	14,195	14,195	25,976	(13,274)	12,702	1,493
Total Expenditures	41,565	41,565	68,990	(28,918)	40,072	1,493
Deficiency of Revenues Under Expenditures	(5,485)	(5,485)	(2,089)	(1,899)	(3,988)	1,497
OTHER FINANCING SOURCES						
Proceeds from refunding bond issue	-	-	12,180	(12,180)	-	-
Proceeds from bond sale	-	-	-	-	-	-
Amount used to fund escrow account	-	-	(13,328)	13,328	-	-
Bond premium	-	-	1,305	(1,305)	-	-
Transfers in	4,059	4,059	3,615	92	3,707	(352)
Transfers out	-	-	(651)	-	(651)	(651)
Total Other Financing Sources	4,059	4,059	3,121	(65)	3,056	(1,003)
Net Change In Fund Balances	(1,426)	(1,426)	1,032	(1,964)	(932)	494
Fund Balances - Beginning	38,130	38,130	38,130	-	38,130	-
Fund Balances - Ending	$ 36,704	$ 36,704	$ 39,162	$ (1,964)	$ 37,198	$ 494

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
STREET MAINTENANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)
REVENUES						
Taxes	$ 11,867	$ 11,867	$ 12,788	$ -	$ 12,788	$ 921
Interest revenue	133	133	89	-	89	(44)
Net decrease in the fair value of investments	-	-	(10)	10	-	-
Other revenue	18	18	14	-	14	(4)
Total Revenues	12,018	12,018	12,881	10	12,891	873
EXPENDITURES						
Current-						
Public works	19,066	19,066	20,020	(2,281)	17,739	1,327
Total Expenditures	19,066	19,066	20,020	(2,281)	17,739	1,327
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(7,048)	(7,048)	(7,139)	2,291	(4,848)	2,200
OTHER FINANCING SOURCES						
Transfers in	7,087	7,087	7,262	-	7,262	175
Transfers out	-	-	-	-	-	-
Total Other Financing Sources	7,087	7,087	7,262	-	7,262	175
Net Change In Fund Balances	39	39	123	2,291	2,414	2,375
Fund Balances - Beginning	17,393	17,393	17,393	-	17,393	-
Fund Balances - Ending	$ 17,432	$ 17,432	$ 17,516	$ 2,291	$ 19,807	$ 2,375

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
PARK PERFORMANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
REVENUES						
Service charges	$ 9,052	$ 9,052	$ 9,721	$ -	$ 9,721	$ 669
Other	-	-	-	-	-	-
Interest revenue	-	-	19	-	19	19
Total Revenues	9,052	9,052	9,740	-	9,740	688
EXPENDITURES						
Current-						
Parks and recreation	11,235	11,235	10,360	388	10,748	487
Total Expenditures	11,235	11,235	10,360	388	10,748	487
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(2,183)	(2,183)	(620)	(388)	(1,008)	1,175
OTHER FINANCING USES						
Transfers in	2,751	2,751	2,262	-	2,262	(489)
Transfers out	(778)	(778)	(1,956)	-	(1,956)	(1,178)
Total Other Financing Uses	1,973	1,973	306	-	306	(1,667)
Net Change In Fund Balances	(210)	(210)	(314)	(388)	(702)	(492)
Fund Balances - Beginning	1,812	1,812	1,812	-	1,812	-
Fund Balances - Ending	$ 1,602	$ 1,602	$ 1,498	$ (388)	$ 1,110	$ (492)

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
CONVENTION AND EVENT SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)
REVENUES						
Taxes	$ 5,600	$ 5,600	$ 6,102	$ -	$ 6,102	$ 502
Service charges	2,412	2,412	2,799	-	2,799	387
Interest revenue	12	12	12	-	12	-
Net increase in the fair value of investments	-	-	(3)	3	-	-
Other	1	1	8	-	8	7
Total Revenues	8,025	8,025	8,918	3	8,921	896
EXPENDITURES						
Current-						
Convention & event services	6,923	6,923	6,821	(217)	6,604	319
Total Expenditures	6,923	6,923	6,821	(217)	6,604	319
Excess (Deficiency) Of Revenues Over (Under) Expenditures	1,102	1,102	2,097	220	2,317	1,215
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,854)	(1,854)	(1,762)	(92)	(1,854)	-
Total Other Financing Sources (Uses)	(1,854)	(1,854)	(1,762)	(92)	(1,854)	-
Net Change In Fund Balances	(752)	(752)	335	128	463	1,215
Fund Balances - Beginning	2,877	2,877	2,877	-	2,877	-
Fund Balances - Ending	$ 2,125	$ 2,125	$ 3,212	$ 128	$ 3,340	$ 1,215

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON STATEMENT
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)
REVENUES						
Water sales	$ 61,986	$ 61,986	$ 61,937	$ 1,451	$ 63,388	$ 1,402
Sewer service	49,945	49,945	47,999	470	48,469	(1,476)
Sundry	3,943	3,943	4,783	3	4,786	843
Total Operating Revenues	115,874	115,874	114,719	1,924	116,643	769
EXPENDITURES						
Purchases of water	$ 18,658	$ 18,658	$ 17,931	$ -	$ 17,931	$ 727
Purchase of sewage treatment	24,479	24,479	23,979	-	23,979	500
Salaries and wages	12,216	12,216	12,090	(209)	11,881	335
Employees' retirement	1,778	1,778	1,865	-	1,865	(87)
Supplies	3,683	3,683	3,448	(7)	3,441	242
Maintenance and repairs	3,159	3,159	3,508	(3)	3,505	(346)
Utilities	3,856	3,856	3,183	-	3,183	673
Franchise fees	6,909	6,909	-	6,696	6,696	213
Payment in lieu of taxes	3,586	3,586	-	3,586	3,586	-
Depreciation	-	-	14,209	(14,209)	-	-
Miscellaneous services	5,855	5,855	4,296	907	5,203	652
Total Operating Expenses	84,179	84,179	84,509	(3,239)	81,270	2,909
Operating Income	31,695	31,695	30,210	5,163	35,373	3,678
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	438	438	470	71	541	103
Net increase (decrease) in the fair value of investments	-	-	(95)	95	-	-
Interest expense and fiscal charges	(16,495)	(16,495)	(1,206)	(13,171)	(14,377)	2,118
Total Nonoperating Revenues (Expenses)	(16,057)	(16,057)	(831)	(13,005)	(13,836)	2,221
Income before operating transfers and contributions	15,638	15,638	29,379	(7,842)	21,537	5,899
Contributions in aid of construction	-	-	1,253	(1,253)	-	-
Transfers out	(17,961)	(17,961)	(14,262)	(9,071)	(23,333)	(5,372)
Change in net assets	(2,323)	(2,323)	16,370	(18,166)	(1,796)	527
Total net assets-beginning	546,392	546,392	546,392	-	546,392	-
Total net assets-ending	$ 544,069	$ 544,069	$ 562,762	$ (18,166)	$ 544,596	$ 527

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON STATEMENT
STORM WATER UTILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
REVENUES						
Storm water fee- commercial	$ 4,618	$ 4,618	$ 4,780	$ 31	$ 4,811	$ 193
Storm water fee- residential	5,661	5,661	5,756	36	5,792	131
Total Operating Revenues	10,279	10,279	10,536	67	10,603	324
EXPENDITURES						
Salaries and wages	$ 1,657	$ 1,657	$ 1,576	$ (44)	$ 1,532	$ 125
Employees' retirement	254	254	253	-	253	1
Supplies	70	70	55	(1)	54	16
Maintenance and repairs	370	370	345	91	436	(66)
Utilities	8	8	8	-	8	-
Depreciation	-	-	1,903	(1,903)	-	-
Miscellaneous services	842	842	637	27	664	178
Total Operating Expenses	3,201	3,201	4,777	(1,830)	2,947	254
Operating Income	7,078	7,078	5,759	1,897	7,656	578
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	81	81	99	48	147	66
Net increase (decrease) in the fair value of investments	-	-	(6)	6	-	-
Interest expense and fiscal charges	-	-	-	(962)	(962)	962
Total Nonoperating Revenues (Expenses)	81	81	93	(908)	(815)	1,028
Income before operating transfers and contributions	7,159	7,159	5,852	989	6,841	(318)
Transfers out	(7,160)	(7,160)	(508)	(7,210)	(7,718)	(558)
Change in net assets	(1)	(1)	5,344	(6,221)	(877)	(876)
Total net assets-beginning	70,919	70,919	70,919	-	70,919	-
Total net assets-ending	$ 70,918	$ 70,918	$ 76,263	$ (6,221)	$ 70,042	$ (876)

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.

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, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 764	$ 2,039	$ 1,670
Investments	-	-	2,010
Receivables (net of allowances for uncollectibles)			
Trade accounts	-	5	-
Accrued interest	-	-	8
Prepaid expenses	-	-	-
Inventory of supplies, at cost	43	1	-
Total Current Assets	807	2,045	3,688
Noncurrent Assets:			
Capital Assets:			
Buildings and improvements	-	467	-
Machinery and equipment	-	39,424	-
Less accumulated depreciation	-	(27,547)	-
Total Capital Assets (Net of Accumulated Depreciation)	-	12,344	-
Total Assets	807	14,389	3,688
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	457	448	13
Estimated claims payable	-	-	660
Total Current Liabilities	457	448	673
Noncurrent Liabilities:			
Estimated claims payable	-	-	1,136
Accrued compensated absences	71	12	-
Total Noncurrent Liabilities	71	12	1,136
Total Liabilities	528	460	1,809
NET ASSETS			
Invested in capital assets, net of related debt	-	12,344	-
Unrestricted	279	1,585	1,879
Total Net Assets	$ 279	$ 13,929	$ 1,879

Workers' Compensation	Group Health	Total
$ 7,495	$ 5,167	$ 17,135
-	-	2,010
-	-	5
-	-	8
-	-	-
-	-	44
7,495	5,167	19,202
-	-	467
-	-	39,424
-	-	(27,547)
-	-	12,344
7,495	5,167	31,546
-	3	921
1,248	1,540	3,448
1,248	1,543	4,369
3,059	-	4,195
-	-	83
3,059	-	4,278
4,307	1,543	8,647
-	-	12,344
3,188	3,624	10,555
$ 3,188	$ 3,624	$ 22,899

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
OPERATING REVENUES:			
Service charges	$ 2,466	$ 6,349	$ 53
Rental Revenue	57	-	-
Sundry	-	-	-
Actuarial Ajustment	-	-	-
Total Operating Revenues	2,523	6,349	53
OPERATING EXPENSES:			
Salaries and wages	284	109	-
Employees' retirement	42	15	-
Supplies	1,166	3,165	-
Maintenance and repairs	109	178	-
Utilities	15	45	-
Claims (net of adjustments)	-	-	209
Legal and professional	-	-	264
Depreciation	25	3,443	-
Miscellaneous services	1,507	2,430	41
Total Operating Expenses	3,148	9,385	514
OPERATING INCOME (LOSS)	(625)	(3,036)	(461)
NON-OPERATING REVENUES (EXPENSES):			
Interest revenue	-	-	40
Net increase (decrease) in the fair value of investments	-	-	(31)
Gain (Loss) on sale of assets	33	275	-
Interest expense and fiscal charges	-	-	-
Total Non-operating Revenues (Expenses)	33	275	9
Income (Loss) Before Transfers	(592)	(2,761)	(452)
Transfers In	485	1,999	64
Transfers Out	-	-	(1,988)
Change In Net Assets	(107)	(762)	(2,376)
Total Net Assets, October 1	386	14,691	4,255
Total Net Assets, September 30	$ 279	$ 13,929	$ 1,879

Workers' Compensation	Group Health	Total
$ 2,814	$ 17,989	$ 29,671
-	-	57
-	-	-
70	-	70
2,884	17,989	29,798
-	-	393
-	-	57
-	-	4,331
-	-	287
-	-	60
-	19,011	19,220
368	315	947
-	-	3,468
-	-	3,978
368	19,326	32,741
2,516	(1,337)	(2,943)
38	33	111
(6)	(3)	(40)
-	-	308
-	-	-
32	30	379
2,548	(1,307)	(2,564)
-	-	2,548
(1,500)	-	(3,488)
1,048	(1,307)	(3,504)
2,140	4,931	26,403
$ 3,188	$ 3,624	$ 22,899

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 2,523	$ 6,468
Cash payments to suppliers	(2,427)	(5,780)
Cash payments to employees	(260)	(113)
Net Cash Provided By (Used For) Operating Activities	(164)	575
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	485	1,999
Transfers out	-	-
Net Cash Provided By (Used For) Noncapital Financing Activities	485	1,999
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	(3,419)
Principal payments on capital lease	-	-
Interest payments on capital lease	-	-
Proceeds from sales of capital assets	72	352
Net Cash Provided By (Used For) Capital and Related Financing Activities	72	(3,067)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from interest earnings	-	-
Net increase (decrease) in the fair value of investments	-	-
Maturities/sales of investments	-	-
Net Cash Provided By (Used For) Investing Activities	-	-
Net increase (decrease) in cash and cash equivalents	393	(493)
Cash and cash equivalents at October 1	371	2,532
Cash and cash equivalents at September 30	$ 764	$ 2,039
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating Income (Loss)	$ (625)	$ (3,036)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	25	3,443
(Increase) decrease in-		
Receivables	-	119
Inventory of supplies	3	-
Prepaid expenses	81	-
Increase (decrease) in-		
Accounts payable and accrued liabilities	328	38
Estimated claims payable	-	-
Accrued compensated absences	24	11
Total adjustments	461	3,611
Net Cash Provided By (Used For) Operating Activities	$ (164)	$ 575

Arlington Property Finance Authority	Workers' Compensation	Group Health	Totals
$ 53	$ 2,814	$ 17,989	$ 29,847
(2,116)	(2,287)	(19,575)	(32,185)
-	-	-	(373)
(2,063)	527	(1,586)	(2,711)
64	-	-	2,548
(1,988)	(1,500)	-	(3,488)
(1,924)	(1,500)	-	(940)
-	-	-	(3,419)
-	-	-	-
-	-	-	-
-	-	-	424
-	-	-	(2,995)
40	38	33	111
(31)	(6)	(3)	(40)
31	-	-	31
40	32	30	102
(3,947)	(941)	(1,556)	(6,544)
5,617	8,436	6,723	23,679
$ 1,670	$ 7,495	$ 5,167	$ 17,135
$ (461)	$ 2,516	$ (1,337)	$ (2,943)
-	-	-	3,468
-	-	-	119
-	-	-	3
-	-	-	81
9	-	1	376
(1,611)	(1,989)	(250)	(3,850)
-	-	-	35
(1,602)	(1,989)	(249)	232
$ (2,063)	$ 527	$ (1,586)	$ (2,711)

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, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	Total
ASSETS				
Investments:				
Money market fund	$ 74	$ 33,802	$ 36	$ 33,912
Corporate bonds	981	-	456	1,437
Fixed income mutual funds	882	12,871	456	14,209
Common stock mutual funds	514	56,315	316	57,145
Balanced mutual funds	-	17,140	-	17,140
Participant borrowing	-	5,073	-	5,073
Self-directed brokerage accounts	-	3,002	-	3,002
Total investments	2,451	128,203	1,264	131,918
Total Assets	$ 2,451	$ 128,203	$ 1,264	$ 131,918
LIABILITIES				
Total Liabilities	-	-	-	-
NET ASSETS				
Held in trust for employee benefits	$ 2,451	$ 128,203	$ 1,264	$ 131,918

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF AGENCY FUNDS ASSETS AND LIABILITIES
FIDUCIARY FUNDS
SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Payroll	Escrow Fund	Escheat Fund	Total
ASSETS				
Cash and cash equivalents	$ 4,158	$ 3,142	$ 205	$ 7,505
Investments:				
Common stock mutual funds	117	-	-	117
Total Assets	$ 4,275	$ 3,142	$ 205	$ 7,622
LIABILITIES				
Accounts payable and accrued liabilities	$ 4,158	$ 3,142	$ 205	$ 7,505
IRC 401 deferred compensation plans	117	-	-	117
Total Liabilities	$ 4,275	$ 3,142	$ 205	$ 7,622

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds			
	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	Total
ADDITIONS				
Employer contributions	$ 15	$ 2,433	$ 357	$ 2,805
Employee contributions	90	5,737	-	5,827
Net appreciation in fair value of investments	277	20,884	176	21,337
Total Additions	382	29,054	533	29,969
DEDUCTIONS				
Benefits	86	9,476	217	9,779
Plan administration	36	60	72	168
Total Deductions	122	9,536	289	9,947
Increase in Net Assets	260	19,518	244	20,022
Net Assets, October 1	2,191	108,685	1,020	111,896
Net Assets, September 30	$ 2,451	$ 128,203	$ 1,264	$ 131,918

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
PAYROLL FUND				
Assets				
Cash and cash equivalents	$ 3,113	$ 307,451	$ 306,406	$ 4,158
Investments	131	-	14	117
Total assets	$ 3,244	$ 307,451	$ 306,420	$ 4,275
Liabilities				
Accounts payable and accrued liabilities	$ 3,113	$ 307,451	$ 306,406	$ 4,158
Accounts payable and accrued liabilities - IRC 401 defined contribution	131	-	14	117
Total liabilities	$ 3,244	$ 307,451	$ 306,420	$ 4,275
ESCROW FUND				
Assets				
Cash and cash equivalents	$ 3,573	$ 8,021	$ 8,452	$ 3,142
Total assets	$ 3,573	$ 8,021	$ 8,452	$ 3,142
Liabilities				
Accounts payable and accrued liabilities	$ 3,573	$ 8,021	$ 8,452	$ 3,142
Total liabilities	$ 3,573	$ 8,021	$ 8,452	$ 3,142
ESCHEAT FUND				
Assets				
Cash and cash equivalents	$ 191	$ 60	$ 46	$ 205
Total assets	$ 191	$ 60	$ 46	$ 205
Liabilities				
Accounts payable and accrued liabilities	$ 191	$ 60	$ 46	$ 205
Total liabilities	$ 191	$ 60	$ 46	$ 205
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	$ 6,877	$ 315,532	$ 314,904	$ 7,505
Investments	131	-	14	117
Total assets	$ 7,008	$ 315,532	$ 314,918	$ 7,622
Liabilities				
Accounts payable and accrued liabilities	$ 6,877	$ 315,532	$ 314,904	$ 7,505
Accounts payable and accrued liabilities - IRC 401defined contribution	131	-	14	117
Total Liabilities	$ 7,008	$ 315,532	$ 314,918	$ 7,622

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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.

ARLINGTON CONVENTION CENTER DEVELOPMENT CORPORATION - The purpose of the Arlington Convention Center Development Corporation (ACCDC) is to promote tourism and the convention and hotel industry.

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
AS OF SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Arlington Housing Authority	Arlington Convention & Visitors Bureau	Arlington Tomorrow Foundation
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,804	$ 225	$ 11,999
Investments	2,627	-	81,502
Receivables (net of allowances for uncollectibles):			
Accrued interest	1	-	385
Other	271	144	172
Prepaid expenses	11	30	-
Total Current Assets	5,714	399	94,058
Non-Current Assets:			
Capital Assets-			
Buildings and improvements	563	-	-
Machinery and equipment	369	737	-
Accumulated depreciation	(514)	(467)	-
Total Non-Current Assets	418	270	-
Total Assets	6,132	669	94,058
LIABILITIES			
Accounts payable and accrued liabilities	654	257	18
Deferred revenue	6	-	950
Total Liabilities	660	257	968
NET ASSETS			
Invested in capital assets, net of related debt	418	270	-
Restricted for endowments	-	-	87,815
Restricted for Housing Assistance	1,254	-	-
Designated for future initiatives	-	-	5,275
Unrestricted	3,800	142	-
Total Net Assets	$ 5,472	$ 412	$ 93,090

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
AS OF SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Arlington Convention Center Development Corporation	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 378	$ 3	$ 221	$ 15,630
Investments	-	-	-	84,129
Receivables (net of allowances for uncollectibles):				
Accrued interest	-	-	-	386
Other	-	-	-	587
Prepaid expenses	-	-	-	41
Total Current Assets	378	3	221	100,773
Non-Current Assets:				
Capital Assets-				
Buildings and improvements	-	-	-	563
Machinery and equipment	-	-	-	1,106
Accumulated depreciation	-	-	-	(981)
Total Non-Current Assets	-	-	-	688
Total Assets	378	3	221	101,461
LIABILITIES				
Accounts payable and accrued liabilities	-	-	-	929
Deferred revenue	-	-	-	956
Total Liabilities	-	-	-	1,885
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	688
Restricted for endowments	-	-	-	87,815
Restricted for Housing Assistance	-	-	-	1,254
Designated for future initiatives	-	-	-	5,275
Unrestricted	378	3	221	4,544
Total Net Assets	$ 378	$ 3	$ 221	$ 99,576

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Component Units:				
Arlington Housing Authority	29,389	-	25,998	-
Arlington Convention and Visitors Bureau	4,136	4,180	-	-
Arlington Tomorrow Foundation	1,370	-	-	-
Arlington Housing Finance Corporation	15	-	9	-
Arlington Industrial Development Corporation	-	-	-	-
Arlington Convention Center Development Corp	12,002	-	221	12,000
Total Component Units	$ 46,912	$ 4,180	$ 26,228	$ 12,000

General revenues:
Interest revenue
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						
Arlington Housing Authority	Arlington Convention & Visitors Bureau	Arlington Tomorrow Foundation	Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Arlington Convention Center Development Corporation	Total
				-	-	
(3,391)	-	-	-	-	-	(3,391)
-	44	-	-	-	-	44
-	-	(1,370)	-	-	-	(1,370)
-	-	-	(6)	-	-	(6)
-	-	-	-	-	-	-
-	-	-	-	-	219	219
$ (3,391)	$ 44	$ (1,370)	$ (6)	$ -	$ 219	$ (4,504)
$ 20	$ -	$ 2,271	$ 2	$ -	$ 2	$ 2,295
1,596	-	16,956	-	-	-	18,552
-	-	(3,573)	-	-	-	(3,573)
1,616	-	15,654	2	-	2	17,274
(1,775)	44	14,284	(4)	-	221	12,770
7,247	368	78,806	382	3	-	86,806
$ 5,472	$ 412	$ 93,090	$ 378	$ 3	$ 221	$ 99,576

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

	Arlington Tomorrow Foundation	Arlington Housing Finance Corporation
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ -	$ 9
Cash received from gas leases	9,954	-
Cash payments to suppliers	(216)	(15)
Cash payments to employees	(172)	-
Cash payments to grantees	(1,022)	-
Cash payments for housing assistance	-	-
Net Cash Provided By (Used For) Operating Activities	8,544	(6)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	-
Transfers out	-	-
Net Cash Provided By (Used For) Noncapital Financing Activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contribution	-	-
Principal payments on debt	-	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from interest earnings	2,518	2
Net increase (decrease) in the fair value of investments	(3,573)	-
Purchase of investments	(81,502)	-
Maturities/sales of investments	57,159	-
Realized gain of investments	5,275	
Net Cash Provided By (Used For) Investing Activities	(20,123)	2
Net increase (decrease) in cash and cash equivalents	(11,579)	(4)
Cash and cash equivalents at October 1	23,578	382
Cash and cash equivalents at September 30	$ 11,999	$ 378
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating Income	$ 10,311	$ (6)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	-
Decrease (increase) in-		
Receivables	(18)	-
Increase (decrease) in-		
Accounts payable and accrued liabilities	(38)	-
Accrued compensated absences	(2)	-
Deferred revenue	(1,709)	-
Total adjustments	(1,767)	-
Net Cash Provided By (Used For) Operating Activities	$ 8,544	$ (6)

Arlington Industrial Development Corporation	Arlington Convention Center Development Corporation	Totals
$ -	$ -	$ 9
-	-	9,954
-	(12,002)	(12,233)
-	-	(172)
-	-	(1,022)
-	-	-
-	(12,002)	(3,464)
-		-
-	-	-
-	-	-
-	12,221	12,221
-	-	-
-	12,221	12,221
-	2	2,522
-	-	(3,573)
-	-	(81,502)
-	-	57,159
-	2	(25,394)
-	221	(11,362)
3	-	23,963
$ 3	$ 221	$ 12,601
$ -	$ (12,002)	$ (1,697)
-	-	-
-	-	(18)
-	-	(38)
-	-	(2)
-	-	(1,709)
-	-	(1,767)
$ -	$ (12,002)	$ (3,464)

ARLINGTON

CITY OF ARLINGTON, TEXAS
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS - BY SOURCES
AS OF SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

GOVERNMENTAL FUNDS CAPITAL ASSETS:	
Land	$ 209,703
Buildings	1,104,926
Improvements other than buildings	167,354
Machinery and equipment	45,409
Construction-in-progress	97,618
Infrastructure	806,899
Total Governmental Funds Capital Assets	$ 2,431,909

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS:	
General fund	$ 1,527,392
Capital Project Fund	904,517
Total Governmental Funds Capital Assets	$ 2,431,909

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
AS OF SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
ADMINISTRATIVE:					
Technology services	$ 14,279	$ -	$ -	$ -	$ 14,279
Tax	6	-	-	-	6
City administration	1,223,622	127,710	1,029,474	61,464	4,974
Convention center	378	-	-	-	378
Total Administration	1,238,285	127,710	1,029,474	61,464	19,637
OPERATIONS:					
Fire	17,872	(208)	11,222	-	6,858
Municipal court	1,409	-	-	-	1,409
Police	35,051	654	21,490	-	12,907
Parks and recreation	183,847	64,522	20,779	96,655	1,891
Communication services	88	-	-	-	88
Airport	36,200	5,655	21,672	8,873	-
Total Operations	274,467	70,623	75,163	105,528	23,153
DEVELOPMENT:					
Community development	1,373	-	289	6	1,078
Engineering services	137	-	-	-	137
Transportation	13,130	11,370	-	356	1,404
Total Development	14,640	11,370	289	362	2,619
Total Capital Assets Allocated to Functions	1,527,392	$ 209,703	$ 1,104,926	$ 167,354	$ 45,409
INFRASTRUCTURE	806,899				
CONSTRUCTION IN PROGRESS	97,618				
Total Governmental Funds Capital Assets	$ 2,431,909				

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
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)

Function and Activity	Governmental Funds Capital Assets October 1, 2011	Additions	Deletions	Governmental Funds Capital Assets September 30, 2012
ADMINISTRATIVE:				
Technology services	$ 10,388	$ 3,891	$ -	$ 14,279
Tax	6	-	-	6
City administration	1,223,472	150	-	1,223,622
Convention center	378	-	-	378
Total Administration	1,234,244	4,041	-	1,238,285
OPERATIONS:				
Fire	18,100	181	(409)	17,872
Municipal court	1,409	-	-	1,409
Police	33,978	1,073	-	35,051
Parks and recreation	175,734	8,113	-	183,847
Communication services	88	-	-	88
Airport	30,330	5,870	-	36,200
Total Operations	259,639	15,237	(409)	274,467
DEVELOPMENT:				
Community development	1,373	-	-	1,373
Engineering services	137	-	-	137
Transportation	12,616	514	-	13,130
Total Development	14,126	514	-	14,640
INFRASTRUCTURE	776,945	29,954	-	806,899
CONSTRUCTION IN PROGRESS	117,637	34,462	(54,481)	97,618
Total Governmental Funds Capital Assets	$ 2,402,591	$ 84,208	$ (54,890)	$ 2,431,909

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.

ARLINGTON

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 Ten Fiscal Years
(accrual basis of accounting)
(Unaudited) (In Thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	$ 321,615	$ 317,946	$ 408,969	$ 510,287	$ 646,693	$ 778,516
Restricted (Debt Srvcs/Impact Fee/Endowments)	419	2,993	25,738	25,794	39,767	55,581
Unrestricted	78,838	98,332	49,571	67,341	89,238	65,896
Total governmental activities net assets	$ 400,872	$ 419,271	$ 484,278	$ 603,422	$ 775,698	$ 899,993
Business-type activities						
Invested in capital assets, net of related debt	$ 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	58,105	58,862	20,061	21,519	17,049	14,846
Total business-type activities net assets	$ 392,902	$ 419,207	$ 410,617	$ 440,244	$ 455,107	$ 477,809
Primary government						
Invested in capital assets, net of related debt	$ 646,774	$ 668,831	$ 789,484	$ 919,739	$ 1,075,654	$ 1,231,726
Restricted (Debt Srvcs/Impact Fee)	10,057	12,453	35,779	35,067	48,864	65,334
Unrestricted	136,943	157,194	69,632	88,860	106,287	80,742
Total primary government net assets	$ 793,774	$ 838,478	$ 894,895	$ 1,043,666	$ 1,230,805	$ 1,377,802

Source: City of Arlington Financial and Management Resources

Table 1

Fiscal Year			
2009	2010	2011	2012
$ 1,134,428	$ 1,136,342	$ 1,165,492	$ 1,164,831
54,486	64,789	42,998	46,032
49,301	101,397	81,671	81,604
$ 1,238,215	$ 1,302,528	$ 1,290,161	$ 1,292,467
$ 525,131	$ 541,227	$ 543,702	$ 573,042
10,310	10,140	$ 19,706	18,655
23,764	33,270	$ 52,554	45,459
$ 559,205	$ 584,637	$ 615,962	$ 637,156
$ 1,659,559	$ 1,677,569	$ 1,709,194	$ 1,737,873
64,796	74,929	62,704	64,687
73,065	134,667	134,225	127,063
$ 1,797,420	$ 1,887,165	$ 1,906,123	$ 1,929,623

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	$ 28,511	$ 30,646	$ 26,906	$ 31,812
Public safety	89,554	93,852	97,645	102,363
Public works	57,768	55,350	64,369	66,019
Public health	1,424	1,321	2,416	1,697
Parks and recreation	21,327	20,633	23,262	27,761
Public welfare	7,282	5,410	6,383	9,408
Convention and event services	5,478	5,347	5,435	5,094
Interest on long term debt	15,102	14,548	13,898	24,923
Total governmental activities expenses	$ 226,446	$ 227,107	$ 240,314	$ 269,077
Business-type activities:				
Water and sewer	68,282	67,232	65,220	74,516
Landfill	1,731	2,207	4,310	-
Total business-type activities expenses	$ 70,013	$ 69,439	$ 69,530	$ 74,516
Total primary government expenses	$ 296,459	$ 296,546	$ 309,844	$ 343,593
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 11,911	$ 7,775	$ 15,449	$ 21,668
Public safety	8,068	9,145	6,851	8,206
Public works	4,395	6,059	3,001	3,025
Public health	65	1,093	65	71
Parks and recreation	6,636	7,161	8,243	8,558
Public welfare	-	14	-	-
Convention and event services	2,347	2,422	2,496	2,656
Operating grants and contributions	8,728	7,758	8,144	13,846
Capital grants and contributions	8,525	5,730	4,849	77,683
Total governmental activities program revenues	$ 50,675	$ 47,157	$ 49,098	$ 135,713
				-
Business-type activities:				
Charges for services:				
Water and sewer	$ 81,890	$ 88,474	$ 92,144	$ 102,745
Storm water utility	-	-	-	-
Landfill	7,728	6,733	4,484	-
Capital grants and contributions	6,064	6,656	3,676	5,529
Other	-	-	-	-
Total business-type activities program revenues	$ 95,682	$ 101,863	$ 100,304	$ 108,274
Total primary government program revenues	$ 146,357	$ 149,020	$ 149,402	$ 243,987
Net (Expense) Revenue				
Governmental activities	$ (175,771)	$ (179,950)	$ (191,216)	$ (133,364)
Business-type activities	25,669	32,424	30,774	33,758
Total Primary government net expense	$ (150,102)	$ (147,526)	$ (160,442)	$ (99,606)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes	$ 145,689	$ 157,143	$ 101,235	$ 104,425
Sales taxes	-	-	60,476	76,483
Other taxes	-	-	7,286	8,319
Gas Lease	-	-	-	5,020
Franchise fees	29,181	29,321	28,928	31,140
Investment earnings	2,040	1,957	5,642	19,513
Net increase (decrease) in fair value	(10)	(355)	(1,244)	(293)
Other	2,278	3,045	4,900	1,469
Special Item	-	-	4,330	-
Transfers	9,254	7,238	40,563	6,432
Total governmental activities	$ 188,432	$ 198,349	$ 252,116	$ 252,508
Business-type activities:				
Investment earnings	$ 1,456	$ 1,287	$ 1,255	$ 2,175
Gain on sale/retirement of capital assets	(39)	(223)	(77)	126
Miscellaneous	-	55	21	-
Transfers	(9,254)	(7,238)	(40,563)	(6,432)
Total Business-type activities	$ (7,837)	$ (6,119)	$ (39,364)	$ (4,131)
Total primary government	$ 180,595	$ 192,230	$ 212,752	$ 248,377
Change in Net Assets				
Governmental activities	$ 12,661	$ 18,399	$ 60,900	$ 119,144
Business-type activities	17,832	26,305	(8,590)	29,627
Total primary government	$ 30,493	$ 44,704	$ 52,310	$ 148,771

Source: City of Arlington Financial and Management Resources

Table 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 34,120	$ 43,788	$ 40,403	$ 70,517	$ 74,285	$ 66,080
113,343	123,587	128,219	134,767	137,561	137,561
73,161	84,115	94,171	67,135	54,876	71,957
1,735	1,920	2,406	3,003	21,401	4,320
26,826	28,027	28,228	28,020	22,155	32,515
11,136	39,282	10,213	12,251	19,835	9,475
5,628	6,533	6,299	6,321	6,821	6,821
24,581	26,624	42,485	29,444	24,898	24,898
$ 290,530	$ 353,876	$ 352,424	$ 351,458	$ 361,832	$ 353,627
72,945	71,929	77,130	75,602	85,715	86,235
-	-	3,678	4,017	4,777	4,777
$ 72,945	$ 71,929	$ 80,808	$ 79,619	$ 90,492	$ 91,012
$ 363,475	$ 425,805	$ 433,232	$ 431,077	$ 452,324	$ 444,639
$ 17,264	$ 10,528	$ 19,017	$ 21,938	$ 23,670	23,670
8,052	13,998	16,440	17,429	19,498	19,498
3,052	5,898	1,116	1,322	1,160	1,160
78	2,692	2,707	2,980	2,730	2,730
8,456	9,529	9,835	8,879	10,861	10,861
-	-	179	204	222	222
2,418	2,587	2,535	2,788	2,799	2,799
14,102	20,787	24,578	23,127	26,270	26,270
121,720	145,029	411,788	72,515	6,132	6,132
$ 175,142	$ 211,048	$ 488,195	$ 151,182	$ 93,342	$ 93,342
$ 88,786	$ 102,324	$ 108,224	$ 107,800	$ 114,719	114,719
-	-	6,920	8,702	10,536	10,536
-	-	-	-	-	-
3,600	2,622	2,018	1,388	1,253	1,253
-	-	-	-	-	-
$ 92,386	$ 104,946	$ 117,162	$ 117,890	$ 126,508	$ 126,508
$ 267,528	$ 315,994	$ 605,357	$ 269,072	$ 219,850	$ 219,850
$ (115,388)	$ (142,828)	$ 135,771	$ (200,276)	$ (268,490)	$ (260,285)
19,441	33,017	36,354	38,271	36,016	35,496
$ (95,947)	$ (109,811)	$ 172,125	$ (162,005)	$ (232,474)	$ (224,789)
$ 108,301	$ 112,477	$ 117,285	$ 115,684	$ 109,807	$ 110,131
79,781	81,385	80,193	81,517	85,345	88,957
9,249	10,447	10,978	12,793	13,558	13,347
25,471	2,091	-	-	-	-
29,145	25,994	25,038	25,769	27,260	25,600
21,849	12,814	5,629	4,577	5,156	3,975
2,109	182	1,837	1,709	(1,255)	(179)
5,239	9,271	4,769	8,847	8,296	5,990
-	-	-	-	-	-
6,520	12,462	(43,278)	13,693	15,348	14,770
$ 287,664	$ 267,123	$ 202,451	$ 264,589	$ 263,515	$ 262,591
$ 1,685	$ 2,196	$ 1,581	$ 895	$ 855	569
257	(49)	183	(41)	(105)	(101)
-	-	54,556	-	-	-
(6,520)	(12,462)	(11,278)	(13,693)	(15,348)	(14,770)
$ (4,578)	$ (10,315)	$ 45,042	$ (12,839)	$ (14,598)	$ (14,302)
$ 283,086	$ 256,808	$ 247,493	$ 251,750	$ 248,917	$ 248,289
$ 172,276	$ 124,295	$ 338,222	$ 64,313	$ (4,975)	$ 2,306
14,863	22,702	81,396	25,432	21,418	21,194
$ 187,139	$ 146,997	$ 419,618	$ 89,745	$ 16,443	$ 23,500

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

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund					
Nonspendable:					
Inventory	112	113	254	240	574
Prepaids	67	46	46	5	35
Committed to:					
Utility rate case	500	500	500	500	500
Capital projects	-	-	-	-	-
Assigned to:					
Encumbrances	656	1,786	3,230	4,463	6,351
Working capital	12,981	13,585	14,373	15,964	16,232
Subsequent years' expenditure	4,821	5,018	5,174	5,747	5,843
Compensated absences	1,247	1,411	1,125	1,280	1,261
Other post employment benefits	-	1,718	1,718	1,718	1,718
Landfill lease proceeds/future initiatives	-	-	19,887	20,573	21,030
Dispatch	-	-	-	-	-
Information Technology	-	-	-	-	-
Telecommunications	102	329	274	-	-
Business continuity	-	-	-	-	-
Arbitrage	320	38	12	33	184
Infrastructure	-	-	-	-	1,000
Gas lease proceeds	-	-	-	5,020	-
Group Health	-	-	-	-	-
Other purposes	-	-	-	-	-
Unassigned	-	773	5,464	10,571	5,618
Total general fund	$ 20,806	$ 25,317	$ 52,057	$ 66,114	$ 60,346
All Other Governmental Funds					
Nonspendable:					
Inventory	-	-	-	-	197
Prepaids	3	36,476	185	179	1
Restricted for:					
Capital projects	50,867	26,727	318,632	280,316	156,064
Other purposes	2,538	3,285	20,602	20,819	34,444
Committed to:					
Capital projects	1,089	482	1,709	3,899	3,568
Other purposes	17,241	7,514	21,577	36,592	25,665
Assigned to:					
Capital projects	5,597	58,472	2,808	4,749	6,868
Other purposes	-	161	3,348	1,639	33,844
Undesignated	-	-	(602)	(2,686)	(4,362)
Total all other governmental funds	$ 77,335	$ 133,117	$ 368,259	$ 345,507	$ 256,289

Source: City of Arlington Financial and Management Resources

Table 3

Fiscal Year				
2008	2009	2010	2011	2012
600	583	1,163	1,228	1,252
2	252	-	16	16
500	500	500	500	500
-	-	-	1,122	-
6,074	3,780	4,316	5,613	7,766
16,512	16,219	16,218	16,054	16,745
5,944	5,839	5,839	5,944	6,378
1,556	1,464	1,312	1,252	1,252
1,718	1,718	1,718	1,718	1,718
21,487	21,487	21,487	21,487	21,487
-	137	422	380	566
-	-	-	774	607
-	-	-	-	-
-	-	6,889	4,538	5,155
288	193	75	-	-
1,000	-	-	-	-
-	-	-	-	-
-	2,446	3,001	-	-
-	-	-	56	55
508	3,663	3,627	6,093	-
$ 56,189	$ 58,281	$ 66,567	$ 66,775	$ 63,497
217	206	230	245	245
-	-	-	-	-
53,952	22,255	46,598	63,644	82,648
50,507	49,075	91,613	67,258	72,894
6,382	5,763	36,988	21,934	20,679
48,911	33,953	9,690	17,152	21,594
8,185	10,617	-	-	-
9,200	2,926	3,134	1,567	1,253
(1,217)	(3,811)	(1,351)	(2,260)	-
$ 176,137	$ 120,984	$ 186,902	$ 169,540	$ 199,313

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

	Fiscal Year			
	2003	2004	2005	2006
REVENUES:				
Taxes:	$ 145,239	$ 156,958	$ 169,345	$ 189,671
Licenses and permits	3,833	4,160	4,476	5,074
Franchise fees	29,163	29,371	28,928	31,140
Fines and forfeitures	7,475	7,318	6,259	7,675
Leases, rents, and concessions	2,908	3,026	5,207	13,307
Service charges	19,424	19,424	20,175	20,041
Investment income	1,931	1,550	4,020	18,559
Net increase (decrease) in fair value of investment	-	-	-	(314)
Contributions	2,358	2,653	1,664	77,683
Intergovernmental	14,895	10,426	9,216	13,309
Gas lease	-	-	-	-
Miscellaneous	2,135	2,596	4,292	2,894
Total Revenues	$ 229,361	$ 237,482	$ 253,582	$ 379,039
EXPENDITURES:				
General government	28,433	30,148	31,094	30,839
Public safety	90,934	95,499	99,656	103,772
Public works	27,874	27,535	36,971	36,127
Public health	1,239	1,252	1,435	1,684
Public welfare	3,585	5,546	6,543	9,483
Parks and recreation	18,565	21,865	21,755	21,261
Convention and event services	5,471	5,312	5,435	5,094
Operating expenditures	-	-	-	-
Capital outlay	38,362	24,169	57,271	144,473
Debt Service:				
Principal retirement	27,420	28,270	28,030	26,160
Redemption premium	-	-	-	-
Interest and fiscal charges	15,186	14,637	14,632	25,428
Bond issuance cost	133	-	-	-
Total expenditures	$ 257,202	$ 254,233	$ 302,822	$ 404,321
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (27,841)	$ (16,751)	$ (49,240)	$ (25,282)
OTHER FINANCING SOURCES (USES):				
Bonds issued*	25,590	24,155	303,365	10,780
Capital lease	1,159	301	1,626	-
Proceeds from sale of capital assests	-	633	-	-
Refunding bonds issued	17,840	-	68,000	-
Bond premium	2,778	-	12,577	-
Payment of escrow for refunding	(18,835)	-	(72,240)	-
Gain on sale of land	-	-	-	-
Bond discount	-	-	-	-
Transfers in	25,922	24,324	51,301	26,263
Transfers out	(17,692)	(14,676)	(15,317)	(20,456)
Total other financing sources (uses)	$ 36,762	$ 34,737	$ 349,312	$ 16,587
NET CHANGE IN FUND BALANCES	$ 8,921	$ 17,986	$ 300,072	$ (8,695)
Capitalized Capital outlay	5,043	(5,398)	25,626	109,309
Debt service as a percentage of noncapital expenditures	16.9%	16.5%	15.4%	17.5%

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					
2007	2008	2009	2010	2011	2012
$ 197,877	$ 205,531	$ 208,756	$ 210,767	$ 209,077	$ 212,991
4,399	4,650	5,881	6,801	7,146	6,673
29,145	25,994	25,038	25,769	27,260	25,600
7,528	10,515	12,949	13,861	15,194	15,425
7,081	7,363	9,687	11,117	8,791	8,968
20,196	22,476	18,573	18,063	20,836	20,081
20,665	11,591	5,453	4,025	5,004	3,797
2,041	201	1,750	1,715	(1,201)	(139)
121,720	145,029	411,788	44,839	2,243	6,132
15,586	20,619	22,244	26,801	23,017	25,361
-	2,091	4,430	5,971	8,276	9,314
29,487	4,915	3,431	7,129	6,826	5,202
$ 455,725	$ 460,975	$ 729,980	$ 376,858	$ 332,469	$ 339,405
30,792	35,911	36,150	35,599	41,512	41,780
112,704	119,585	124,424	126,934	128,519	134,166
37,516	45,968	41,774	35,493	44,003	39,954
1,695	1,826	2,287	2,770	3,737	4,163
11,166	39,253	10,142	10,969	11,045	8,372
23,625	24,452	24,340	23,666	23,975	24,322
5,628	6,533	6,299	6,321	6,194	6,821
-	-	-	-	-	-
278,858	337,661	476,149	79,365	26,389	32,262
26,415	24,825	30,180	30,975	61,785	42,765
-	-	-	-	1,116	249
25,019	27,054	48,672	29,352	28,703	25,976
-	-	-		-	
$ 553,418	$ 663,068	$ 800,417	$ 381,444	$ 376,978	$ 360,830
$ (97,693)	$ (202,093)	$ (70,437)	$ (4,586)	$ (44,509)	$ (21,425)
-	105,075	-	62,560	15,275	19,635
-	322	-	-	-	-
-	-	201	-	-	-
-	-	175,005	16,020	41,065	23,865
-	-	-	2,870	2,318	2,038
-	-	(164,265)	(12,913)	(39,252)	(13,328)
-	2,105	-	-	-	-
-	-	(4,130)	-	-	-
19,366	30,833	37,507	33,915	31,769	44,505
(16,659)	(20,551)	(26,942)	(23,662)	(23,820)	(28,795)
$ 2,707	$ 117,784	$ 17,376	$ 78,790	$ 27,355	$ 47,920
$ (94,986)	$ (84,309)	$ (53,061)	$ 74,204	$ (17,154)	$ 26,495
244,539	334,622	421,989	101,356	27,665	29,209
16.7%	15.8%	20.8%	21.5%	25.9%	20.7%

CITY OF ARLINGTON, TEXAS

Table 5

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

Fiscal Year	Estimated Actual Value of Taxable Property: Real Property	Estimated Actual Value of Taxable Property: Personal Property	Total Taxable Value [1]	Total Direct Tax Rate
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
2009	15,859,827	2,386,993	18,246,820	0.6480
2010	15,647,090	2,604,015	18,251,105	0.6480
2011	14,809,609	2,369,503	17,179,112	0.6480
2012	14,768,390	2,555,054	17,323,444	0.6480

Source: City of Arlington Financial and Management Resources

Note: [1] 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) Table 6
Last Ten Fiscal Years
(Unaudited)

	City Direct Rates			Overlapping Rates				
Tax Year[3]	Operating/ General Rate	General Obligation Debt Service	Total Direct	Arlington Independent School District[1]	HEB Independent School District[1]	Kennedale Independent School District[1]	Mansfield Independent School District[1]	Tarrant County[2]
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
2009	0.4467	0.2013	0.6480	1.27	1.30	1.49	1.45	0.65
2010	0.4330	0.2150	0.6480	1.34	1.29	1.55	1.50	0.65
2011	0.4393	0.2087	0.6480	1.31	1.41	1.51	1.50	0.66
2012	0.4423	0.2057	0.6480	1.30	1.41	1.51	1.54	0.66

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, the Tarrant County Hospital District and the TC Regional Water District
3 The City budgets tax revenue based on the tax valuation from the previous tax year. For example, the rates in 2010 determine revenue for fiscal year 2011.

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

	2012	
Taxpayer	Total Taxable Value	Percentage of Total City Taxable Value[a]
General Motors Corp.	$ 191,807,656	1.11 %
Oncor Electric Delivery	148,816,934	0.86
Parks @ Arlington	143,172,642	0.83
Chesapeake Operating	117,250,070	0.68
Arlington Highlands	115,938,650	0.67
Carrizo Oil & Gas	86,003,570	0.50
Six Flags Fund	78,075,742	0.45
Barnett Shale Operating	72,246,900	0.42
Lincoln Square Dunhill	68,253,352	0.39
Wal-Mart Real Estate Bus	64,579,715	0.37
Total	$ 1,086,145,231	6.28 %

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

Table 7

	2003	
Taxpayer	Total Taxable Value	Percentage of Total City Taxable Value[b]
General Motors Corp.	$ 194,129,280	1.44 %
Oncor Electric Delivery Co	131,659,636	0.97
Parks @ Arlington	122,381,889	0.91
Southwestern Bell	87,222,034	0.65
Six Flags Over Texas	71,960,222	0.53
National Semiconductor	65,462,198	0.48
Hca-Arlington	35,300,000	0.26
Lincoln Square, LTD	32,010,000	0.24
Wxiii/Jef Real Estate	30,201,268	0.22
Smf Franciscan, Lp	29,285,670	0.22
Total	$ 799,612,197	5.92 %

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 Related to Prior Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2003	90,940,968	89,259,973	98.15	1,455,490	90,715,463	99.75
2004	97,321,335	96,929,494	99.60	127,014	97,056,508	99.73
2005	101,083,596	98,914,959	97.85	1,907,981	100,822,940	99.74
2006	104,610,406	102,395,260	97.88	2,013,688	104,408,948	99.81
2007	108,821,392	106,139,829	97.54	2,469,033	108,608,862	99.80
2008	114,126,102	111,408,733	97.62	2,470,602	113,879,335	99.78
2009	118,239,391	116,351,305	98.40	1,628,643	117,979,948	99.78
2010	118,267,158	115,750,354	97.87	1,946,742	117,697,096	99.52
2011	111,320,648	109,098,499	98.00	1,251,819	110,350,318	99.13
2012	112,255,917	110,156,752	98.13	1,182,110	111,338,863	99.18

Source: City of Arlington Financial and Management Resources

Note: Cumulative Tax Collection Comparison
Prior year collections exclude penalty and interest

ARLINGTON

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

	Governmental Activities				Business-Type Activities			
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Commercial Paper	Stadium Debt	Water and Sewer Revenue Bonds	Stormwater Bonds	Total Primary Government	Percentage of Total Taxable Value
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%
2009	221,380,000	61,920,000	22,000,000	303,780,000	100,500,000	-	709,580,000	3.89%
2010	254,425,000	69,465,000	17,200,000	298,550,000	110,220,000	-	749,860,000	4.11%
2011	251,450,000	65,285,000	12,900,000	263,635,000	116,675,000	25,600,000	735,545,000	4.28%
2012	259,755,000	61,055,000	-	248,240,000	124,285,000	24,320,000	717,655,000	4.14%

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.
[a]See Table 13 for personal income and population data.
2011 Population has been revised to 365,530
Certificates of Obligation include Tax and Revenue certificates
Stadium Debt include Special Tax Revenue Bonds, and Revenue Bonds

Table 9

Estimated Population	Per Capita[a]	Percentage of Personal Income
351,719	1,085	0.78%
355,634	1,073	0.73%
361,300	1,835	1.01%
362,393	1,758	0.89%
364,300	1,755	0.84%
369,150	1,949	0.91%
370,450	1,915	N/R
365,438	2,052	N/R
365,530	2,012	N/R
365,860	1,962	N/R

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

	General Bonded Debt Outstanding			
Fiscal Year	General Obligation Bonds	Certificates of Obligations	Commercial Paper	Available resources restricted for repayment of debt (fund balance)
2003	258,190,000	39,630,000	-	(2,026,173.39)
2004	258,960,000	34,745,000	-	(2,993,141.06)
2005	232,475,000	37,600,000	-	(3,576,498.66)
2006	226,760,000	25,935,000	2,000,000	(3,691,608.15)
2007	205,875,000	22,405,000	14,000,000	(4,314,178.24)
2008	242,920,000	65,610,000	22,000,000	(4,722,990.11)
2009	221,380,000	61,920,000	22,000,000	(6,008,334.42)
2010	254,425,000	69,465,000	17,200,000	(5,879,115.01)
2011	251,450,000	65,285,000	12,900,000	(5,774,174.67)
2012	259,755,000	61,055,000	-	(4,874,816.89)

Source: City of Arlington Financial and Management Resources, Census
* 2010 population is based on census data; All other years are estimates.

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
[a]See Table 5 for property value data.
[b]See Table 13 for population data.
N/R - not reported

Table 10

Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property[a]	Per Capita[b]	Estimated Population
295,793,827	2.06%	841	351,719
290,711,859	1.94%	817	355,634
266,498,501	1.71%	738	361,300
251,003,392	1.55%	693	362,393
237,965,822	1.42%	653	364,300
325,807,010	1.85%	883	369,150
299,291,666	1.64%	808	370,450
335,210,885	1.84%	917	365,438 *
323,860,825	1.89%	886	365,530
315,935,183	1.82%	864	365,860

CITY OF ARLINGTON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2012
(Unaudited)

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Arlington I.S.D.	$ 465,377,451	77.90%	$ 362,529,034
Hurst-Euless-Bedford I.S.D.	330,852,675	0.58%	1,918,946
Kennedale I.S.D.	46,481,069	51.52%	23,947,047
Mansfield I.S.D.	722,444,963	29.92%	216,155,533
Tarrant County	315,898,924	14.87%	46,974,170
Tarrant County Junior College District	20,765,026	14.87%	3,087,759
Tarrant County Hospital District	56,385,000	14.87%	8,384,450
Subtotal overlapping debt	1,958,205,108		662,996,938
City of Arlington, net debt outstanding	$ 315,935,183	100.00%	$ 315,935,183
Total direct and overlapping debt	$ 2,274,140,291		$ 978,932,121

Source: City of Arlington Financial and Management Resources

Note: Net governmental debt outstanding is reported net of the debt service reserve fund balance of $4.88M
Estimated percentage is based on a formula using assessed values of property

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

Table 12

	Waterworks and Sewer System Revenue Bonds				
Fiscal Year	Total Revenues [1]	Less: Operating Expenses [2]	Net Available Revenue [3]	Average Annual Requirement	Times Coverage [4]
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
2009	109,168	75,714	33,454	7,119	4.70
2010	107,800	73,859	33,941	7,013	4.84
2011	123,442	81,749	41,693	7,663	5.44
2012	114,719	84,509	30,210	7,769	3.89

	Storm Water Utility				
Fiscal Year	Total Revenues [1]	Less: Operating Expenses [2]	Net Available Revenue [3]	Average Annual Requirement	Times Coverage [4]
2011	10,492	4,371	6,121	1,856	3.30
2012	10,536	2,874	7,662	1,825	4.20

Source: City of Arlington Financial and Management Resources

Note: [1] Revenue determined on the full accrual basis and includes nonoperating interest
[2] Total expenses less depreciation and bond interest
[3] Gross operating revenues (1) less expenses (2)
[4] Net revenue available for debt service (3) divided by average annual debt service requirement

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
2003	351,719	49,151,450	31,565	33.1	62,345	5.9%
2004	355,634	51,951,087	32,735	32.8	62,531	5.2%
2005	361,300	65,868,221	34,430	31.6	62,267	5.0%
2006	362,393	71,783,543	36,427	31.6	63,397	4.5%
2007	364,300	76,104,528	37,573	31.4	63,082	4.1%
2008	369,150	78,864,176	38,018	32.0	62,863	4.7%
2009	370,450	N/R	N/R	N/R	63,506	7.3%
2010	365,438 *	N/R	N/R	N/R	63,989	7.8%
2011	365,530	N/R	N/R	N/R	64,979	7.6%
2012	365,860	N/R	N/R	N/R	65,700	6.8%

Sources: City of Arlington Financial and Management Resources
* 2010 population is based on census data; All other years are estimates.

Note: Additional sources include the census, Bureau of Labor Statistics, North Texas Council of Governments, TEA
N/R - not reported

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

Table 14

2012

Employer	Type of Business	Employees	Percentage of Total City Employment
Arlington Independent School District	Public Education	8,000	3.82%
University of Texas at Arlington	Higher Education	5,300	2.53%
Six Flags Over Texas	Amusement Park	3,800	1.81%
The Parks at Arlington	Retail	3,500	1.67%
General Motors	Automobile Assembly	2,900	1.38%
City of Arlington	Municipality	2,462	1.17%
J.P. Morgan Chase	Banking Services	1,965	0.94%
Texas Rangers Baseball Club	Major League Baseball	1,881	0.90%
Americredit	Retail	1,591	0.76%
Arlington Memorial Hospital	Healthcare	1,400	0.67%
Total		32,799	15.65%

2003

Employer		Employees	Percentage of Total City Employment
Arlington Independent School District	Public Education	7,927	3.87%
University of Texas at Arlington	Higher Education	4,417	2.16%
Six Flags Over Texas	Amusement Park	3,200	1.56%
AmeriCredit	Financial Services	3,000	1.47%
General Motors	Automobile Assembly	2,958	1.44%
City of Arlington	Municipality	2,328	1.14%
Southwest Sports Group	Major League Baseball	1,800	0.88%
Arlington Memorial Hospital	Medical Center	1,300	0.63%
Providian Financial	Financial Services	1,200	0.59%
Chase Bank Call Center	Banking Services	1,100	0.54%
Total		29,230	14.28%

Source: City of Arlington Financial and Management Resources
Texas Workforce Commission

Note: 2012 Employment Estimate (as of September 2012) is 209,680
2003 Employment Estimate is 204,737

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

Function/Program	2003	2004
Strategic Support		
*Management Resources	-	-
City Attorney's Office	28	29
City Manager's Office	29	28
Internal Auditor's Office	-	-
Workforce Services	121	119
Judiciary	-	-
Municipal Court	4	4
Information Technology	40	38
IT - Internal Services Fund	15	15
*Financial & Mgmt Resources	69	67
Knowledge Services Fund	14	12
Economic Development & Capital Investment		
Economic Development	-	-
Community Development and Planning	54	52
Aviation	-	-
Convention Center	35	33
Neighborhood Services		
Police	706	746
**Fire	304	302
Code Compliance Services	69	66
Park and Recreation	137	132
Park Performance Fund	67	66
Library	71	68
Capital Investment		
Public Works & Transportation	-	118
Street Maintenance Fund	67	76
Environmental Services	-	-
Fleet Services Fund	24	3
Water Utilities Fund	225	223
Storm Water Utility Fund	-	-
Grant Funds	104	77
Communication Services Fund		
EPAB		
Support Services	30	28
Sanitary Landfill Fund	26	26
Transportation	68	-
Engineering Services	73	-
Total	2,380	2,328

Source: City of Arlington Financial and Management Resources

Note:

* Management Resources and Finance merged into Financial & Management Resources

**Fire umbrellas communication services fund (2012, 106 FTEs) and EPAB (2012, 2 FTEs)

Table 15

Fiscal Year							
2005	2006	2007	2008	2009	2010	2011	2012
23	31	42	42	-	-	-	
33	33	37	37	38	38	38	38
9	4	6	4	4	3	3	3
-	6	6	6	6	5	5	5
119	19	23	23	20	19	19	19
-	-	5	6	6	6	6	6
4	4	46	46	43	42	41	42
38	38	34	34	33	33	33	32
15	15	20	20	20	21	21	23
78	30	31	31	74	69	69	70
12	13	10	10	11	11	9	9
-	-	3	3	3	3	3	3
53	56	69	73	70	68	64	71
-	-	8	8	8	8	8	8
33	32	31	32	32	31	31	31
745	745	768	793	811	781	789	829
302	302	407	414	426	423	424	443
67	74	72	77	77	75	69	60
132	125	130	115	119	118	103	101
66	66	61	81	75	72	72	69
64	64	71	71	70	69	68	68
114	112	125	133	89	93	90	86
75	71	62	62	92	92	91	93
-	-	10	10	4	-	0	
3	2	2	2	1	1	1	1
223	219	219	218	219	219	222	222
-	-	-	-	24	24	27	27
77	79	85	88	93	153	152	115
31	170	-	-	-	-	-	-
26	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,342	2,310	2,383	2,439	2,468	2,477	2,458	2,474

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

Function/Program	2003	2004	2005
Public safety			
Police			
Number of employees	726	524	534
Number of dispatch calls	150,352	142,154	146,891
Fire			
Number of employees	296	296	301
Number of service calls	26,381	28,734	27,788
Miles of streets and alleys			
Street - paved (lane miles)	1,991	2,029	2,477
Sidewalks (miles)	419	425	908
Parks and recreational			
Parks - programs registration	N/R	31,355	36,407
Membership		48,274	34,763
Library			
Central library	1	1	1
Branch libraries	5	5	5
Book stock	515,113	507,891	522,703
Average monthly circulation	125,512	131,244	131,738
Water and sewer			
Number of accounts	94,279	101,057	102,421
Average daily water consumption (gallons)	56,364,260	51,550,000	53,550,000
Ozonated treatment capacity (gpd)	174,000,000	174,000,000	174,000,000
Miles of water mains	1,428	1,350	1,358
Number of fire hydrants	9,233	9,992	10,195
Number of sewer connections	91,774	94,052	95,479
Golf Course			
Number of clinics	13	24	3
Number of participants in clinics	241	338	44
Number of private lessons	2,037	2,639	984

Source: City of Arlington Financial and Management Resources

Notes: N/R - not reported
2004-2011 Police employment represents full-time sworn officers
Fire: Number of Service Calls represent all incidents including, mutual aid given and received

Table 16

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
558	582	598	621	634	634	640
146,408	147,668	142,861	139,251	161,695	135,552	156,388
394	407	414	426	423	424	335
48,468	30,665	31,090	30,955	33,012	34,445	35,276
2,939	2,969	2,985	2,996	3,002	3,004	3,085
974	981	988	993	999	1,005	1,015
20,573	38,366	39,450	48,442	45,855	41,479	47,842
41,031	41,205	39,398	35,756	38,285	39,282	35,314
1	1	1	1	1	1	1
5	5	6	6	6	6	6
579,445	598,869	611,402	623,767	612,272	602,339	614,270
134,710	139,909	155,417	177,075	186,606	199,616	187,093
97,299	98,195	98,924	99,141	99,288	99,484	99,862
65,019,372	47,582,642	53,516,147	51,697,563	48,128,986	64,096,000	57,990,000
140,000,000	140,000,000	140,000,000	140,000,000	172,500,000	172,500,000	172,500,000
1,378	1,378	1,532	1,545	1,551	1,557	1,572
10,325	10,493	10,550	10,711	10,780	10,856	10,983
95,124	96,905	96,905	96,895	97,185	104,039	97,930
104	127	92	133	129	78	61
438	646	517	508	495	348	355
2,071	1,770	1,653	1,631	1,253	1,246	1,066

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

	Fiscal Year	
Function/Program	2003	2004
Public safety		
Police stations	3	3
Fire stations	16	16
Miles of streets and alleys		
Streets- paved (lane miles)	1,991	2,029
Sidewalks (miles)	419	425
Cultural and recreational		
Parks (acres) (golf courses included)	4,529	4,529
Swimming pools	6	5
Tennis courts	48	49
Recreation centers	5	5
Senior center	-	-
Miles of park trails	43	43
Sports fields-youth	73	54
Basketball courts-outdoors	24	24
Number of golf courses	4	4
Water and Sewer		
Water mains (miles)	1,428	1,350
Fire hydrants	9,233	9,992
Sanitary sewers (miles)	1,176	1,181

Source: City of Arlington Financial and Management Resources

Table 17

Fiscal Year							
2005	2006	2007	2008	2009	2010	2011	2012
3	3	3	3	4	4	4	4
16	16	16	16	16	16	16	17
2,477	2,939	2,969	2,985	2,996	3,002	3,004	3,085
908	974	981	988	993	999	1,005	1,015
4,652	4,652	4,663	4,669	4,681	4,683	4,683	4,697
7	6	7	7	7	7	7	7
49	49	49	47	45	45	45	45
5	5	5	5	5	5	5	5
2	2	2	2	2	2	2	2
45	40	43	46	47	52	49	51
54	77	77	77	77	77	77	77
24	22	22	22	22	21	22	21
4	4	4	4	4	4	4	4
1,358	1,378	1,389	1,532	1,545	1,551	1,557	1,572
10,195	10,325	10,493	10,550	10,711	10,780	10,856	10,983
1,186	1,194	1,194	1,282	1,286	1,289	1,294	1,297

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
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%[a]	9.44%
2009	360,029	594,442	60.6%	234,413	143,791	163.0%	16.76%[b]	9.95%
2010	373,897	621,177	60.2%	247,280	147,276	167.9%	17.85%[c]	10.19%
2011	688,015	832,168	82.7%	144,153	142,875	100.9%	17.16%[d]	8.44%
2012	736,849	868,505	84.8%	131,656	156,112	84.3%	16.47%	5.17%

Source: City of Arlington Financial and Management Resources

[a] Phase in rate for 2008 15.51%

[b] Phase in rate for 2009 16.76%

[c] Phase in rate for 2010 17.85%

[d] Phase in rate for 2011 17.16%