PRIVATE PLACEMENT MEMORANDUM DATED SEPTEMBER 22, 2009

NEW ISSUE

Ratings:	Moody's:	"Aa2"
	Standard & Poor's:	"AA+"
	Fitch Ratings:	"AA"

(See "OTHER RELEVANT INFORMATION – Ratings")

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes, under existing law and the Bonds are not private activity bonds. See "Tax Matters" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

$29,415,000
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
Permanent Improvement and Refunding Bonds, Series 2009

Dated: September 15, 2009 Due: August 15, as shown below

The $29,415,000 City of Arlington, Texas, Permanent Improvement and Refunding Bonds, Series 2009 (the "Bonds") will be issued in fully registered form without coupons in principal amounts of $5,000 or integral multiples thereof. Interest on the Bonds will be payable on February 15 and August 15 of each year, commencing February 15, 2010.

MATURITY SCHEDULE

$29,415,000 3.550% Term Bonds due August 15, 2029, Priced to Yield 3.550%

This cover page contains information for quick reference only. It is *not* a summary of this issue.

Separate Issues. The Bonds are being offered by the City concurrently with the "City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2009A" (the "2009A Certificates") and the "City of Arlington, Texas Combination Tax and Revenue Certificates of Obligation, Series 2009B" (Private Activity Bonds) (the "2009B Certificates"). The Bonds, the 2009A Certificates and the 2009B Certificates are separate and distinct securities offerings being issued and sold independently and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

The City reserves the right, at its option, to redeem Bonds, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on August 15, 2019, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see "THE BONDS – Optional Redemption"). The Bonds maturing on August 15, 2029 (the "Term Bonds") are also subject to mandatory sinking fund redemption. (see "THE BONDS – Mandatory Sinking Fund Redemption")

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of Vinson & Elkins L.L.P., Bond Counsel. The opinion of Bond Counsel will be printed on or attached to the Bonds (see APPENDIX C "Form of Bond Counsel's Opinions").

It is expected that the Bonds will be delivered on or about October 20, 2009.

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CITY OF ARLINGTON

Elected Officials

		Length of Service	Term Expires	Occupation
Robert Cluck, M.D.	Mayor	9 years (1)	May 2011	Doctor
Mel LeBlanc	Council Member	2 years	May 2010	Account Manager
Sheri Capehart	Council Member	7 years (2)	May 2010	Computer Security Analyst, Retired
Robert Rivera	Council Member	3 years	May 2011	Real Estate Developer
Kathryn Wilemon	Mayor Pro Tem	5 years	May 2011	Community Volunteer
Lana Wolff	Council Member	5 years	May 2011	Community Volunteer
Gene Patrick	Council Member	5 years	May 2011	Small Business Owner
Robert Shephard	Council Member	1 year	May 2010	Attorney
Jimmy Bennett	Council Member	1 year	May 2010	Certified Public Accountant

(1) Served as Council member from May 2000 to May 2003 and elected Mayor in May 2004.
(2) Served as Council member from May 1999 to May 2003.

Appointed Officials

Name	Position	Years of Employment With City
Jim Holgersson	City Manager	4
Fiona Allen	Deputy City Manager – Capital Investment	18
Gilbert Perales	Deputy City Manager – Neighborhood Services	3
Trey Yelverton	Deputy City Manager – Economic Development	16
Bob Byrd	Deputy City Manager – Strategic Support	24
April Nixon	Director, Financial and Management Resources	18
Jay Doegey	City Attorney	23
Karen Barlar	City Secretary	17

ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors .... Deloitte & Touche, LLP
Dallas, Texas

Bond Counsel .... Vinson & Elkins L.L.P.
Dallas, Texas

Financial Advisor ....Estrada Hinojosa & Company, Inc.
Dallas, Texas

For additional information regarding the City, please contact:

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Estrada Hinojosa & Company, Inc.
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Dallas, Texas
(214) 658-1670

USE OF INFORMATION IN PRIVATE PLACEMENT MEMORANDUM

This Private Placement Memorandum which includes the cover page, schedules and Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation other than those contained in this Private Placement Memorandum, and, if given or made, such other information or representation must not be relied upon. This Private Placement Memorandum does not constitute an offer to sell and is not to be used in an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth in this Private Placement Memorandum has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Financial Advisor. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. The delivery of this Private Placement Memorandum at any time does not imply that the information herein is correct as to any time subsequent to its date.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED ANY OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS PRIVATE PLACEMENT MEMORANDUM CONTAINS "FORWARD–LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER RELEVANT INFORMATION – FORWARD-LOOKING STATEMENTS."

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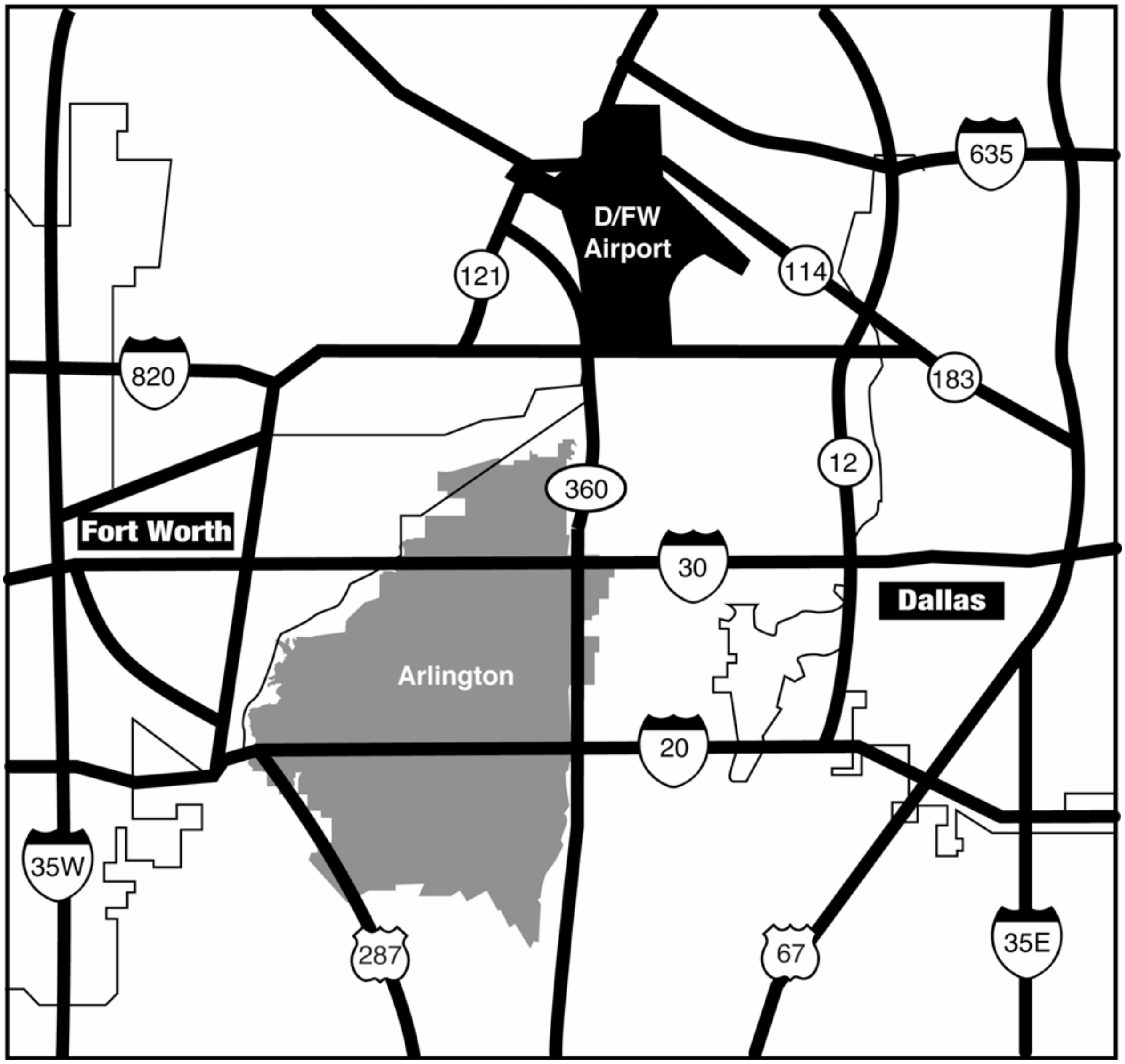
Dallas/Fort Worth/Arlington Metropolitan Area



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CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)

$29,415,000
Permanent Improvement and Refunding Bonds, Series 2009

INTRODUCTION

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Private Placement Memorandum, reference to which is hereby made for all purposes.

The Issuer

The City of Arlington, Texas (the "City"), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and 8 miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 98.7 square miles, had a 2000 census population of 332,969. The City's Development Services and Planning Department estimates the current population of the City to be 368,033 residents. 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 wastewater utilities, and general administrative services. The City operates its water and wastewater system and its sanitary landfill operation (currently outsourced) as self-supporting enterprise funds.

THE BONDS

Authority for Issuance

The Bonds are authorized and issued pursuant to authority granted by the resident qualified voters at elections held within the City on February 1, 2003, November 4, 2003, May 7, 2005 and November 4, 2008, the Constitution and the general laws of the State of Texas, in particular Chapters 1331 and 1207 Texas Government Code as amended, Article XIII of the City's Home Rule Charter and an Ordinance passed by the City Council authorizing the issuance of Bonds (the "Bond Ordinance").

General

$29,415,000 City of Arlington, Texas, Permanent Improvement and Refunding Bonds, Series 2009 (the "Bonds"), will be dated September 15, 2009, and will mature on the dates set forth on the cover page of this Private Placement Memorandum. Interest will be paid on February 15, 2010, and on each August 15 and February 15 thereafter until the earlier of maturity or prior redemption.

Security

The Bonds, when issued, will be direct obligations of the City, payable from the proceeds of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City.

Use of Proceeds

The proceeds from the sale of the Bonds are being used to provide funds for (i) acquiring, developing, renovating and improving parks and open spaces for park and recreation purposes in and for the City; (ii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the City, including streetlighting, right-of-way protection, and related storm drainage improvements; designing, constructing, acquiring and upgrading computerized signal and traffic control management system and other traffic controls; and acquiring rights-of-way in connection therewith; (iii) designing, constructing, improving, renovating and equipping fire station facilities; (iv) equipping of City library facilities; (v) the refunding of $500,000 of outstanding Commercial Paper Notes (the "Refunded Commercial Paper Notes"); and (vi) to pay the costs related to the issuance of the Bonds.

Refunded Commercial Paper Notes

A portion of the proceeds from the sale of the Bonds will be used to refund $500,000 of commercial paper notes maturing on November 4, 2009 (the "Refunded Commercial Paper Notes"). The Refunded Commercial Paper Notes and the interest due thereon are to be paid on their scheduled maturity dates from funds to be deposited U.S. Bank, N.A., Dallas, Texas (the "Issuing and Paying Agent" for the Refunded Commercial Paper Notes).

The Ordinance provides that from a portion of the proceeds of the sale of the Bonds to the initial Purchaser, together with other legally available funds of the City, if any, the City will deposit with the Issuing and Paying Agent for the Refunded Commercial Paper Notes in a debt service fund the amount necessary to accomplish the discharge and final payment of the Refunded Commercial Paper Notes.

By the deposit of cash with the Issuing and Paying Agent for the Refunded Commercial Paper Notes, the City will have effected the defeasance of the Refunded Commercial Paper Notes pursuant to the terms of Chapter 1207, Texas Government Code, and the ordinance authorizing the issuance of the Refunded Commercial Paper Notes. As a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Commercial Paper Notes and such Refunded Commercial Paper Notes will be deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefore.

Sources and Uses

The estimated sources and uses of funds are as follows.

	The Bonds
Sources:	
Par Amount	$29,415,000.00
Total	$29,415,000.00
Uses:	
Deposit to Construction Fund	$28,720,000.00
Deposit to Escrow for Commercial Paper	500,000.00
Cost of Issuance	195,000.00
Total	$29,415,000.00

Legal Matters

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds to the Purchaser, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that (i) the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds," under the Internal Revenue Code of 1986, as amended (the "Code"). The form of Bond Counsel's opinion is attached hereto as Appendix C. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Private Placement Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Private Placement Memorandum to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment or the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Payment Record

The City has never defaulted on its revenue obligations and has not defaulted on its bonds payable from ad valorem taxation since 1935, when all such bonds were refunded at par with a reduction in interest rate.

Paying Agent/Registrar

Payments of principal and interest on the Bonds will be payable by Wells Fargo Bank N.A., Austin, Texas (the "Paying Agent/Registrar") to the Beneficial Owners of the Bonds.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (See "Record Date for Interest Payment" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment date.

Mandatory Sinking Fund Redemption

The Bonds maturing on August 31, 2029 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity and shall be redeemed by the Paying Agent/Registrar on August 15 in the years and in the amounts set forth below at a redemption price of par plus accrued and unpaid interest to the date of redemption.

Bonds Maturing August 15, 2029

2010	$ 650,000	2020	$ 1,920,000
2011	625,000	2021	1,920,000
2012	625,000	2022	1,920,000
2013	625,000	2023	1,920,000
2014	630,000	2024	1,920,000
2015	640,000	2025	1,920,000
2016	640,000	2026	1,920,000
2017	1,930,000	2027	1,920,000
2018	1,930,000	2028	1,920,000
2019	1,920,000	2029*	1,920,000

* Maturity

The principal amount of the Term Bonds required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Bonds of the same stated maturity which, at least 45 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Bond plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Optional Redemption

The City has reserved the right and option to redeem the Bonds prior to their scheduled maturities, in whole or in part, on August 15, 2019, or on any date thereafter, at par plus accrued interest to the date fixed for redemption in principal amounts of $5,000 or any integral multiple thereof. If less than all of the Bonds are to be redeemed the City reserves the right to determine the maturity or maturities and the amounts thereof to be redeemed and if less than a maturity is to be redeemed, the Paying Agent/Registrar shall determine by lot which of the Bonds of such maturities, or portions thereof, shall be redeemed. If any Bond (or portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bonds (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption

Not less than 30 days prior to the redemption date, the Paying Agent/Registrar shall send a notice of redemption by United States mail, first class postage prepaid, to each registered owner (the "Owner") of a Bond to be redeemed in whole or in part at the address of the Owner as shown on the records of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice.

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY AN OWNER. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BONDS OR PORTION THEREOF, SHALL CEASE TO ACCRUE.

Holders' Remedies

The Ordinance provides that while any of the Bonds are outstanding there shall be levied, assessed and collected a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, sufficient to pay principal of and interest on the Bonds when due and to pay the expenses necessary in collecting such taxes. If the City defaults in the payment of the principal of or interest on the Bonds when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. Such right is in addition to any other rights the registered owners of the Bonds may be provided by the laws of the State. Under Texas law, there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. Although a registered owner of Bonds could presumably obtain a judgment against the City if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City, to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." Because it is not clear that the Texas Legislature has effectively waived the City's immunity from suit of money damages, holders of the Bonds may not be able to bring suit against the City for breach of the Ordinance or the Bonds. The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. As noted above, the Ordinance provide that holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its Bonds, but in connection with the issuance of the Bonds, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the manner provided by Chapter 1371.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificate holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinion relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

LEGAL HOLDINGS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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THE CITY OF ARLINGTON

Introduction

The City is located in the eastern part of Tarrant County, equidistant between Dallas and Fort Worth on Interstate Highways 20 and 30, which are limited access highways. The City's location places it at the geographical center of the Dallas-Fort Worth metropolitan area. The land area of the City contained within its corporate boundary is approximately 98.7 square miles and approximately three quarters of a square mile are contained within its extra-territorial jurisdiction.

The City was incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the Texas 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 wastewater utilities, and general administrative services.

General

The City operates under the Council-Manager form of government as established by its Charter. There is a nine member City Council (the "Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even/odd years for approximately half the seats. The Council elects a Mayor Pro Tem from among its members.

Mayor and City Council

Policy-making and supervisory functions are the responsibility of and are vested in the Council under provisions of the City Charter. Ordinances, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. Council meetings are broadcast on the local cable public access station and webcast. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the Council, but has limited power to veto Council actions that can be overridden by simple majority action of the Council.

Administration

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

Excluding the positions and offices of the City Attorney, City Auditor and certain others whose appointments are reserved for Council action, the City Manager appoints and removes all City employees. The City Manager exercises control over all City departments and divisions and supervises their personnel; recommends Council legislative actions; advises Council on the City's financial conditions and needs; prepares and submits to Council the annual budget; and performs such duties required by Council.

Certain City Council Appointees

The Council appoints the City Attorney who has management, charge, and control of all legal business of the City. He is chief legal advisor to the Council, the City Manager, and all City departments and agencies. It is his duty to advise Council concerning the legality of actions by the City and to represent the City in all matters affecting its interest.

The City's Municipal Court Judiciary provides for the adjudication of Class "C" misdemeanor cases, issuance of warrants and the arraignment of prisoners.

The Council appoints the City Auditor who manages the Internal Audit Division which monitors the internal controls and operations of the City and its assets, monitors security of electronic data and responds to management requests for analyses, appraisals and recommendations.

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

Principal Executive Officers

City Manager – Mr. James Holgersson – with the City since June, 2005, received his bachelor's degree from Augustana College in Illinois and a masters degree in Public Administration from the University of Arkansas. He is an active member of the International City/County Management Association. Prior to joining the City, he served as a deputy city manager with the city of San Jose, California and as city manager for the cities of Waco, Texas and Kalamazoo, Michigan. In addition he served as Executive Director of the Rapoport Foundation in Waco.

Deputy City Manager for Economic Development – Mr. Trey Yelverton – with the City since January 1993, most recently as the Director of the Neighborhood Services Department since 2000. He received an undergraduate degree in Political Science from the University of Texas at Arlington, and a M.P.A. from University of North Texas. He is a member of the International Masters of Public Administration City Managers Association.

Deputy City Manager for Capital Investment – Ms. Fiona Allen, P.E. – with the City since December 1990, most recently as the Director of the Water Utilities Department since 2003. She received her B.S. in Civil Engineering from Texas A&M University and is a Professional Engineer and Registered Sanitarian.

Deputy City Manager for Neighborhood Services – Mr. Gilbert Perales – with the City since January, 2007. Prior to working for the City, Mr. Perales was the assistant city manager of the city of Irving for over 5 years. He received a bachelors degree in Art and a master's degree in Public Administration from St. Mary's University.

Deputy City Manager for Strategic Support – Mr. Bob Byrd – with the City since 1985, received his bachelors degree in Science from the U.S. Naval Academy. He has held management positions in Public Works, Community Development, Neighborhood Services, Municipal Court, and Environmental Services.

Director of Financial and Management Resources, CFO – Ms. April Nixon – with the City since November 1992, most recently the Director of Management Resources and Administrative Services since 2005. Ms. Nixon received a bachelors degree in Journalism from the University of Texas at Austin and a masters of business administration from Texas Wesleyan University.

Director of Water Utilities – Ms. Julia J. Hunt, P.E. – with the City since September 1984, she received her bachelors degree in civil engineering from Texas A & M University. She is a licensed professional engineer in Texas. Previously, she was Assistant Director, overseeing operations, and the manager of Water Information Services.

City Attorney – Mr. Jay Doegey – with the City since March 1986, a graduate of Southern Illinois University, he received his law degree from the University of Texas. Prior to joining the City, he was Senior Assistant City Attorney for the city of Corpus Christi, Texas.

FUNCTIONAL GROUPS

Governmental Services and Facilities

The City provides a full range of municipal services including police and fire, health, parks and recreation, public works, planning, and general administrative services. Water and wastewater services are accounted for in the City's Enterprise Fund. The City leased operation of the landfill to a private company beginning in May 2005.

The City's main municipal facilities include two general administrative buildings and a public safety building. There are 16 fire stations, four geographically distributed police stations, a police training center, a fire training center, one main and six branch libraries, 84 city parks, and four municipal golf courses.

Some of the other major facilities provided by the City include a convention center, five recreational centers, two senior citizen centers, and a municipal airport.

The City provides a comprehensive range of public services characteristic of its position as the most populous city in the Mid-Cities area of the Dallas-Fort Worth Metroplex. Presented in the following pages is a description of selected City agencies and departments contained within each of the four functional groups.

Neighborhood Services Group

The Deputy City Manager for Neighborhood Services is responsible for the oversight and management of the Police, Fire, Library, Community Services and the Parks and Recreation Departments. The partnering of these departments provides a strong connection between City resources and neighborhoods.

The Police Department is composed of three major units: Operations, Management Services, and Community Services. More than 745 members of the Arlington Police Department deliver law enforcement services using a neighborhood based policing model. In 1989, the Police Department joined an elite number of police agencies nationwide in achieving the certification standards required by the Commission on Accreditation for Law Enforcement Agencies, Inc. The Department was recertified in 2008.

The City's Fire Department is responsible for fire prevention, fire suppression and first response emergency medical services. The 414 employees of the Fire Department provide emergency responses from the City's 16 fire stations. The Fire Department has responsibility for 9-1-1 dispatch services. The Emergency Management Office is responsible for coordinating major emergency disaster responses for the City and will also report to the Deputy City Manager.

The Library Department is responsible for the management and operation of the City's central library and six branch libraries. Circulation exceeds 1.5 million items annually.

The Community Services Department is responsible for providing a communication and service link between the residents of and business owners of the City and all City Departments. The Code Division is responsible for enforcing city regulations related to the maintenance, sanitation, rehabilitation and conservation of existing housing. The Health Division is responsible for the inspection of food services establishments, public swimming pools and new septic system installations. In conjunction with Tarrant County, it operates the Public Health Center which is responsible for administering immunizations to children and supplying preventive health screening for the elderly. The Housing Division is responsible for administering federal and state grant funds and providing housing assistance to qualified citizens.

The Parks and Recreation Department is responsible for the operation and maintenance of the City's 4,669 acres of parks, including four municipal golf courses and five recreational centers, two senior citizen centers, and the management of the Bob Duncan Center. It conducts a wide range of high quality, year-round leisure time programs that are responsive to the physical, social, cultural and environmental needs of the citizens of the City.

Economic Development Group

The Deputy City Manager for Economic Development is responsible for oversight and management of two departments, two divisions and two outside organizations. The City functions covered by the Economic Development Group include Economic Development, Community Development and Planning, the Convention Center and Aviation. They also oversee the City contract with the Convention and Visitors Bureau and the Downtown Arlington Management Corporation.

Economic Development is responsible for the airport and expanding its opportunities, downtown development as well as growing neighborhood businesses, and managing special districts.

Community Development and Planning is responsible for maintaining a long-range Comprehensive Plan which optimizes the physical, fiscal and natural resources of the City in its development. The Building Inspection Division enforces City ordinances regarding general construction, zoning, mechanical, electrical and plumbing activities. The planning staff provides coordination services in an effort to effectively facilitate program development and implementation. Additional responsibilities include providing City staff and the general public with current zoning and inventory maps and a wide range of demographic statistics.

The Convention and Event Services Fund is funded by hotel occupancy tax and operational revenues from the Convention Center. The City manages and operates the Convention Center and contracts for the services of the Arlington Convention and Visitors Bureau for the tourism marketing of the City.

Capital Investment Group

The Deputy City Manager for Capital Investment is responsible for oversight and management of three departments. The City functions covered by the Capital Investment Group include Environmental Services, the Water Utilities Department, and Public Works and Transportation.

Environmental Services oversees solid waste and fleet services contracts, air and water quality, public health concerns, the natural gas program and stormwater management.

The Water Utilities Department is responsible for assuring a continuous supply of safe high quality drinking water and collection and safe disposal of wastewater. The City's water treatment operations are nationally known and are recognized for their use of advanced technology. Transmission capacity has been designed to anticipate future peak demands well into the century. The department is structured in divisions focusing on Operations, Business Services, and Treatment. The department has received awards from the United States Environmental Protection Agency, Texas Municipal Utilities Association, and the American Water Works Association.

Public Works and Transportation plans, designs, operates, acquires, constructs and maintains public facilities to ensure the safe and efficient movement of people, goods and storm water. The department is structured in divisions focusing on transportation planning, engineering operations, traffic, signal engineering, streets and storm water drainage. This department is also responsible for facilities maintenance and real estate services.

Strategic Support Group

The Deputy City Manager for Strategic Support is responsible for the oversight and management of four City departments which include Financial and Management Resources, Workforces Services, Information Technology, and Municipal Court.

Financial and Management Resources oversees the financial affairs of the City and ensures the financial integrity of City operations. Department services include accounts payable, accounting, payroll, purchasing, treasury management and maintenance of the City's fixed asset inventory. It also oversees the budget division, and the City Secretary's Office which transcribes and maintains official City records, minutes and ordinances, and conducts City elections. It is also responsible for improving legislative and lobbying efforts as well as Public Information. It works with news media and issues publications, and implements programs to educate and inform citizens about City policies and programs. It is responsible for providing a communication and service link between the residents of and business owners in the City and all City departments. It also includes General Services which provides printing, copying, records management, and mailroom services to the organization.

Workforce Services is responsible for planning, developing, and administering the functions of employment, testing, training, and employee relations. It also administers the salary and benefit program and risk management program.

Information Technology has the responsibility for the processing and electronic storage of information used in the daily business of the City.

Municipal Court is responsible for collecting court fines, setting trial dockets, and maintaining the Municipal Court records.

ECONOMIC AND DEMOGRAPHIC FACTORS

Population

The 2009 estimated population for the City of Arlington is 368,033. The following table presents population figures for selected years.

Population and Rates of Change
Arlington and the United States
Selected Years

Year	Arlington	Annual Rate of Change	United States	Annual rate of Change
1950	7,692	-%	150,697,361	-%
1960	44,775	482.10%	178,464,236	18.43%
1970	90,229	101.52%	203,211,926	13.87%
1980	160,113	77.45%	226,545,805	11.48%
1990	261,721	63.46%	248,765,170	9.81%
2000 (1)	332,969	27.22%	281,421,906	13.13%
2003	354,587	6.49%	290,809,777	3.34%
2004	359,814	1.47%	293,655,404	0.98%
2005	362,972	0.88%	296,410,404	0.94%
2006	364,369	0.38%	301,071,787	1.57%
2007	366,470	0.58%	303,241,702	0.72%
2008	367,416	0.26%	305,529,237	0.75%
2009	368,033	0.17%	306,971,000	0.47%

(1) Actual 2000 Census population.
Source: U.S. Dept. of Commerce, U.S. Census, and the Community Development and Planning Department Estimates.

Educational Facilities

Public education is provided principally by the Arlington Independent School District ("AISD") and part of the Mansfield Independent School District ("MISD") which overlaps all but a small portion of the City. The AISD public schools feature nine high schools, thirteen junior high schools, fifty-two elementary schools, one pre-kindergarten campus, one immigrant education campus, one alternative school and three discipline-management campuses. AISD's professional staff of 4,229 serves a peak enrollment of 62,863 students. MISD has fifteen schools in the City, including two high schools, four middle schools and nine elementary schools. The fifteen schools serve approximately 14,112 students.

The University of Texas at Arlington, founded in 1895, has an approximate enrollment of 25,000 students and offers 185 degree programs at the bachelor, master, and doctoral levels. The physical plant, located on a 396 acre campus, includes 107 University academic and dormitory buildings.

Tarrant County College opened its Southeast Campus in the City during 1996. The 193-acre site features a current enrollment of approximately 10,000 students and has 750 employees. The college offers Associate degrees in Arts, Applied Sciences, and various Technical certificates.

Summarized below is information concerning the AISD and MISD annual peak enrollment and the percentage changes for the last five fiscal years.

Public School Enrollment

Fiscal Year	AISD Peak Enrollment	Percentage of Change	MISD Peak Enrollment	Percentage of Change
2005	62,531		12,006	
2006	62,267	-0.42%	13,733	14.38%
2007	63,397	1.02%	15,085	9.84%
2008	62,157	-2.38%	14,456	-4.17%
2009	62,863	0.47%	14,112	-2.38%

Source: Arlington Independent School District, Texas Education Association

Employment

Arlington Major Employers

Name	Type of Business	Number of Employees
Texas Health Resources	Medical Services	8,612
Arlington Independent School District	Public Education	8,000
University of Texas at Arlington	Higher Education	2,595
General Motors [(1)]	Automobile Assembly	2,250
Arlington Memorial Hospital	Medical Center	2,200
City of Arlington	Municipality	2,121
Americredit	Finance	2,000
Medical Center of Arlington	Medical Center	1,100
L3 Communications	Communications	800
Aetna	Medical Services	740
Lear Corporation	Manufacturing	695
National Semiconductor	Semiconductor Manufacturer	630

[(1)] General Motors Corporation owns and operates an assembly plant in the City. The company filed for bankruptcy protection in 2009 and is undergoing reorganization. The plant in Arlington was closed for a period of time but has now reopened. The Arlington plant is the company's only facility that builds full-sized SUVs, including the Chevrolet Tahoe, GMC Yukon and Cadillac Escalade. The City can make no representations concerning the financial viability of the company or its future operations in the City, including whether the company will continue to operate the its assembly plant in Arlington. The company is current on its tax liability.

Source: Arlington Chamber of Commerce. This information will continue to be disclosed as long as it is available from the Chamber of Commerce or other reliable sources.

As illustrated in the table below, the City has maintained lower unemployment rates than the United States and the State of Texas. For 2008, the City's unemployment rate averaged 4.6 percent compared to the U.S. rate of 5.8% percent and the Texas rate, which was 4.9 percent.

Unemployment Rate
Annual Average Rates

	2009[(1)]	**2008**	**2007**	**2006**	**2005**	**2004**
Arlington	8.1%	4.6%	4.1%	4.5%	5.1%	5.8%
Texas	8.0%	4.9%	4.4%	4.9%	5.4%	6.0%
United States	9.7%	5.8%	4.6%	4.6%	5.1%	5.5%

Source: U.S. Bureau of Labor Statistics.
[(1)] As of May, 2009.

Financial Institutions

There are fifty-five commercial banks, state banks and savings and loan associations in the City.

Building Permits

During the FY 2008 the City issued 3,948 building permits with a total value of $343,165,074. Presented below is a table covering building permit activity for the last three years:

	2008		2007		2006	
	Permits	Value (000's)	Permits	Value (000's)	Permits	Value (000's)
New Single Family	427	$ 65,351	807	$ 124,691	1,170	$ 179,552
New Multifamily	3	19,650	10	22,796	-	-
New Commercial	91	144,500	56	53,368	136	1,177,046
New Institutional	30	13,187	49	10,622	24	79,303
Other (Additions, etc. [1])	3,397	100,477	3,507	83,781	3,629	90,450
Grand Total	3,948	343,165	4,429	295,258	4,959	1,526,351

[1] Number of permits includes: signs, additions, remodels, interior finishes, accessory structures, fences, swimming pools, moves, demolitions and early grading. There is no value associated with move, demolition or early grading permits.

Source: City of Arlington

INVESTMENTS

The City invests its funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City investment policies are subject to change.

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by Bonds described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where; (a) the funds are invested by the City through a depository institution that has a main office or branch office in this state and that is selected by the City; (b) the depository institution selected by the City arranges for the deposit of funds in one or more federally insured depository institutions, wherever located; (c) the certificates of deposit are insured by the United States or an instrumentality of the United States; (d) the depository institution acts as a custodian for the City with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the City receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the City through the depository institution selected under clause (ii)(a) above, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-loan money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "Aaa" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in investments that protect principal, and consistent with the operating requirements of the City, and yield a market rate of return. Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest City funds without express written authority from the City Council or chief financial officer of the City.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution, (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt services, and to invest no portion of bond proceeds, reserves and funds held for debt service in mutual funds; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

The City's primary investment objective is to provide for the protection of principal with an emphasis on safety and liquidity. The City maintains a comprehensive cash management program that includes prudent investment of its available funds. Investment maturities are targeted to provide available cash for the operating requirements of the City.

As of July 31, 2009, the following percentages of the City's operating funds were invested in the following categories of investments:

Type of Investment	% Invested
Certificates of Deposit	7.60%
Federal Agencies	76.50%
Statewide Pool	15.90%
Totals	100.0%

As of July 31, 2009, the weighted average maturity of the City's operating portfolio was 239 days and the market value of the operating portfolio was 100.6 percent of its book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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DEBT STRUCTURE AND CAPITAL IMPROVEMENT PROGRAM

Debt Statement

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all General Obligation debt service, as calculated at the time of issuance.

The following table details the ad valorem tax-supported debt of the City as of August 31, 2009:

Total Currently Outstanding Tax-Supported Debt		$283,300,000 (3)
The Bonds	$29,415,000	
The 2009A Certificates (4)	6,865,000	
The 2009B Certificates (4)	2,065,000	38,345,000
Total Tax-Supported Debt		$321,645,000
Less Self-Supporting Debt (1)		44,716,448
Net Tax-Supported Debt (2)		$276,928,552

(1) Self Supporting debt includes the Combination Tax and Revenue Certificates of Obligation, Series 1998, a portion of the Combination Tax and Revenue Certificates of Obligation, Series 2001-A and 2001-B, a portion of the Permanent Improvement Refunding Bonds, Series 2005 and the Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B. See "Computation of Self-supporting Debt".

(2) See "Debt Service Requirements - Net Tax-Supported Debt".

(3) Does not include $22,000,000 outstanding commercial paper.

Source: City Financial and Management Resources Department.

(4) The Combination Tax and Revenue Certificates of Obligation, Series 2009A and the Combination Tax and Revenue Certificates of Obligation, Series 2009B (Private Activity Bonds) are being issued simultaneously with the Bonds.

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Authorized Permanent Improvement Bonds and Use of Proceeds

The following table provides information on the outstanding permanent improvement bond authorizations.

(in thousands)

Election Purpose	Authorized Amount	Previously Issued	The Bonds	Outstanding[(1)] Commercial Paper	Unissued
1993 Library Mobile and Portable Facilities	$ 570	$ -	$ -	$ -	$ 570
1997 Parks and Recreation	37,860	35,860	-	2,000	-
1999 Street and Transportation	85,520	85,520	-	-	-
2003 Fire	4,935	4,935	-	-	-
2003 Police	10,935	10,935	-	-	-
2003 Library	2,435	1,685	250	500 (1)	-
2003 Erosion Control	1,900	-	-	-	1,900
2003 Street Improvements	83,635	38,880	20,919	17,000	6,836
2003 Traffic Management	400	-	-	-	400
2005 Park and Recreation	13,600	5,695	5,405	2,500	-
2008 Parks and Recreation	15,500	-	2,091	-	13,409
2008 Streets and Transportation	103,735	-	-	-	103,735
2008 Library	500	-	-	-	500
2008 Fire	9,090	-	250	-	8,840
2008 Johnson Creek	12,000	-	-	-	12,000
Total	**$ 382,615**	**$ 183,510**	**$ 28,915** (1)	**$ 22,000**	**$ 148,190**

(1) See "GENERAL OBLIGATION COMMERCIAL PAPER PROGRAM" for a discussion regarding the commercial paper program. The City has currently issued $22 million in commercial paper notes. The Bonds will refund $500,000 of previously issued commercial paper notes.

DEBT INFORMATION

Information on the City's indebtedness is presented in the following tables. Included is information on key debt ratios, rapidity of principal retirement and selected debt service schedules.

In addition to the currently outstanding ad valorem tax-supported debt previously issued by the City, the City has also issued certain combination ad valorem tax and revenue supported debt and has incurred contractual and other indebtedness and liabilities payable from ad valorem taxation. Additionally, the City has issued revenue bonds and other indebtedness payable from specific pledged revenues. Various other political subdivisions, which overlap all or a portion of the area of the City are also empowered to incur debt to be paid from revenues raised or to be raised through taxation.

Key Debt Ratios

Fiscal Years 1999 – 2009

Fiscal Year	Estimated Population [1]		Estimated Taxable Valuation Calander Year [2]	Net Tax - Supported Debt Year Ended September 30 [3]	Per Capita	Assessed Valuation
2000	332,969	[4]	$ 11,415,146,297	$ 268,633,000	807	2.35%
2001	339,215		12,435,152,758	276,879,000	816	2.23%
2002	339,215		13,513,378,507	286,398,601	844	2.12%
2003	354,587		14,344,001,305	284,539,762	802	1.98%
2004	359,814		15,018,724,599	283,792,540	789	1.89%
2005	362,972		15,599,320,395	280,766,546	774	1.80%
2006	364,369		16,143,581,172	258,483,552	709	1.60%
2007	366,470		16,793,424,763	243,713,552	665	1.45%
2008	367,416		17,591,230,061	217,938,552	593	1.24%
2009	368,033		18,132,322,248	301,264,802	819	1.66%

(1) Population estimates are based on percent of occupancy in available residences and census data.

(2) Estimated taxable valuation is obtained from the certified value as of September of each year including minimum estimated value of property under protest. 2009 Taxable Valuation is as of July, 2009.

(3) Does not include self-supporting debt. Includes the Combination Tax and Revenue Certificates of Obligation, Series 2009A and the Combination Tax and Revenue Certificates of Obligation, Series 2009B issued simultaneously with the Bonds, and the Bonds.

(4) Actual 2000 Census population.

Source: City Financial and Management Resources Department.

Rapidity of Principal Retirement
All General Obligation Debt

Maturing Within	Amount Maturing [1]	Percent of Total Debt Outstanding
5 years	$ 125,980,000	39.17%
10 years	224,200,000	69.70%
15 years	279,955,000	87.04%
20 years	312,420,000	97.13%
24 years	321,645,000	100.00%

(1) Includes the Bonds.

Source: City Financial and Management Resources Department.

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the principal and interest requirements on the City's outstanding debt payable from ad valorem taxation pledged thereto.

General Obligation Bonds

Fiscal Year Ended	Outstanding Debt		Outstanding Commercial Paper [1]		The Bonds		The 2009A Certificates		The 2009B Certificates		Less: Self- Supporting Debt [2]	Net Tax Supported Debt Service Requirements
9/30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2010	$ 23,880,000	$ 13,064,064	$ 21,500,000	$ 88,795	$ 650,000	$ 855,691	$ 935,000	$ 134,979	$ 280,000	$ 38,399	$ 3,026,955	$ 36,811,177
2011	23,880,000	11,982,836			625,000	1,021,158	990,000	128,550	300,000	36,290	3,001,627	35,962,207
2012	23,330,000	10,884,236			625,000	998,970	990,000	108,750	300,000	30,290	2,999,632	34,267,614
2013	23,215,000	9,791,725			625,000	976,783	990,000	69,150	300,000	24,290	4,010,073	31,981,874
2014	22,145,000	8,749,538			630,000	954,595	990,000	49,350	300,000	18,290	4,010,054	29,826,718
2015	20,645,000	7,733,531			640,000	932,230	985,000	29,550	290,000	12,290	4,009,243	27,258,358
2016	19,235,000	6,792,090			640,000	909,510	985,000	9,850	295,000	6,490	3,929,681	24,943,260
2017	18,030,000	5,894,140			1,930,000	886,790					3,858,978	22,881,953
2018	15,955,000	5,027,814			1,930,000	818,275					3,795,262	19,935,827
2019	14,740,000	4,282,020			1,920,000	749,760					3,782,654	17,909,127
2020	12,030,000	3,601,866			1,920,000	681,600					2,632,613	15,600,854
2021	10,440,000	3,043,205			1,920,000	613,440					2,632,926	13,383,720
2022	9,050,000	2,564,269			1,920,000	545,280					2,580,988	11,498,561
2023	7,925,000	2,152,344			1,920,000	477,120					2,579,163	9,895,301
2024	6,710,000	1,786,096			1,920,000	408,960					2,576,663	8,248,394
2025	5,580,000	1,484,803			1,920,000	340,800					2,581,506	6,744,096
2026	5,665,000	1,227,299			1,920,000	272,640					2,581,256	6,503,683
2027	5,305,000	962,911			1,920,000	204,480					2,576,756	5,815,635
2028	4,255,000	712,821			1,920,000	136,320					2,578,006	4,446,135
2029	2,060,000	519,356			1,920,000	68,160					2,579,356	1,988,160
2030	2,155,000	426,656									2,581,656	
2031	2,250,000	326,988									2,576,988	
2032	2,355,000	222,925									2,577,925	
2033	2,465,000	114,006									2,579,006	
	$ 283,300,000	$ 103,347,539	$ 21,500,000	$ 88,795	$ 29,415,000	$ 12,852,561	$ 6,865,000	$ 530,179	$ 2,065,000	$ 166,339	$ 72,638,965	$ 365,902,653

(1) Excludes $500,000 in commercial paper notes refunded by the Bonds. Although the current outstanding Commercial Paper Notes mature in October and November, the principal amount will not be paid at this time. Estimated interest assuming 0.43% for an 11 month period.

(2) Self Supporting debt includes the Combination Tax and Revenue Certificates of Obligation, Series 1998, a portion of the Combination Tax and Revenue Certificates of Obligation, Series 2001-A and 2001-B, a portion of the Permanent Improvement Refunding Bonds, Series 2005 and the Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B. See "Computation of Self-Supporting Debt" herein.

Net Tax Supported Debt

Fiscal Year Ending (9/30)	Outstanding General Obligation Debt (1) Principal	Interest	Total	Self Supporting Debt (2) Principal	Interest	Total	Net Tax Supported Debt Service
2010	$ 25,745,000	$ 14,093,133	$ 39,838,133	$ 933,750	$ 2,093,205	$ 3,026,955	$ 36,811,177
2011	25,795,000	13,168,834	38,963,834	948,620	2,053,007	3,001,627	35,962,207
2012	25,245,000	12,022,246	37,267,246	991,625	2,008,007	2,999,632	34,267,614
2013	25,130,000	10,861,948	35,991,948	2,048,984	1,961,089	4,010,073	31,981,874
2014	24,065,000	9,771,773	33,836,773	2,134,434	1,875,620	4,010,054	29,826,718
2015	22,560,000	8,707,601	31,267,601	2,226,321	1,782,922	4,009,243	27,258,358
2016	21,155,000	7,717,940	28,872,940	2,245,430	1,684,251	3,929,681	24,943,260
2017	19,960,000	6,780,930	26,740,930	2,282,188	1,576,790	3,858,978	22,881,953
2018	17,885,000	5,846,089	23,731,089	2,327,605	1,467,657	3,795,262	19,935,827
2019	16,660,000	5,031,780	21,691,780	2,434,991	1,347,663	3,782,654	17,909,127
2020	13,950,000	4,283,466	18,233,466	1,393,750	1,238,863	2,632,613	15,600,854
2021	12,360,000	3,656,645	16,016,645	1,463,750	1,169,176	2,632,926	13,383,720
2022	10,970,000	3,109,549	14,079,549	1,485,000	1,095,988	2,580,988	11,498,561
2023	9,845,000	2,629,464	12,474,464	1,550,000	1,029,163	2,579,163	9,895,301
2024	8,630,000	2,195,056	10,825,056	1,625,000	951,663	2,576,663	8,248,394
2025	7,500,000	1,825,603	9,325,603	1,705,000	876,506	2,581,506	6,744,096
2026	7,585,000	1,499,939	9,084,939	1,790,000	791,256	2,581,256	6,503,683
2027	7,225,000	1,167,391	8,392,391	1,875,000	701,756	2,576,756	5,815,635
2028	6,175,000	849,141	7,024,141	1,970,000	608,006	2,578,006	4,446,135
2029	3,980,000	587,516	4,567,516	2,060,000	519,356	2,579,356	1,988,160
2030	2,155,000	426,656	2,581,656	2,155,000	426,656	2,581,656	
2031	2,250,000	326,988	2,576,988	2,250,000	326,988	2,576,988	
2032	2,355,000	222,925	2,577,925	2,355,000	222,925	2,577,925	
2033	2,465,000	114,006	2,579,006	2,465,000	114,006	2,579,006	
	$ 321,645,000	$ 116,896,618	$ 438,541,618	$ 44,716,448	$27,922,517	$ 72,638,965	$365,902,653

(1) Includes the Combination Tax and Revenue Certificates of Obligation, Series 2009A and the Combination Tax and Revenue Certificates of Obligation, Series 2009B issued simultaneously with the Bonds, and the Bonds. Does not include outstanding commercial paper.

(2) Self-Supporting debt includes the Combination Tax and Revenue Certificates of Obligation, Series 1998, a portion of the Combination Tax and Revenue Certificates of Obligation, Series 2001-A and 2001-B, a portion of the Permanent Improvement Refunding Bonds, Series 2005 and the Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B. See "Computation of Self-supporting Debt" herein.

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Computation of Self-Supporting Debt [1]

Hotel Occupancy Tax Revenue [2]		
Gross Hotel Occupancy Tax Revenues for Fiscal Year ended 9-30-08	$	5,390,793
Debt Service Requirements for Hotel Occupancy Tax Revenue Debt FY 2009		1,373,567
Percent of Tax Increment Self-Supporting		100%
Water and Wastewater System (WWS) Revenues		
Revenue Available for Debt Service from WWS Revenues, FY end 9-30-08	$	46,294,000
Less: Revenue Bond requirements, FY 2009		13,810,771
Balance Available for Other Purposes		32,483,229
Debt Service Requirements for Water for Portions of CO 2001 A and B, FY 2009		78,098
Percentage of Water and Wastewater System CO Debt, Self-Supporting		100%
Tax Incremental Reinvestment Zone 5 (TIRZ 5) [3]		
Beginning Fund Balance TIRZ 5 Core, 9-30-09	$	251,242
Beginning Fund Balance TIRZ 5 Surrounding, 9-30-09		1,006,055
Projected Tax Revenue TIRZ 5 Core, FY 2010		179,557
Projected Tax Revenue TIRZ 5 Surrounding, FY 2010		718,230
Total Projected Balance Available for Debt Service FY 2009		2,155,084
Debt Service Requirements for TIRZ 5, FY2010		1,567,781
Percentage of TIRZ 5 Obligations Self-Supporting		100%

(1) If funds are not sufficient for any of the above debt service payments the difference(s) will be paid from ad valorem taxes.

(2) Historically the City has paid for a portion of its outstanding Combination Tax and Revenue Certificates of Obligation, Series 1998 and Refunding Bonds, Series 2005 from surplus Hotel Occupancy Tax Revenues. There is no guarantee that the d

(3) TIRZ 5 Debt Service in FY 2009 was paid from capitalized interest from proceeds of Certificates of Obligation Series 2008B.

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Tax Adequacy [(1)]

The following analysis as of September 30, 2008, assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2009 Net Taxable Valuation, and future Hotel Occupancy Tax collections at a level sufficient to pay debt service on the Combination Tax and Revenue Certificates of Certificates of Obligation, Series 1998, and the allocable portion of the Series 2005 Refunding Bonds and sufficient TIRZ 5 revenues to cover the 2008B Combination Tax and Revenue Certificates of Obligation.

Average Annual Requirement (2010 - 2030) ……………..……………..	$ 18,295,133
A tax rate of $0.1009 per $100 assessed valuation produces ………….	18,300,000
Average Annual Requirement (2010 - 2020) …………………………..	27,034,452
A tax rate of $0.1491 per $100 assessed valuation produces ………….	27,040,000
Maximinum Annual Requirement (2010) ………………………………….	36,811,177
A tax rate of $0.2031 per $100 assessed valuation produces ………….	36,820,000

(1) The amounts include the Combination Tax and Revenue Certificates of Obligation, Series 2009A and the Combination Tax and Revenue Certificates of Obligation, Series 2009B issued simultaneously with the Bonds, and the Bonds. Amounts above do not include the outstanding principal amount of commercial paper.

GENERAL OBLIGATION COMMERCIAL PAPER PROGRAM

The City Council authorized the issuance of its General Obligation Commercial Paper Notes, Series A (the "Commercial Paper Notes") on May 24, 2005 in an aggregate principal amount not to exceed $30 million for voter approved capital projects (see "DEBT STRUCTURE AND CAPITAL IMPROVEMENT PROGRAM – Tax-Supported Capital Improvement Program" for a description of the approved capital projects for the Commercial Paper Notes). As of the date of this private placement memorandum, the City has $22,000,000 in Commercial Paper Notes outstanding, $500,000 of which will be refunded with proceeds from this issuance of the Bonds (see "DEBT STRUCTURE AND CAPITAL IMPROVEMENT PROGRAM – Authorized Permanent Improvement Bonds and Use of Proceeds"). The liquidity provider for the principal portion of the Commercial Paper Notes is Bank of America, N.A. See "THE BONDS – Refunded Commercial Paper Notes".

The Commercial Paper Notes may be issued for a period not to exceed 270 days and will bear interest based upon the specified terms of the Commercial Paper Notes, but not to exceed 15%. The principal on the Commercial Paper Notes is payable from ad valorem taxes and other funds that may be provided under the Credit Agreement by and between the City and Bank of America, N.A. The interest on the Commercial Paper Notes is payable from the receipts of ad valorem taxes.

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ESTIMATED OVERLAPPING DEBT

The following table indicates the indebtedness, defined as outstanding obligations payable from ad valorem taxes, of governmental entities within which the City is located or with which taxable property is jointly levied against, and the estimated percentages and amounts of such indebtedness attributable to taxable property within the City. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance purposes. Furthermore, certain of the entities listed may have issued additional obligations payable from ad valorem taxes since the date stated in the table, and such entities may have programs requiring the issuance of substantial additional amounts of indebtedness, the amount of which cannot be determined.

Overlapping Debt

Taxing Jurisdiction	Net Amount (1)	Debt as of	Percent (2)	Amount Overlapping
Arlington ISD	$390,467,303	9/10/2009	78.23	$305,462,571
Fort Worth ISD	496,019,495	12/31/2008	0.33	1,636,864
Hurst-Euless-Bedford ISD	209,919,876	11/30/2008	0.35	734,720
Kennedale ISD	50,330,025	5/31/2009	54.36	27,359,401
Mansfield ISD	663,829,942	12/31/2008	33	219,063,881
Tarrant Co	321,866,349	1/31/2009	14.87	47,861,526
Tarrant Co College Dist	43,109,589	8/31/2008	14.87	6,410,396
Tarrant Co Hosp Dist	28,810,000	5/31/2009	14.87	4,284,047
Total Net Overlapping Debt				$612,813,406
Arlington, City of				$403,826,031 (3)
Total Direct and Overlapping Debt				$1,022,359,491
Total Direct and Overlapping Debt % of AV				5.61%
Total Direct and Overlapping Debt % of Capita				$2,755

(1) Source: Net debt outstanding per representative of each jurisdiction.
(2) Source: Texas Municipal Reports, compiled and published by Municipal Advisory Council of Texas.
(3) See "Debt Statement". Includes the Combination Tax and Revenue Certificates of Obligation, Series 2009A and the Combination Tax and Revenue Certificates of Obligation, Series 2009B issued simultaneously with the Bonds, and the Bonds and excludes self-supporting debt.

TAX-SUPPORTED CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program ("CIP") provides for multi-year improvements to the City's public facilities along with the means of financing these improvements. The City's Capital Improvement Program is prepared annually and primarily driven by recent bond election results. The City's most recent permanent improvement bond election, totaling $140,825,000, was held on November 4, 2008 with all propositions passing. The propositions on the ballot included $103,735,000 for Public Works; $15,500,000 for Parks; $12,000,000 for Johnson Creek; $9,090,000 for Fire; and $500,000 for Libraries. Combined with the authorized but unissued bonds from prior elections, the City will have $148,190,000 in unissued permanent improvement bonding authority after this sale.

FINANCIAL INFORMATION

Basis of Accounting and Accounting Structure

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

Ad valorem, franchise and sales tax revenues in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered deferred revenue.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2007. The City was awarded a Certificate of Excellence for its CAFR for the year ended April 30, 1966 and then annually from 1977 to 2008. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2008.

ACCOUNTING STANDARDS

The basic financial statements are prepared in conformity with GASB Statement No. 34 (Statement No. 34) 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 or account group, but distinguish between the City's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group. 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. 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. Accordingly, the accounting and financial reporting of the City's General Fund, Capital Projects Funds, Special Revenue Funds, and Debt Service Funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34.

The following major funds are used by the City:

Governmental Funds

The following is a description of the Governmental Funds of the City:

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. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Stadium Venue fund accounts for the Dallas Cowboys Complex Development Project. Street capital project fund account for the financing and acquisition of right of way and construction of streets and related facilities. Funds are provided primarily through bond sales, and interest earnings. Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

Proprietary Fund

The following is a description of the City's Proprietary Fund:

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

Other Fund Types

The City additionally reports for the following Fund types:

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. Agency Funds are used to account for assets held by the City in an agency capacity for individuals, local law enforcement agencies or developers. Pension Trust Fund is used to account for the accumulation of resources to be used for the retirement benefit payments to employees of the City.

Component Units

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. Component Units discretely presented include the Arlington Sports Facilities Development Authority, Inc., the Arlington Housing Authority, the Arlington Housing Finance Corporation, the Arlington Convention & Visitors Bureau, Inc., the Arlington Tomorrow Foundation and the Arlington Industrial Development Corporation. The following component units have been blended with those of the City because (i) their governing bodies are substantially the same as the governing body of the City or (ii) the component unit provides services entirely to the City. These are the Arlington Property Finance Authority, Inc., Thrift Savings Plan, Disability Income Plan and Part-Time Deferred Income Trust.

GENERAL FUND REVENUES AND EXPENDITURES

The General Fund is the primary operating Fund maintained by the City to account for revenue derived from City-wide ad valorem taxes, other local taxes, licenses, fees, permits, and certain other miscellaneous revenues. General Fund expenditures are the cost of general City government. The following is a discussion of the General Fund revenue structure and major classifications of General Fund expenditures.

CERTAIN OPERATIONS OF THE GENERAL FUND

The General Fund of the City is that accounting entity which is used to account for all transactions which are not accounted for in another fund and which, specifically, receives all revenues and records all expenditures relating to the ordinary operations of general government. Other major funds of the City are the Special Revenue Funds, the Capital Project Funds, the Enterprise Funds, and the Debt Service Funds.

Summaries for fiscal years 2004 to 2008 have been compiled from the audited financial statements included in the Comprehensive Annual Financial Reports of the City. These summaries should be read in conjunction with their related financial statements and notes.

Consolidated Financial Statements-General Fund
Fiscal Year Ended September 30
(amounts in thousands)

	2008	2007	2006	2005	2004
Ad Valorem Taxes	77,829	75,090	68,166	62,701	58,972
Sales Tax	46,009	46,245	43,228	40,072	39,664
Other Taxes [1]	1,463	895	1,452	1,435	4,021
Franchise Fees	25,994	29,145	31,140	28,928	29,371
Service Charges	4,386	5,668	5,198	5,781	4,696
Interest	3,299	4,549	3,365	1,501	380
All Other	23,373	19,008	26,856	16,742	15,004
Total Revenues	182,353	180,600	179,405	157,160	152,108
Total Expenditures	191,035	179,882	168,327	164,724	152,923
Net Revenues Over (Under) Expenditures	(8,682)	718	11,078	(7,564)	(815)
Other Financing Sources					
Issuance of Capital Leases	322			1,626	
Transfers [1][2]	4,203	(6,486)	2,979	32,678	5,326
Beginning Fund Balance	$ 60,346	$ 66,114	$ 52,057	$ 25,317	$ 20,806
Ending Fund Balance	$ 56,189	$ 60,346	$ 66,114	$ 52,057	$ 25,317

(1) Prior to FY2005 Payment in Lieu of Taxes was included in Other Taxes. Beginning in FY2005 it is included in Operating Transfers.

(2) Effective May 1, 2005 the City entered into an agreement with Republic Waste Services of Texas, LTD. to lease and operate the City's Landfill. At that time the City's interest in the remaining net assets – amounting to $33.99 million – was transferred to the General Fund. In addition, prior to FY 2005 Payment in Lieu of Taxes was included in Other Taxes. Beginning in FY 2005 it is included in Operating Transfers.

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For the fiscal year ended September 30, 2008, the General Fund had revenues less than expenditures and transfers by $4,157,000 or (2.22%) percent of General Fund revenues, leaving a General Fund balance at September 30, 2008, of $56,189,000. The following table presents a comparison of the City's General Fund balance for fiscal years 2004 to 2008.

General Fund Balance
Fiscal Year Ended September 30
(amounts in thousands)

General Fund Balance:	2008	2007	2006	2005	2004
Reserved for					
Encumbrances	$ 6,074	$ 6,351	$ 4,463	$ 3,230	$ 1,786
Inventory	600	574	240	254	113
Prepaids	2	35	5	46	46
Utility Rate Case	500	500	500	500	500
Unreserved – Designated for					
Telecommunications	-	-	-	274	329
Working Capital	16,512	16,232	15,964	14,373	13,585
Subsequent Years' Expenditures	5,944	5,843	5,747	5,174	5,018
Arbitrage	288	184	33	12	38
Compensated absences	1,556	1,261	1,280	1,125	1,411
Other Post Employment Balances	1,718	1,718	1,718	1,718	1,718
Designated for landfill lease proceeds	21,487	21,030	20,573	19,887	-
Gas lease proceeds	1,000	1,000	5,020	-	-
Undesignated	508	5,618	10,571	5,464	773
Total General Fund Balance	$56,189	$60,346	$66,114	$52,057	$25,317
General Fund Balance as a Percent of General Fund Expenditures	29.46%	33.55%	39.28%	31.60%	16.56%

Source: Fiscal Year 2004 to 2008 Comprehensive Annual Financial Reports.

DEBT SERVICE FUND BUDGET
Fiscal Year 2009
(amounts in thousands)

Beginning Fund Balance	$ 4,110
Property Tax Revenue	36,505
Interest Revenue	598
Transfers In (1)	4,130
Debt Service Expenditures	(40,974)
Estimated Ending Fund Balance	$ 4,369

(1) Includes transfers to the Debt Service Fund from the Convention and Event Services Fund, Park Performance Fund, TIRZ#5 capitalized interest fund and Water and Wastewater Fund.

Source: Fiscal Year 2009 Budget

CURRENT OPERATING BUDGET

On September 22, 2009, the City Council adopted a total Budget for fiscal year 2010 with expenditures of $371,060,784. The adopted General Fund Budget reflects a property tax rate of $0.6480/$100. The Budget for fiscal year 2010 maintains core services levels and programs within tight financial constraints. Employee pay increases, based on merit, were between 1% and 2% and were included in the adopted budget. The overall value of taxable property in the City increased by 3.9 percent, from $17,591 billion in fiscal year 2008 to $18,277 billion in fiscal year 2009. The adopted Budget authorizes City government personnel of 2,493 full-time positions, an increase of 54 positions from the fiscal year 2008 budget.

The following table shows the City's estimated revenues and budgeted expenditures for fiscal year 2009, as reported in the adopted Budget.

Budgeted Revenues and Budgeted Expenditures
Fiscal Year 2009 Budget [(1)]
(amounts in thousands)

	FY 09 Budget	Percent FY 09 Budget
REVENUES		
General Fund	$ 199,468	52.1%
Water and Sewer Fund	110,679	28.9%
Debt Service Fund	37,103	9.7%
Street Maintenance Fund	12,456	3.3%
Park Maintenance Fund	8,783	2.3%
Storm Water Utility Fund	6,684	1.7%
Convention and Event Services Fund	7,996	2.1%
	$ 383,168	100%
EXPENDITURES		
General Fund	$ 198,516	51.8%
Water and Sewer Fund	93,242	24.3%
Debt Service Fund	40,974	10.7%
Street Maintenance Fund	21,035	5.5%
Transfers and Fund Balance	8,201	2.1%
Park Maintenance Fund	10,925	2.9%
Storm Water Utility Fund	3,325	0.9%
Convention and Event Services Fund	6,949	1.8%
	$ 383,168	100%

(1) All funds combined, excludes interfund transfers.
Source: Fiscal Year 2009 Budget.

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TAX DATA

General

A major source of operational revenue and funds for tax-supported debt service payments is the receipts from ad valorem taxation. The following is a recapitulation of (1) the authority for taxation, including methodology, limitations, remedies and procedures; (2) historical analysis of collection and trends of tax receipts and provisions for delinquencies; and (3) an analysis of (a) the base, (b) the principal taxpayers, and (c) other ad valorem taxation that may compete with the City's tax collections. Additionally, sales tax, hotel occupancy tax and short term motor vehicle rental tax authority and collections are described.

Authority for Ad Valorem Taxation

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to $2.50 per $100 assessed valuation for all city purposes and makes no allocation of such tax rate between debt service requirements and expenses of general city government. The City operates under a Home Rule Charter that adopts these provisions of the Constitution. For fiscal year 2010, the Council is levying a tax rate equal to $0.6480 per $100 assessed valuation of which $0.2013 is allocated to pay debt service on outstanding tax-supported Bonds and notes. See "Tax Rate Distribution."

Effective Tax Rate and Rollback Tax Rate

Before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City, the City Council must adopt a tax rate per $100 taxable value for the current year. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings have been held on the proposed tax rate following notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's total maintenance and operations tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional sales tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Property Subject to Taxation

All real property and tangible personal property in the City is subject to taxation except for certain mandated and discretionary exemptions granted pursuant to State law and Title I of the Texas Tax Code (the "Property Tax Code"). The Property Tax Code mandates exemption of public property, property exempt by federal law from ad valorem taxes, household goods, personal effects of an individual, and certain property of religious and charitable organizations, schools, and disabled veterans. The Property Tax Code authorizes cities to exempt the residential homestead of those over 65 years of age and the disabled. The Council currently exempts up to $60,000 of the appraised value of such residential homesteads. The FY 2010 tax rolls reflect the Council granting persons 65 years of age and older, disabled persons and disabled veterans exemptions totaling $890,101,268.

Article VIII, Section 1-b of the Texas Constitution provides the City with the authority to exempt a percentage of the market value of residential homesteads. The percentage may not exceed 20 percent in FY 2010 and each subsequent year. Where an ad valorem tax has previously been pledged for the payment of debt, the Council may continue to levy and collect the tax against the value of the exempt homesteads until the debt is discharged if the cessation of the levy would impair the obligation. The Council granted 20 percent residential homestead exemptions on the FY 2010 tax roll, which totaled $1,843,722,993 or 10.1 percent of the FY 2010 taxable assessed valuation. In addition, $67,406,685 of value was reduced from the FY 2010 tax rolls in accordance with State law to reflect value of agricultural land based upon production rather than market value.

Article VIII of the Texas Constitution provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." Under Section 11.253 of the Texas Tax Code, "Goods-in-Transit" are exempt from taxation unless a taxing unit opts out of the exemption. The City did opt out. Goods-in-Transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Section 23.83 of the Property Tax Code allows taxes to be deferred on property that is restricted to scenic use. Deferrals were first claimed under this section in 1990. The FY 2010 tax roll reveals a value loss of $9,410,286 due to scenic deferrals.

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Chapter 312 of the Texas Tax Code allows the Council to designate reinvestment zones and to enter into tax abatement agreements with property owners within these zones. The abatement value loss on the FY 2009 tax roll is $266,739,104. A schedule of abated values for the FY 2009 by property owners is as follows:

Property Owner	FY 2009 Abatement Value
General Motors	$ 146,363,100
Americredit	36,023,354
Siemens Dematic	24,249,245
National Semiconductor	10,688,164
JPMorgan Chase Bank	10,060,458
Rooms To Go	13,850,575
Prologis	11,377,595
Primera	2,505,920
For 1031 Arlington, LLC	3,804,230
Lear Corporation	2,958,284
Office Depot	3,781,725
Robinson Steel	1,076,454
Total	$ 266,739,104

With the passage of Proposition 5 on November 7, 1989, the State Constitution was amended to allow for the taxation of temporarily located inventory on a local option basis. To continue taxation of this so called "freeport" property, the governing body of a taxing entity, such as the Council, was required to take action prior to January 1, 1990. The Council adopted an ordinance, which allowed for the continued taxation of "freeport" property for 1990 and subsequent years. On January 13, 1998, the Council repealed the aforementioned ordinance, which has the effect of exempting "freeport" property from taxation effective January 1, 1999. This exemption is irrevocable under current State law. The amount of "freeport" assessed value subject to exemption for the FY 2010 tax roll is $24,849,026.

Tax Increment Financing Districts

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. Other overlapping taxing units may agree to contribute all of part of future ad valorem taxes levied and collected against the value of property in the zone in excess of the "frozen value" to pay or finance the costs of certain public improvements in the zone. The difference between any increase in the assessed valuation of taxable real property in the TIF in excess of the base value of taxable real property in the TIF is known as the "Incremental Value," and during the existence of the TIFs, taxes levied by the City against the Incremental Value in the TIFs are restricted to paying project and financing costs within the TIFs and are not available for the payment of other obligations of the City, except for obligations that are expressly secured from the Incremental Value within a particular zone.

The City Council adopted an ordinance on November 3, 1998, establishing a tax increment financing district (the "TIF District #1") encompassing approximately 533 acres in the City's downtown area. TIF District #1 took effect on January 1, 1999 and will terminate on December 31, 2018. The City Council can terminate the TIF District at an earlier date by subsequent ordinance.

The City Council adopted an ordinance on September 27, 2005, establishing a tax increment financing district (the "TIF District #2") encompassing approximately 2,000 acres in the northeast quadrant of the City. TIF District #2 took effect on January 1, 2006 and was dissolved by the City Council on March 27, 2007. TIF District #2 was replaced by TIF District #6.

The City Council adopted an ordinance on October 11, 2005, establishing a tax increment financing district (the "TIF District #3") encompassing approximately 210 acres on the eastern side of the City. TIF District #3 took effect on January 1, 2006 and was terminated on September 2, 2008.

The City Council adopted an ordinance on November 8, 2005, establishing a tax increment financing district (the "TIF District #4") encompassing approximately 320 acres in the City's south central area. TIF District #4 took effect on January 1, 2005 and will terminate on December 31, 2025.

The City Council adopted an ordinance on December 19, 2006, establishing a tax increment financing district (the TIF District #5 Entertainment District") encompassing 2,187 acres generally defined by Lamar Boulevard to the north, the Union Pacific Railroad to the south, State Highway 360 to the east and Collins Street to the west. TIF District #5 Entertainment District took effect on January 1, 2007 and will terminate on December 31, 2036.

The City Council adopted an ordinance on December 18, 2007, establishing a tax increment financing district (the "TIF District #6") encompassing approximately 2,000 acres in the northeast quadrant of the City. The TIF District took effect on January 1, 2007 and will terminate on December 31, 2036.

Appraisal of Taxable Property

The Property Tax Code established a county-wide appraisal district in each county of the State. Each appraisal district assumes the responsibility of appraising all taxable property and preparing and certifying the tax rolls for each unit of government that levies ad valorem tax in that county. The appraisal of property within the City is the responsibility of the Tarrant Appraisal District. Under the 1981 amendment to the Property Tax Code, the City is now entitled to vote, in the proportion to its taxes levied in Tarrant County, in selecting the governing board of appraisal district. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed either the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. A city, or other taxing unit, may challenge the appraisals assigned to property within its jurisdiction under certain limited circumstances. These entities can also sue the appraisal district to compel it to comply with the Property Tax Code.

The City's FY 2010 appraisal roll was prepared and certified by the Tarrant Appraisal District's Chief Appraiser and Appraisal Review Board. Such appraisal rolls are used by the City in establishing its tax rate. The City Council is responsible for setting the rate, levying and collecting the taxes. All taxable property in the City is presently valued on the City's tax roll at 100 percent of its estimated market value as of January 1. The rate of taxation was determined and set by the Council based upon the January 1 valuation. Taxes are due October 1 of the subject year and become delinquent after January 31 of the following year, except for a split payment option. Under the split payment option, adopted by the City beginning with fiscal year 2003, taxpayers can make one-half payment prior to December 1, and the final one-half payment prior to July 1 of the following year without penalty or interest. Since October 1, 2002 ad valorem taxes for the City have been collected by the Tarrant County Tax Assessor-Collector. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

City's Rights in the Event of Tax Delinquencies

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Tax Limitation Election

A City election was approved on February 5, 2005, which adopted a homestead property tax limitation for disabled individuals and individuals 65 years of age or older. This limitation on the residential homesteads of qualifying property owners is defined under the Texas Property Tax Code, section 11.261. The limitation cannot be repealed by any action of the City or through an election of the City under current state law. The homestead property tax ceiling limits the amount of taxes paid to the City based on the taxes paid in the first year that the property qualifies for the disabled exemption or the 65 years of age or older exemption. The limitation is a dollar amount and does not increase unless improvements (other than repairs or improvements required to comply with governmental requirements) are made to the residential homestead. For those property owners who qualified in 2005 for either exemption, the tax ceiling was set based on the taxes levied in September 2005 by the City. The tax ceiling carries forward to a surviving spouse age 55 or older of an individual who is 65 years of age or older.

The City has 66,610 residential homestead properties in FY 2010 and 14,918 of these properties received an exemption for a disabled individual or individual 65 years of age or older.

Tax Revenue

The following table shows the City's principal tax revenues by source for each of the last five fiscal years. Growth in total tax revenues has averaged 4.6 percent per year over the last five years.

Principal Tax Revenue by Source

(amounts in thousands)

Fiscal Year	General Fund Ad Valorem Taxes	General Fund Sales Tax	Franchise Fees	Hotel Occupancy Tax	Other Taxes [(1)]	Total
2004	58,972	39,664	29,371	3,981	4,021	136,009
2005	62,701	40,072	28,928	4,530	1,435	137,666
2006	68,166	43,228	31,140	4,774	1,452	148,760
2007	75,090	46,245	29,145	5,400	895	156,775
2008	77,829	46,009	30,999	6,909	1,463	163,209

(1) Prior to FY 2005 Payment in Lieu of Taxes was included in Other Taxes. Beginning in FY 2005 it is included in Operating Transfers.

Source: City Financial and Management Resources Department.

The following table sets forth the assessed value of all taxable property less exemptions in the City for each of its five most recent fiscal years. Tax-exempt properties owned by Federal and State governments, churches, and schools, totaling $2,497,398,182 for fiscal year 2010, are not included in the table. The Tarrant Appraisal District certified appraisal of taxable property less exemptions for fiscal year 2010 as of September 1 is $18,251,104,674. This value is obtained from the certified taxable value as of September of each year including minimum estimated value of property under protest.

Net Historical Taxable Value (1)

Fiscal Year	Real Property Taxable Value	Percentage Change From Prior Year	Personal Property Taxable Value	Percentage Change From Prior Year	Taxable Value	Percentage Change From Prior Year
2006	$ 13,930,395,955	4.35%	$ 2,213,185,217	-1.61%	$ 15,599,320,395	3.49%
2007	14,561,490,051	4.53%	2,231,934,712	0.85%	16,143,581,172	3.49%
2008	15,304,029,995	5.10%	2,287,200,066	2.48%	16,793,424,763	4.03%
2009	15,882,403,616	3.78%	2,394,682,571	4.70%	17,591,230,061	4.75%
2010	15,828,665,319	-0.34%	2,518,615,655	5.18%	18,132,322,248	3.08%

(1) Real and personal property is assessed at 100 percent of fair market value. Total taxable value excludes abated value. Net Taxable Valuation is the certified roll as of September of each year including minimum estimated value of property under protest.

Source: City Financial and Management Resources Department.

Tax Rate Distribution

	2010	2009	2008	2007	2006
General Fund	$0.4467	$0.4467	$0.4467	$0.4468	$0.4244
Debt Service Fund	0.2013	0.2013	0.2013	0.2012	0.2236
Total	$0.6480	$0.6480	$0.6480	$0.6480	$0.6480

Source: City Financial and Management Resources Department.

Collection Ratios

Fiscal Year	Net Taxable Valuation (1)	Tax Rate	Tax Levy	% Collections (2) Current Year	% Collections (2) Prior Years
2003	$ 14,344,001,305	0.648	$ 90,940,968	98.15	99.89
2004	15,018,724,599	0.648	97,321,335	99.60	101.26
2005	15,599,320,395	0.648	101,083,596	97.85	100.22
2006	16,143,581,172	0.648	104,610,406	97.88	99.65
2007	16,793,424,763	0.648	108,821,392	97.54	99.82
2008	17,559,408,343	0.648	113,784,996	97.91 (3)	99.86

(1) Net Taxable Valuation is the certified roll as of September of each year including minimum estimated value of property under protest.

(2) Prior year's collections include current year collections, prior year delinquent collections and all penalty and interest collections.

(3) Collections through August 31, 2009.

Source: City Financial and Management Resources Department.

Analysis of Delinquent Taxes
as of September 30, 2008

Fiscal Year	Tax Levy	Uncollected	Percentage of Levy
Prior to 1994	N/A	$ 1,175,227	N/A
1994	53,777,666	94,877	0.18%
1995	54,305,297	74,941	0.14%
1996	58,374,990	58,857	0.10%
1997	62,105,100	99,351	0.16%
1998	64,954,721	154,124	0.24%
1999	69,341,578	158,633	0.23%
2000	72,828,633	187,180	0.26%
2001	78,838,868	168,381	0.21%
2002	85,674,820	254,232	0.30%
2003	90,940,968	263,406	0.29%
2004	97,321,335	329,056	0.34%
2005	101,083,596	391,653	0.39%
2006	104,610,406	519,389	0.50%
2007	108,821,392	1,503,568	1.38%
2008	113,784,966	1,230,946	1.08%
		$ 6,663,821	

Source: City Financial and Management Resources Department.

Tax Base Distribution
Fiscal Years

	2009	2008	2007	2006	2005
Residential	60.6%	62.4%	62.3%	62.1%	62.2%
Commercial, Industrial, Retail	37.5	35.7	35.7	35.9	35.7
Undeveloped	1.9	1.9	2.0	2.0	2.1

Source: City Financial and Management Resources Department.

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Top Ten Taxpayers [3]

Name	Type of Business	Fiscal Year 2010
General Motors Corporation [1]	Auto Assembly	$211,846,231
Parks at Arlington LP	Real Estate Holdings	150,541,475
Oncor Electric Delivery	Electric Utility	142,416,467
Arlington Highland Ltd	Retail	130,885,400
AT&T	Telephone Utility	73,409,308
Texas Flags/Six Flags of Texas [2]	Amusement Park	66,077,444
Walmart	Retail	58,486,313
USMD Surgical Hospital	Healthcare	58,177,021
Quicksilver Resources	Natural Gas Resources	51,016,783
Lincoln Square Ltd	Retail	39,783,322
Total		$982,639,764
Above Ten Taxpayers as % of Total Tax Rolls		5.41%
Total Tax Roll [4]		$18,132,322,248

[1] See Tax Data: Property Subject to Taxation and Assessed Value of Tax Abatement Agreement for 2008 abatement values. General Motors Corporation owns and operates an assembly plant in the City. The company filed for bankruptcy protection in 2009 and is undergoing reorganization. The plant in Arlington was closed for a period of time but has now reopened. The City can make no representations concerning the financial viability of the company or its future operations in the City, including whether the company will continue to operate the its assembly plant in Arlington. The company is current on its tax liability.

[2] Texas Flags/Six Flags of Texas filed for bankruptcy protection in 2009. The amusement park operated by the company in Arlington remains open and operating. The City can make no representation concerning the financial viability of the company or its future operations in the City. The company is current on its tax liability.

[3] Source: Tarrant Appraisal District.

[4] Tax roll is as of September 1, 2009.

Tax Abatements

Assessed Value of Tax Abatement Agreements

Fiscal Year	Total Assessed Valuation Abated
1999	369,707,519
2000	377,017,981
2001	359,001,468
2002	561,859,024
2003	509,488,606
2004	381,607,734
2005	331,596,017
2006	312,216,195
2007	329,173,313
2008	330,647,067
2009	266,739,104 [1]

Source: City Financial and Management Resources Department.

[1] Abatement value decrease is partially a result of several companies rolling off, including Mackie Automotive 97, Primera I, Aetna, Lear Operations and Primeco.

Municipal Sales Tax

The City has adopted the provisions of Sections 321.101 and 321.103 of the Texas Tax Code, which grants the City the power to impose and levy a one percent sales tax for general purposes of the City. On September 14, 2002, an election to adopt an additional one-quarter cent city sales and use tax for municipal street maintenance as permitted under Chapter 327 of the Texas Tax Code was held and the additional one-quarter cent sales and use tax was approved. The additional one-quarter cent sales and use tax became effective on January 1, 2003. On November 2, 2004, an election to adopt an additional one-half cent sales and use tax for the Dallas Cowboys Complex Development Project (the "Cowboys Project") as permitted by Chapter 334 of the Texas Local Government Code was held and the additional one-half cent sales and use tax was approved. The additional one-half cent sales and use tax became effective on April 1, 2005. The Comptroller of Public Accounts of the State of Texas, after the deduction of a two percent service fee, currently remits monthly the City's portion of sales tax collections to the City. The statute provides the Comptroller must remit at least twice annually. Revenue from sales tax levied for general purposes of the City may not be pledged, under the applicable statutes, to the payment of debt service of the City's debt obligations.

Fiscal Year	Sales Tax Receipts	Ad Valorem Tax Levy	Sales Tax as a % of Ad Valorem Tax Levy	Population Estimate	Per Capita Sales Tax Collection
2000	$43,383,927	$ 72,828,633	60%	332,969 (1)	$130.29
2001	44,436,164	78,838,868	56%	339,215	131.00
2002	41,172,479	85,674,820	48%	346,197	118.93
2003	38,695,033	90,940,968	43%	351,719	110.02
2004	39,663,609	97,321,335	41%	355,634	111.53
2005	40,072,031	101,083,596	40%	361,300	110.91
2006	43,228,000	104,610,406	41%	362,393	119.28
2007	46,368,418	108,821,392	43%	364,300	127.28
2008	46,008,765	113,784,966	40%	369,150	124.63
2009 (2)	34,152,781	81,347,808	42%	368,033	92.79

(1) Actual 2000 Census population.
(2) Collections through August 31, 2009.
Source: City Financial and Management Resources Department.

Hotel Occupancy Tax Receipts

Under the provisions of Section 351.002 and 351.003 of the Texas Tax Code, the City is authorized to levy and collect a hotel occupancy tax not to exceed seven percent of the price paid for a room in a hotel in the City which costs $2 or more per day and is ordinarily used for sleeping (the "Hotel Occupancy Tax") to pay for or finance a variety of public improvements, including, specifically, convention center facilities. Section 351.103(c) of the Texas Tax Code states that the Hotel Occupancy Tax revenue allocated by the municipality cannot exceed 15 percent for the encouragement, promotion and application of the arts and cannot exceed 15 percent for historical preservation projects or activities. The City has levied a Hotel Occupancy Tax of seven percent since 1983. On November 2, 2004 an election was approved under Chapter 334 of the Texas Local Government Code to increase the Hotel Occupancy Tax by two percent for the Cowboys Project. The additional two percent can only be used for this purpose and became effective on April 1, 2005. **The additional two percent is not reflected in the table below**.

The Series 2005 Refunding Bonds and the Combination Tax and Revenue Certificates of Obligation, Series 1998 are payable in part from the Hotel Occupancy Tax. Set forth below are the revenues received by the City from the seven percent Hotel Occupancy Tax for the last five years.

Fiscal Year	Hotel Occupancy Tax Receipts
2003	$3,909,501
2004	3,980,814
2005	4,530,102
2006	4,773,828
2007	5,400,772
2008	6,909,000
2009 (1)	3,417,762

(1) Collections through August 31, 2009
Source: City Financial and Management Resources Department.

Dallas Cowboys Complex Development Project

On November 2, 2004, a majority of the voters of the City voted in favor of a proposition authorizing the City to provide for the planning, acquisition, establishment, development, construction and financing of the Cowboys Project within the City and (i) to impose a sales and use tax within the City at a rate of one-half of one percent (0.5%), (ii) to impose a tax at a maximum rate of five percent (5%) on the gross rental receipts from the short-term rental in the City of a motor vehicle, (iii) to impose a tax on the occupancy of a room in a hotel located within the city, at a maximum rate of two percent (2%) of the price paid for such room, (iv) to impose an admissions tax on each ticket sold as admission to an event held at the Project at a maximum rate not to exceed ten percent (10%) of the price of the ticket, and (v) to impose a tax on each parked motor vehicle parking in a parking facility of the Cowboys Project at a maximum rate not to exceed three dollars ($3.00) per vehicle. On February 8, 2005, the City Council approved the Cowboys Complex Funding and Closing Agreement.

On September 1, 2005, the City issued $297,990,000 Dallas Cowboys Complex Special Obligations (the "Obligations") in three series (Series 2005A, Series 2005B and Series 2005C) for this project. The remainder of the City's $325,000,000 share of project costs, was derived from excess sales, hotel and short term motor vehicle rental tax as well as interest earned on bond proceeds. The Obligations are limited obligations of the City, secured by a lien on and pledge of certain Pledged Special Taxes. Such pledged Special Taxes consist of amounts received from the levy and collection of (i) a local sales and use tax of one-half of one percent (0.5%) (the "Sales Tax"); (ii) a five percent (5%) tax on the short-term rental in the City of a motor vehicle (the "Motor Vehicle Rental Tax"); and (iii) a two percent (2%) tax on hotel rooms located within the City (the "Hotel Tax"). The Series 2005C Bonds are additionally secured by and payable from the Pledged Rent which consists of annual rental payments of $2,000,000 received under the Lease and five percent (5%) of certain naming rights proceeds, not to exceed $500,000 annually, derived, if at all, from the sale by the Tenant of naming rights for the Cowboys Complex

The Obligations are ***not*** secured by any mortgage or security interest in the Cowboys Complex or any of the revenues thereof or by any property of the Dallas Cowboys, the National Football League, or any of their affiliates, owners or partners, or, except as expressly provided herein, by the City, the State or any agency, political corporation or subdivision thereof and neither the faith and credit of any of them has been pledged to the payment of the Obligations.

On November 25, 2008, the City issued $112,185,000 Special Tax Revenue Bonds to refund a portion of the 2005B variable rate bonds. In connection with the 2008 Bonds, the City paid a termination payment to terminate a portion of the swap agreement equal to the principal amount of the refunded bonds. On April 23, 2009, the City issued $62,820,000 Special Tax Revenue Bonds to refund the outstanding portion of the 2005B variable rate bonds in order to restructure the debt service to a fixed interest rate. The remaining portion of the swap agreement in connection with the refunded bonds was terminated upon the pricing of the Series 2009 Special Tax Revenue Bonds.

The table below displays the revenues from the collection of the 0.5% Sales Tax, 5.0% Motor Vehicle Rental Tax, and the 2.0% Hotel Tax. The taxes were collected for six months during fiscal year 2005 beginning on April 1, 2005.

Dallas Cowboys Complex Project Tax Revenues

Fiscal Year	Sales Tax	Motor Vehicle Rental Tax	Hotel Tax	Total Taxes
2005	$10,199,454	$366,959	$ 730,787	$11,297,200
2006	22,070,968	793,711	1,360,672	24,225,351
2007	22,653,714	781,397	1,459,619	29,894,730
2008	23,486,334	726,384	1,517,390	25,730,108
2009 (1)	17,217,073	502,062	967,955	21,123,565

(1) Collections through August 31, 2009

PENSION PLAN

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas, 78714.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200 percent of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity. Additionally, initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees equal to 70% of the change in the consumer price index.

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

Plan provisions for the City were as follows (as of 4/1/08):

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

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability. Currently, the unfunded actuarial liability is being amortized over a 30-year closed period. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. For the December 31, 2007 valuation the TMRS Board determined that the Projected Unit Credit 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.

As of December 31, 2007, the most recent actuarial valuation date, the plan was 61.3 percent funded. The actuarial accrued liability for benefits was $569,403,626, and the actuarial value of assets was $348,784,857, resulting in an unfunded actuarial accrued liability (UAAL) of $220,618,769. The covered payroll (annual payroll of active employees covered by the plan) was $130,957,976, and the ratio of the UAAL to the covered payroll was 168.5%.

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually reporting basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than .5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. The statutes further provide that plan members may request up to a forty year amortization period. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

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

For 2008, the City's annual pension cost of $19,486,546 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) no inflation rate adjustment. The actuarial value of assets is adjusted cost for bonds (original cost adjusted for amortization of premium or accrual of discount) and original cost for short-term securities and stocks, which is the same as book value. The City's unfunded actuarial accrued liability is being amortized over a constant 25-year open amortization period as a level percentage of payroll.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
9/30/2006	$14,512,396	100%	-
9/30/2007	15,164,348	100%	-
9/30/2008	19,486,546	100%	-

OTHER POST-EMPLOYMENT BENEFITS

Retiree Health Insurance

The Governmental Accounting Standards Board released the Statement of General Accounting Standards No. 45 ("GASB 45"), Accounting by Employers for Other Post-Employment Benefits ("OPEB"), in June 2004. The City added the required disclosure beginning with fiscal year 2008.

Disability Income Plan

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.

Actuarial Valuation Date	Actuarial Valueof Assets (in thousands)	Actuarial Accrued Liability (AAL) Entry Age (in thousands)	Funded Ratio	Unfunded AAL (UAAL) (in thousands)	Annual Covered Payroll (in thousands)	UAAL as a Percentage of Covered Payroll
7/1/2002	$ 288	$ 3,104	9.3%	$ (2,816)	$ 104,055	2.7%
7/1/2005	286	2,960	9.7%	(2,674)	102,013	2.6%
7/1/2007	349	2,633	13.3%	(2,284)	105,480	2.2%

Retiree Health Insurance

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

Retiree Contributions for Pre-2008 Retirees. For retirees who are below age 65, the City subsidizes the premium rate for the three PPO options with a dollar amount that is based upon a defined percentage of the total premium for the Core Plan. This same dollar amount is the subsidy for the Plus Plan and the Premium Plan as well. The percentage subsidy for the Core Plan varies by years of service at retirement, ranging from 40% to 100%. The percentage subsidy for spouse coverage ranges from 30% to 50% based on years of service. Retirees pay the balance of the total premium rates. The City also subsidizes the AARP Plan K and Secure Horizons premium rates for retirees age 65 and over, and the percentage subsidy varies by years of service.

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

As of January 1, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $101.8 million, and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability of $101.8 million. The covered payroll (annual payroll of active employees covered by the plan) was $138 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 73.7%.

Supplemental Death Benefits Plan

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

SELF INSURANCE

As of November 1, 1986, the City of Arlington became fully self-insured for General, Auto, Public Officials, and Law Enforcement Liability coverages. The self-insurance plan provides for $1 million per occurrence coverage with a $3 million annual aggregate loss limit. In the absence of commercial liability insurance at reasonable cost, alternative measures for funding liability claims expense had to be developed. Arlington officials created a fully funded self-insurance program by issuing taxable municipal obligations. An actuarial study performed by the Wyatt Company, Dallas, Texas, determined that the City of Arlington would need $9.9 million to cover statistically predictable liability losses incurred between November 1, 1986, and November 1, 1996. Obligations were issued in the principal amount of $9,000,000 and the City contributed $1,000,000 from its General Fund. On January 12, 1999, the City issued $7,000,000 Combination Tax and Revenue Certificates of Obligation, Taxable Series 1999. The proceeds of this issue were used to recapitalize the City's self-insurance program. The annual actuarial study in May 1999 estimated that the $7,000,000 of proceeds would adequately fund the self-insurance program through September 30, 2004. Subsequent actuarial studies and actual fund performance allowed continuation through September 30, 2006. As of September 30, 2008, total current assets less both current and non-current claims payable, was $3,654,878. Beginning in fiscal year 2008, funding for the self-insurance plan has been provided by annual transfers from budgeted operating funds.

ADDITIONAL INFORMATION

For additional information regarding this document please contact Ms. April Nixon, Director, Financial and Management Resources, City of Arlington, Texas, at (817) 459-6100.

TAX MATTERS

Tax Exemption

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) the Bonds are not private activity bonds under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of the proceeds of the Bonds and source of repayment thereof, limitations on the investment of proceeds of the Bonds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds of the Bonds be paid periodically to the Unites States and a requirement that the City file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance authorizing the issuance of the Bonds that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants in the Bonds pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City and the respective initial purchasers with respect to matters solely within the knowledge of the City and the respective initial purchasers, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants contained in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the respective Bonds could become includable in gross income from the date of initial delivery thereof, regardless of the date on which the event causing such includability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on certain tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather such opinions represent Bond Counsel's legal judgment based on its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations in includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the outcome of the audit.

Additional Federal Income Tax Consequences

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

OTHER RELEVANT INFORMATION

Ratings

The Bonds "AA" by Fitch Ratings, Inc. ("Fitch"), One State Street Plaza, New York, New York 10004, "Aa2" by Moody's Investors Service, Inc. ("Moody's"), 99 Church Street, New York, New York 10007, and "AA+" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), 55 Water Street, New York, New York 10041. The presently outstanding tax supported debt of the City is rated "AA" by Fitch, "Aa2" by Moody's and "AA+" by S&P. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this Private Placement Memorandum and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

Litigation

The City is currently involved in an employment lawsuit, Lubke v. City of Arlington, in which a jury found that the employee's termination violated the Family Medical Leave Act. He was terminated from his employment as a Battalion Chief with the City of Arlington Fire Department when he did not show up for work during the "Y2K" weekend in December 1999. In April 2004, judgment in the amount of $1.1 million was rendered against the City. The case was appealed and remanded by the 5th Circuit for a recalculation of damages. The case is currently back before the 5th circuit issues of damages and the effect of the plaintiff's failure to disclose the judgment in a bankruptcy he filed during the appeal. Settlement negotiations with the bankruptcy trustee, who now owns the Judgment, were unsuccessful. The case is now styled Reed v. City of Arlington. The trial court ruled that the original plaintiff Lubke is estopped from receiving any benefit from his judgment against the City of Arlington. However, the trial court held that the bankruptcy estate should not be estopped from collecting on the judgment for the benefit of Lubke's creditors. At the present time, the estimated value of the bankruptcy estate including debts and costs is about $624,770.00 but the trustee has not confirmed that amount. The trial court recalculated the damage award based on offsets for retirement benefits paid that were not permitted at the trial court level and reduced the damage amount to $357,000. Also the trial court awarded attorney's fees in the amount of $681,880 plus interest and costs.

The City still strongly believes that judicial estoppel will apply to the bankruptcy trustee and an appeal is pending at the 5th circuit. The probability of an unfavorable outcome cannot be made at this time, but the range of exposure in the event of an unfavorable outcome is now $650,000 to $1,000,000. Accordingly, no accrual has been made.

The City is currently involved in an American with Disabilities Act discrimination lawsuit (Frame, et al. v. City of Arlington), in which the plaintiffs allege that they are discriminated against because of the condition of curb ramps, parking lots and sidewalks in the public rights of way in the City of Arlington. The City contends that the City is in compliance with the ADA. The City is vigorously contesting this case which is still in the early pleading stages of litigation. A motion to dismiss is pending. The range of exposure to the City in the event of a jury verdict is inestimable. The probability of an unfavorable outcome cannot be determined at this time.

The Americans with Disability Act claim against the City of Arlington was dismissed by the trial court on March 31, 2008. The Fifth Circuit overturned the dismissal of the trial court and remanded to the trial court placing the burden on the affirmative defense of limitations on the City. A motion for en banc review is pending. If the case were allowed to continue, under the ADA, plaintiffs are limited to the recovery of attorney's fees, there is no compensatory damage provision. However, the plaintiffs are seeking to have the City of Arlington rebuild almost its entire sidewalk system. The court is limiting them to sidewalks that were not built in compliance of the ADA within two years of the petition date. The range of exposure to the City in the event of an unfavorable outcome cannot be determined at this time.

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 "Self Insurance") or insurance coverage, if any, on all such claims will not have a materially adverse effect on the City's financial position, as a whole.

Registration and Qualification

The sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon exemptions provided therein; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities act of any jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemptions from securities registration or qualification provisions.

No Litigation Certificate

The City will furnish to the respective initial purchaser of the Bonds a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is pending, as of such date, to restrain or enjoin the issuance and delivery of the Bonds, or which affects the provisions made for their payment or security, or in any manner questions the validity of the Bonds.

Financial Advisor

Estrada Hinojosa & Company, Inc ("Estrada Hinojosa"), Dallas, Texas is employed as Financial Advisor to the City in connection with the issuance of the Bonds. Estrada Hinojosa's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Estrada Hinojosa, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in this Private Placement Memorandum.

Private Placement of the Bonds

After requesting competitive bids for the Bonds, the City accepted the bid of Bank of America, N.A. (the "Initial Purchaser") to purchase the Bonds in a Private Placement at the interest rates shown on the cover hereof at a price of par as evidence of a loan from the Purchaser to the City.

Forward - Looking Statements

The statements contained in this Private Placement Memorandum and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Private Placement Memorandum are based on information available to the City on the date hereof, and the City assumes no obligations to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Private Placement Memorandum will prove to be accurate.

Miscellaneous

The financial date and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in the Private Placement Memorandum are made subject to all of the provisions of such statutes, documents and resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinance authorizing the issuance of the Bonds approves the form and content of this Private Placement Memorandum, and any addenda, supplement or amendment thereto.

/s/ Robert Cluck, M.D.
Mayor
City of Arlington, Texas

ATTEST:
/s/ Karen Barlar
City Secretary
City of Arlington, Texas

APPENDIX A

CITY OF ARLINGTON ORGANIZATIONAL CHART

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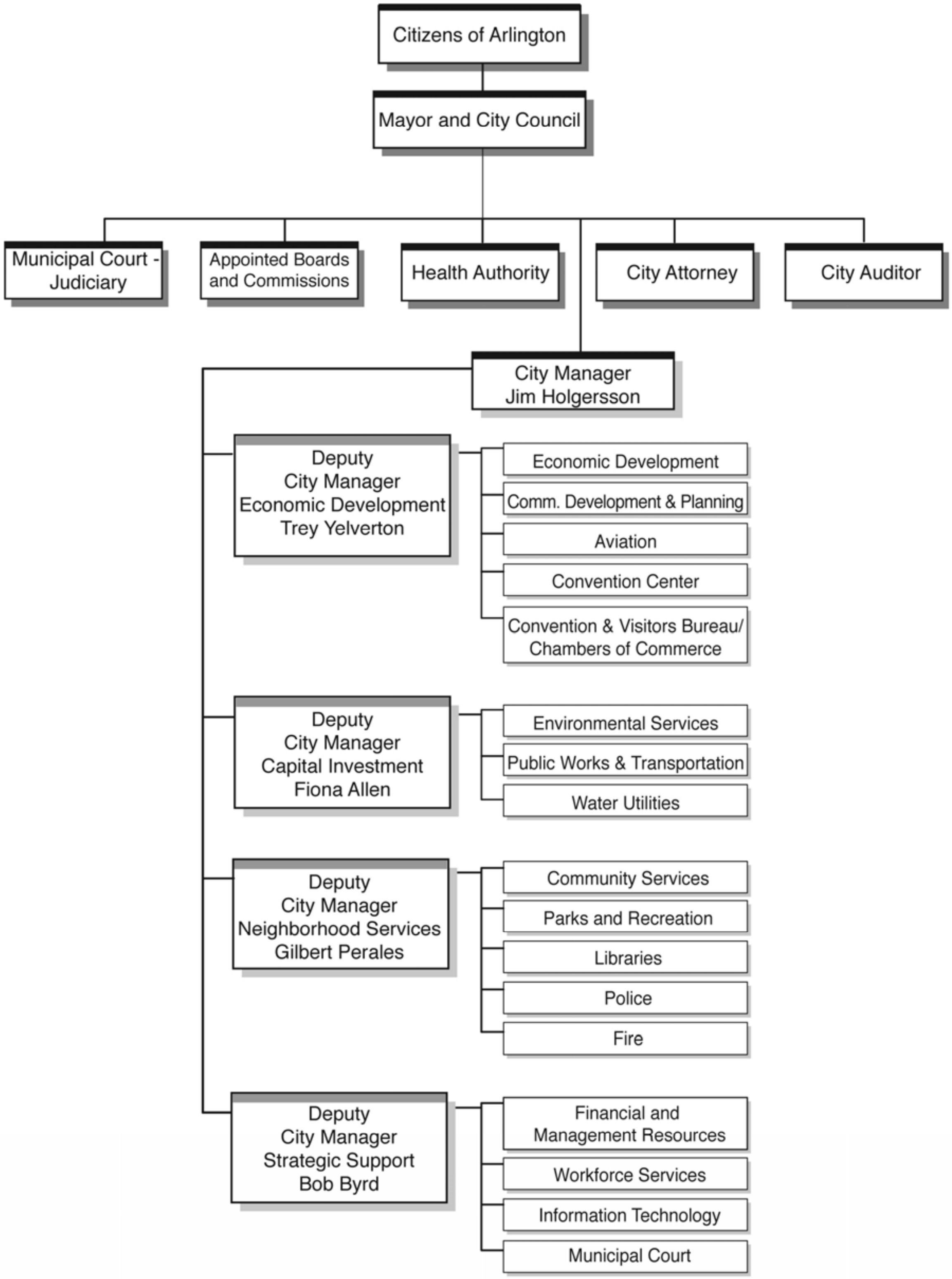
City of Arlington Organization Chart



Rev. 3.09

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APPENDIX B

AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF ARLINGTON
FISCAL YEAR 2008

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Arlington, Texas (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City of Arlington's management. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Arlington, Texas, or the Arlington Convention and Visitors Bureau, Inc., which statements reflect total assets constituting 7.92% and 0.68%, respectively, of total discrete component unit assets as of September 30, 2008, and total program revenues constituting 42.19% and 6.88%, respectively, of total discrete component unit program revenues for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Arlington, Texas, and the Arlington Convention and Visitors Bureau, Inc., is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Arlington, Texas, as of September 30, 2008, and the respective changes in financial position and respective cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Budgetary Comparison Schedule – General Fund, the Schedule of Funding Progress – TMRS, the Schedule of Funding Progress – Part-Time Deferred Income Trust, the Schedule of Funding Progress – Disability Income Plan, and the Schedule of Funding Progress – Postemployment Healthcare Plan are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City of Arlington's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion on it.

Deloitte & Touche LLP

February 27, 2009

CITY OF ARLINGTON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

SEPTEMBER 30, 2008

This discussion and analysis of the City of Arlington's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2008. It should be read in conjunction with the accompanying letter of transmittal and financial statements.

FINANCIAL HIGHLIGHTS

- City's net assets of governmental activities **increased** by $124M (16%) this year, primarily because of an increase in funding construction in progress (CIP) of $310M. The increase in CIP is attributable to the ongoing construction of the Dallas Cowboys Complex Development Project (Cowboys Project). This year, the City recorded an increase in construction costs of $280M, which includes $142M in contributions from the Cowboys Stadium, L.P.

- The City's **increase** in total net assets of $147M for the year was $40M lower than the increase last year. This variance is primarily attributable to a $23M decline in gas lease revenues plus a $9M decrease in interest income.

- The City's governmental funds reported combined ending fund balances of $232M, a **decrease** of $84M from the prior year. The majority of this decrease is due to the Stadium Venue Fund's capital outlay (net of the Cowboys Stadium, L.P. contribution) of $139M less a debt issuance in the Streets Capital Project Fund of $44M.

- The 2008 General Fund unreserved fund balance was $49M and unreserved and undesignated fund balance was $.5M. In 2007 the comparable balances were $53M and $5.6M. Fund balance decreased due to the use of one-time funding for various projects.

- Total debt of $730M **increased** $82M during the year. Debt issues in 2008 includes $16M short-term Commercial Paper, $58M General Obligation Bonds which includes $8M of refunded commercial paper, $13M Combination Tax and Revenue Certificates of Obligation, $34M Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, and $2M Water and Wastewater System Revenue. Bond principal payments total $34M on existing obligations. Debt is allocated 87% for general government, with the remaining 13% to water and wastewater activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's "basic financial statements" have three parts, government-wide financial statements, fund financial statements and notes to the financial statements. This is the portion of the CAFR on which the auditors opine. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview the City's finances.

- **The Statement of Net Assets** presents information on all of the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating. The Statement of Net Assets combines governmental funds' current financial resources (short-term spendable resources) with additional accruals, capital assets and long-term obligations. Other non-financial factors should also be taken into consideration to assess the overall health or financial condition of the City, such as changes in the City's property tax base and the condition of the City's infrastructure.

- **The Statement of Activities** shows how the net assets changed during the most recent year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting.

In the aforementioned statements the City's business is divided into three kinds of activities:

- Governmental Activities **–** Most of the City's basic services are reported here, including police, fire, libraries, planning and development, public works and transportation, parks and recreation, and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.

- Business-type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

- Component Units – The City includes one blended component unit in its report – Arlington Property Finance Authority, Inc. The City includes five discretely presented component units in its report – Arlington Sports Facilities Development Authority, Inc., Arlington Housing Authority, Arlington Convention and Visitors Bureau, Arlington Housing Finance Corporation, Arlington Tomorrow Foundation, and Arlington Industrial Corporation. Although legally separate, these component units are important because the City is financially accountable for them.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

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

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

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

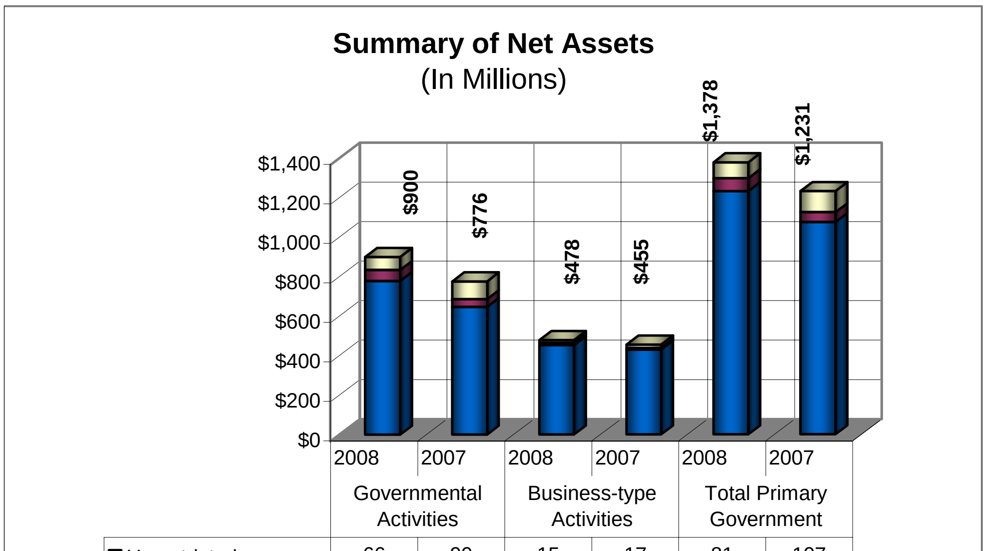
NOTES TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees.

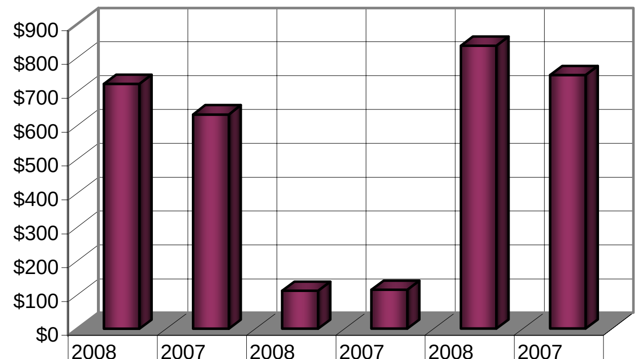
THE CITY AS A WHOLE – Government-wide Financial Analysis

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

By far the largest portion of the City's net assets (89%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	Total Primary Government 2008	Total Primary Government 2007
Unrestricted	66	90	15	17	81	107
Restricted	55	40	10	9	65	49
Investment in Capital	779	646	453	429	1,232	1,075



	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Total Liabilities	723	633	112	115	835	748

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

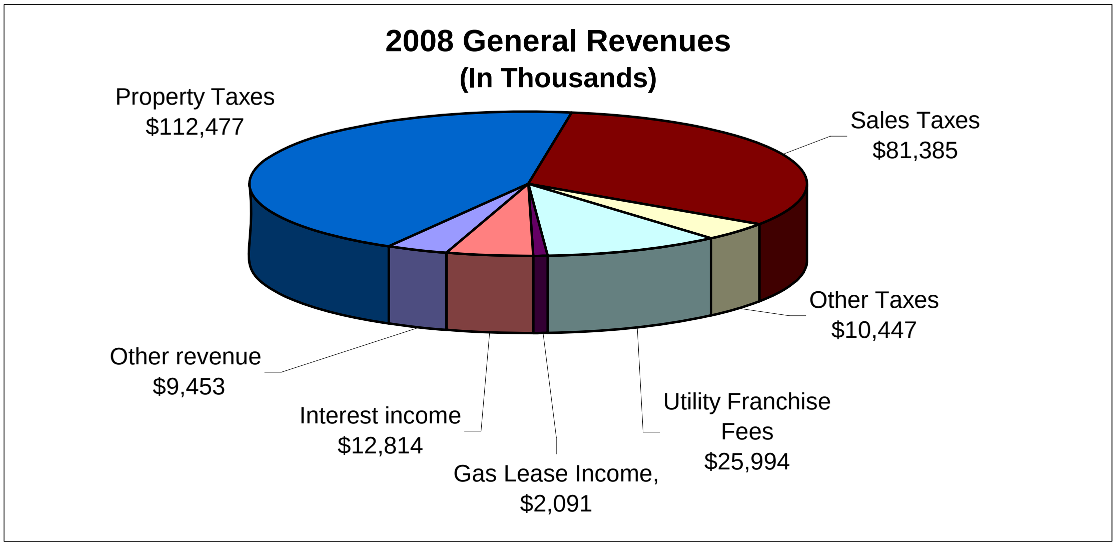
	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Current and other assets	$ 332	$ 415	$ 94	$ 101	$ 426	$ 516
Capital assets	1,291	994	496	469	1,787	1,463
Total assets	1,623	1,409	590	570	2,213	1,979
Long-term liabilities	613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

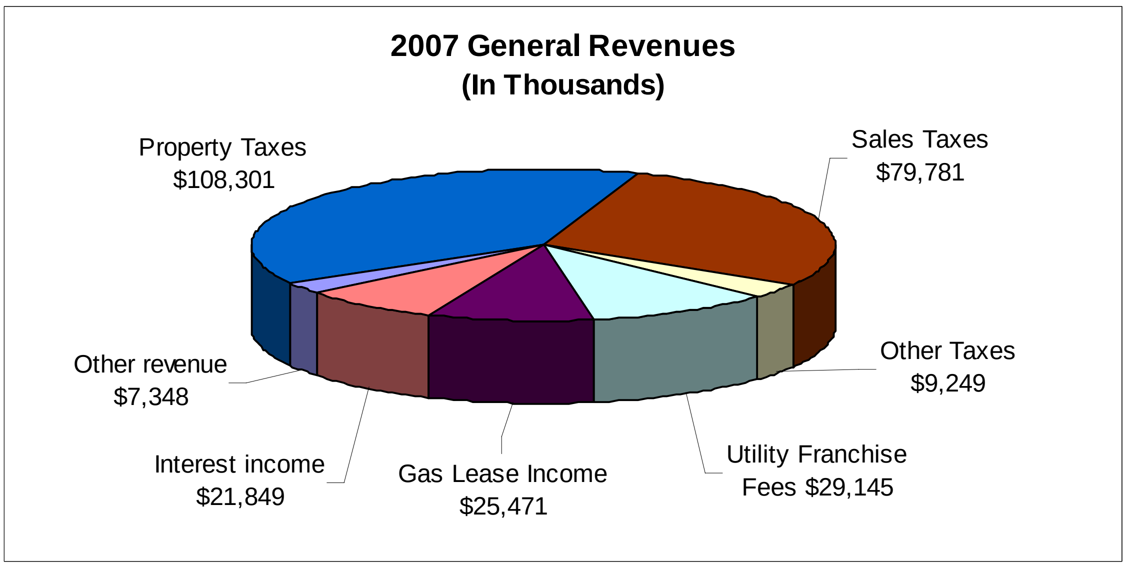
Governmental Activities

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

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

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





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

Changes in Net Assets
(Amounts Expressed in Thousands)

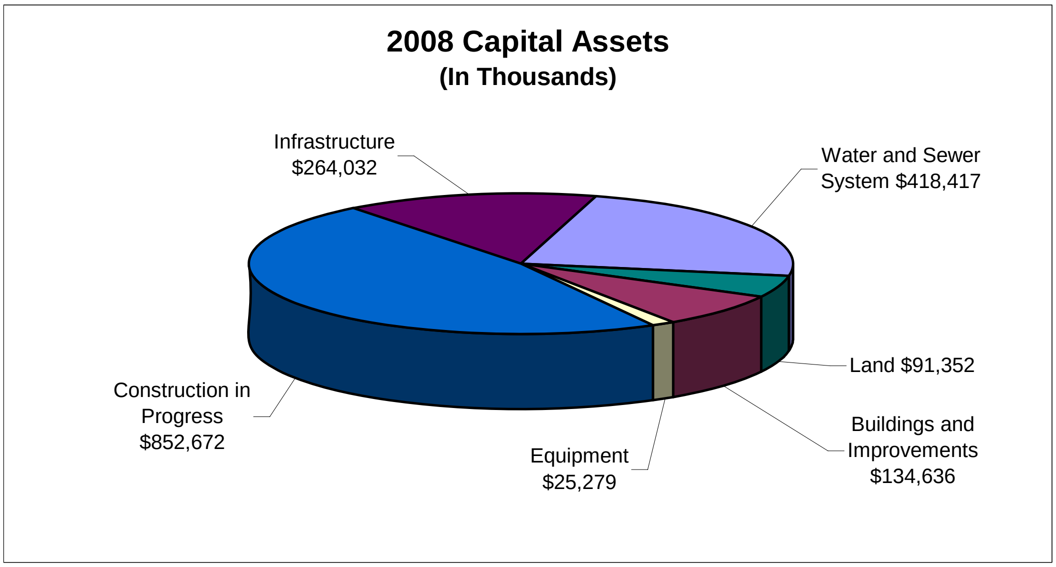
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	$45,232	$39,320	$ 102,324	$ 88,786	$ 147,556	$ 128,106
Operating grants and contributions	20,787	14,102	-	-	20,787	14,102
Capital grants and contributions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

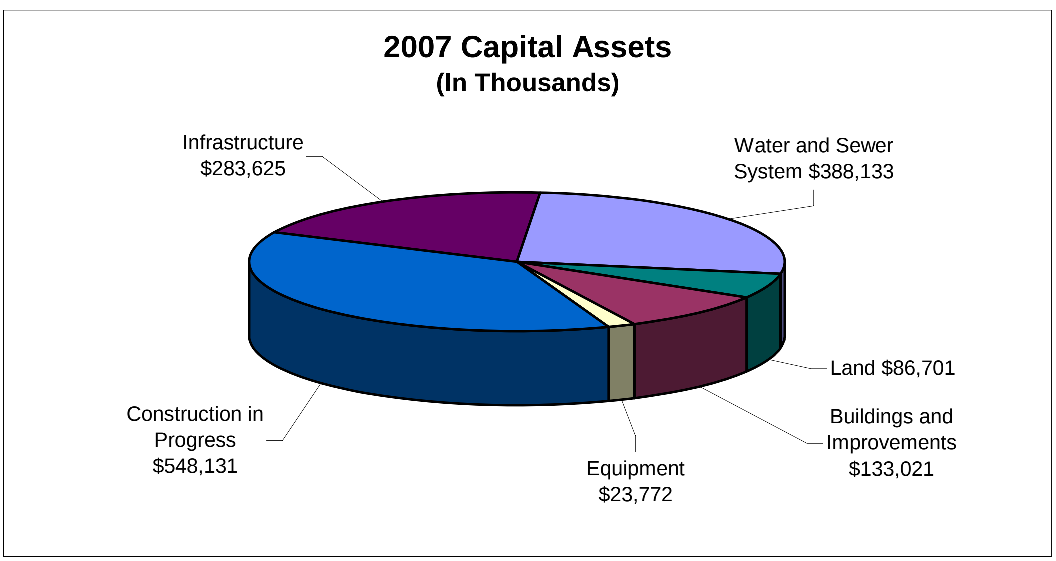
Expense increases in public safety were due primarily to an increase in salary and benefits of $8M caused by general pay increases along with the hiring 13 additional police officers. Expense increases in public welfare were primarily the result of a contribution of gas lease bonus proceeds to the Arlington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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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



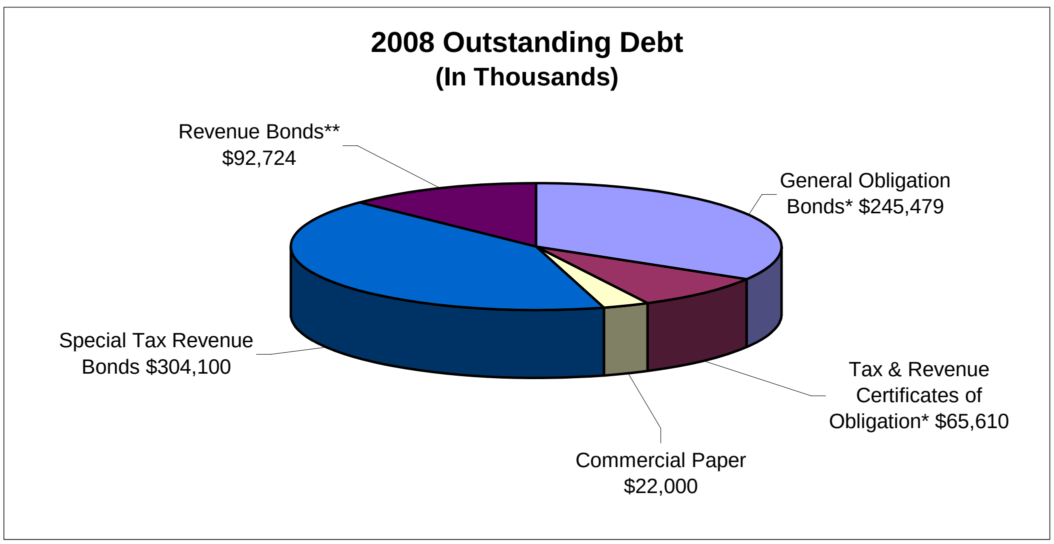


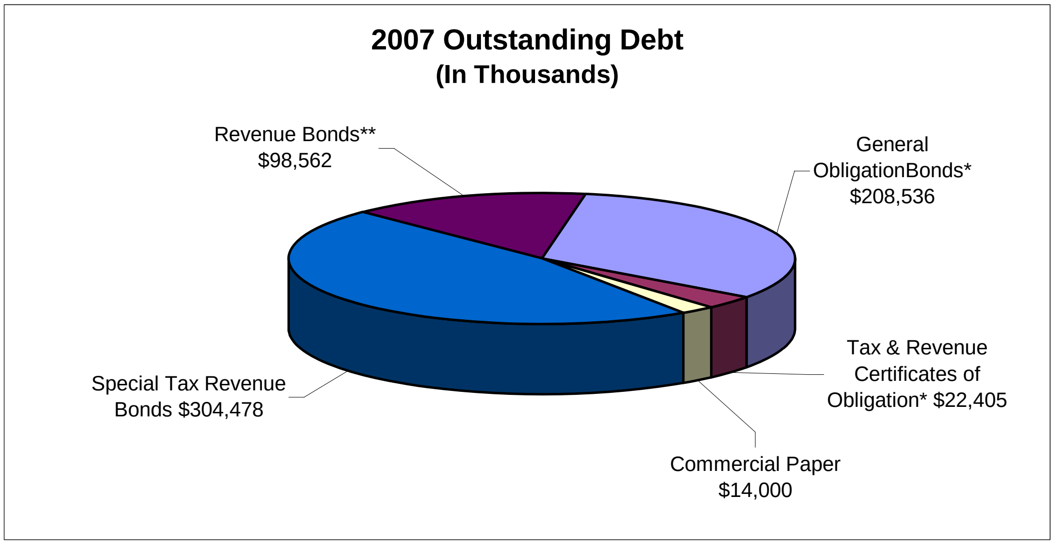
Major capital asset additions during the fiscal year, other than the Cowboys Project include the following:

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

Debt

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





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

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

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

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

- The 2007 Permanent Improvement Bonds and Certificates of Obligation totaling $25M did not close until early 2008

- The 2008 Permanent Improvement Bonds and Certificates of Obligation totaling $46M closed in mid 2008

- The 2008 $34M Certificates of Obligation backed by incremental revenues from the Entertainment District (TIRZ 5) were issued in mid 2008

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net bonded debt to assessed value of all taxable property is 2%.

The City maintains a self-insurance program for bodily injury, property damage, personal injury, advertising injury, regulatory injury and worker's compensation. Claims for worker's compensation over $300,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors. Claim liability was $8M in 2008 compared to $10M in 2007.

DALLAS COWBOYS COMPLEX DEVELOPMENT PROJECT

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

In February of 2005, the City, as landlord, and the Cowboys Stadium, L.P., as tenant, entered into a funding and closing agreement for the Dallas Cowboys Complex Development Project. Pursuant to the agreement, the City will pay half the cost, up to $325M, to build the Complex. In July of 2005, the City issued $298M Dallas Cowboy Complex Special Obligations, pledging one-half cent sales tax, two percent hotel occupancy tax and five percent car rental tax. The proceeds of debt issuance, along with interest earnings, and revenues from the pledged taxes, which are not required for debt service, provide the City's funding for the Complex.

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

In July of 2006, $148M Dallas Cowboy Complex Admissions and Parking Tax Revenue Bonds, Taxable Series 2006 were issued with a pledge of a 10% admissions tax and a $3 parking tax for events held at the Cowboys Complex, with security provided by a Guaranty Agreement from The Cowboys Stadium L.P. The proceeds of the bond sale, along with interest earnings, will provide a portion of the Cowboy's funding for the project. The bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City's revenue sources. The bonds do not constitute a debt or pledge of the faith and credit of the City and are not reported as a liability in the City's financial statements but are disclosed as conduit debt.

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

THE CITY'S FUNDS

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

- The City's Debt Service fund balance of $50M is $16M higher from last year's fund balance of $34M attributable to tax revenue exceeding debt service payments.

- The City recorded a contribution for $142M from the Cowboys Stadium, L.P. and expended $280M for the Cowboys Stadium Complex Project, contributing to a net decrease in fund balance of $136M in the Stadium Venue Fund. This fund was created to account for the construction for the Cowboys Stadium Complex Project and has an ending fund balance of $8M.

- The City spent $24M in capital outlay in the Street Capital Projects fund, down $4M from last year. The decrease is due to lower spending on existing street projects.

- The City's water and sewer fund net assets of $478M increased by $23M over the prior year net asset balance. The increase in net assets is primarily due to operating revenues exceeding operating expenses by $33M.

GENERAL FUND BUDGET HIGHLIGHTS

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

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

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

ECONOMIC FACTORS AND FISCAL YEAR 2009

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

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

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

The General Fund property tax revenue for 2009 is estimated to be $80M up $2M or 2% compared to last year. The City's portion of the sales tax rate is one and three-quarter cents. The General Fund receives one cent, one-quarter cent is dedicated to the Street Maintenance Fund, and one-half cent provides for the debt service for the Cowboy Project debt. Sales tax revenue for the General Fund for fiscal year 2009 is estimated at $48M, up $2M or 4% over last year.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

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

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

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

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

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008
(AMOUNTS EXPRESSED IN THOUSANDS)

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

General Revenues:
Property taxes
Sales taxes
Criminal justice tax
State liquor tax
Bingo tax
TIF/TIRZ tax
Occupancy tax
Franchise fees based on gross receipts
Gas lease and royalties
Interest
Net increase (decrease) in fair value of investments
Other
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (28,387)	$ -	$ (28,387)	$ -
(105,425)	-	(105,425)	-
(73,875)	-	(73,875)	-
772	-	772	-
124,777	-	124,777	-
(30,120)	-	(30,120)	-
(3,946)	-	(3,946)	-
(26,624)	-	(26,624)	-
(142,828)	-	(142,828)	-
-	33,017	33,017	-
-	33,017	33,017	-
$ (142,828)	$ 33,017	$ (109,811)	$ -
$ -	$ -	$ -	$ (463)
-	-	-	(3,649)
-	-	-	395
-	-	-	24,134
-	-	-	(41)
$ -	$ -	$ -	$ 20,376
112,477	-	112,477	-
81,385	-	81,385	-
354	-	354	-
1,005	-	1,005	-
105	-	105	-
2,074	-	2,074	-
6,909	-	6,909	-
25,994	-	25,994	-
2,091	-	2,091	11,044
12,814	2,196	15,010	3,729
182	(49)	133	94
9,271	-	9,271	291
12,462	(12,462)	-	-
267,123	(10,315)	256,808	15,158
124,295	22,702	146,997	35,534
775,698	455,107	1,230,805	38,121
$ 899,993	$ 477,809	$ 1,377,802	$ 73,655

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

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

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

Other Nonmajor Funds	Total Governmental Funds
$ 103,930	$ 257,073
-	5,645
1,297	4,728
2,025	14,136
-	6,404
-	192
-	2,258
1,694	4,542
-	2,334
3,148	3,148
217	817
-	2
$ 112,311	$ 301,279
$ 7,506	$ 20,130
1,637	2,587
2,334	2,334
-	2,679
-	5,645
-	7,545
1,187	1,187
2,935	4,846
5,000	22,000
20,599	68,953
20,261	54,985
-	50,274
217	817
-	2
48,451	53,952
6,382	6,382
-	500
83	83
150	150
-	16,512
-	5,944
-	288
-	1,556
-	1,718
-	21,487
-	1,000
-	508
2,045	2,045
400	400
461	461
455	455
2,182	2,182
1,425	1,425
9,200	9,200
91,712	232,326
$ 112,311	$ 301,279

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

Total fund balance per balance sheet			$ 232,326
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding $12,801 recorded in the internal service funds).			1,277,888
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Deferred & Unearned	Unearned	
Taxes	$ 2,679	$ -	
Closure/Post-closure	5,645	-	
Landfill	7,545	7,545	
Gas lease	1,187	1,187	
Grant revenue	2,394	1,798	
Other	2,452	-	
	21,902	10,530	11,372
Internal service funds are used by management to charge the cost of fleet services, general services, APFA, technology services, workers' compensation and group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			31,749
Long-term liabilities, including bonds payable, arbitrage and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds (excluding $9,269 recorded in the internal service funds).			
Bonds payable		$(606,520)	
Less: Deferred charge for issuance costs (to be amortized as interest expense)		4,275	
Premium general obligation debt		(10,600)	
Deferred loss refunding		1,931	
Accrued interest payable		(2,508)	
Arbitrage rebate		(183)	
Sales tax payable		(634)	
Landfill closure		(5,645)	
Compensated absences		(27,921)	
Net other post-employment benefit obligation		(4,772)	
Capital leases		(765)	(653,342)
Net assets of governmental activities			$ 899,993

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

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

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

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

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

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

Net change in fund balance - total governmental funds

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.

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 expendirues in the governmental funds.

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

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

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

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

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

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.

Change in net assets of governmental activities

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

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

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

(continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Arlington, Texas (the "City") was incorporated April 19, 1884 and the city charter was adopted January 17, 1920, under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Council Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and sewer utilities, and general administrative services.

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

A. Financial Statement Presentation

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

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

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

B. Reporting Entity

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

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

Arlington Property Finance Authority, Inc.

Arlington Property Finance Authority, Inc. (the “APFA”) provides the City with a defined and funded self-insurance program for general and automotive liability. The financial statements of APFA, a component unit, have been "blended" with those of the City because its board of directors is appointed by the City Council, and the City management maintains significant continuing management oversight with respect to APFA's policies. Additionally, APFA provides services entirely to the City and its employees.

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

Arlington Sports Facilities Development Authority, Inc.

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

Arlington Housing Authority

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

Arlington Convention and Visitors Bureau, Inc.

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

Arlington Tomorrow Foundation

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

Arlington Housing Finance Corporation

The Arlington Housing Finance Corporation (the "AHFC") provides financial assistance to low income, multi-family residences and single-family homebuyers within the City. The AHFC’s board of directors is appointed by the City Council. The AHFC's management is designated by the City, and City employees are responsible for the daily activities of the AHFC; accordingly, the City has financial accountability over AHFC's activities. Separate AHFC component unit financial statements are not prepared.

Arlington Industrial Development Corporation

The Arlington Industrial Development Corporation (the "AIDC") promotes industrial and commercial development within the City. The AIDC's board of directors is appointed by the City Council. The AIDC's management is designated by the City, and City employees are responsible for the daily activities of the AIDC; accordingly, the City has financial accountability over AIDC's activities. Separate AIDC component unit financial statements are not prepared.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. The exception is that inter-fund services provided and used are not eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Separate fund-based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Debt Service Fund, Stadium Venue Fund, and Street Capital Projects Fund. GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the Comprehensive Annual Financial Report.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc.). Interfund services provided and used are not eliminated in the consolidation.

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

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

D. <u>Measurement Focus and Basis of Accounting</u>

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Agency funds, however, report only assets and liabilities and therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Ad valorem, franchise and sales tax revenues in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered deferred revenue.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide business-type activities and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The following major funds are used by the City:

1. Governmental Funds:

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

a. General Fund accounts for several of the City’s primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City.

b. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

c. Stadium Venue Fund, a capital project fund, accounts for the planning, acquisition, establishment, development, and construction of the Dallas Cowboys Complex Development Project. Funds are provided primarily through bond sales and interest earnings.

d. Street Capital Projects Fund accounts for the purchase of rights of way and land, construction of streets and related facilities, and to account for various other projects related to street construction. Funds are provided primarily through bond sales, interest earnings, and impact fees.

e. Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Enterprise Funds:

The focus of Enterprise Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. The City's only Enterprise Fund is the Water and Sewer Fund. This fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund. The City's solid waste function is contracted out. The billings for this function are done by the City as a conduit for the contractor. The fee for this service is accounted for in the Water fund, while revenues from landfill fees are accounted for in the General Fund.

3. Other Fund Types:

The City additionally reports for the following Fund types:

a. Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis. These services include printing, mailing and duplicating; fleet services; self insurance; technology services; workers' compensation insurance; and group health insurance.

b. Agency Funds are used to account for assets held by the City in an agency capacity for payroll related benefits, escheat property for the state, and other assets held for individuals, local law enforcement agencies and developers.

c. Pension Trust Funds are used to account for the accumulation of resources to be used for the retirement and disability benefit payments to qualified City employees and for thrift savings plans for City employees.

E. <u>Cash, Cash Equivalents and Investments</u>

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

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

The City elects to exclude investments with an original maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost.

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

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

F. Inventories and Prepaid Items

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

G. Capital Assets

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

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

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

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

H. Capitalization of Interest

The City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2008, approximately $1,365,000 of interest costs, net of $1,191,000 of interest earned, were capitalized as capital assets in the Water and Sewer Fund as part of the costs of constructing various projects. Interest expensed (net of capitalized interest) and interest earned in fiscal 2008 for the Water and Sewer Fund amounted to approximately $1,584,000 and $2,196,000, respectively.

I. Arbitrage Liability

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

J. Compensated Absences

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

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

Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is typically used to liquidate the liability for governmental activities' compensated absences.

K. Long-term Obligations

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

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

L. Fund Equity

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

M. New Accounting Pronouncements

During fiscal year 2008, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

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

Statement No. 47, *Accounting for Termination Benefits*. This is effective for the City in two parts: (1) for those benefits that relate to other post-employment benefits, the City is to implement at the same time as GASB 45 and (2) for other termination benefits, the effective date was fiscal 2006. This statement defined the accounting for voluntary and involuntary termination benefits (i.e. early retirement incentives). This pronouncement had no impact on current financial statements.

Statement No. 48, *Sales and Pledges of Receivables and Future Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* This Statement established criteria to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The Statement also requires enhanced disclosures pertaining to future revenues that have been pledged or sold, provides guidance on sales of receivables and future revenues within the same financial reporting entity, and provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues. The City added the required footnote disclosures for fiscal year 2008. See Note 8.

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

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

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

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

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

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, the Enterprise Funds, and certain Special Revenue Funds (Park Performance, Convention and Event Services and Street Maintenance). All unencumbered appropriations lapse at fiscal year-end, except certain of those of the Special Revenue Funds. The budgets for the General Fund, the Debt Service Fund, and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as expenditures on the budgetary basis and interdepartmental expenses which are eliminated. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include encumbrances, debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. The schedules comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other revenue and expenditure items which are reported in the City's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the fund level. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures of the General Fund, Debt Service Fund, and certain Special Revenue funds must be approved by the City Council. During fiscal year 2008, the City Council approved budgetary expenditure amendments for the General Fund in the amount of $1,927,837. These additional expenditures were to fund thirteen new police officers and one fire inspector in July 2008, one new construction specialist, three drainage crew staff, the remodel of the third floor City Hall, and additional election costs. The Convention and Visitors Bureau contract was increased by $301,000 to fund enhanced website marketing, targeted media purchases, research to improve sales strategies, outreach initiatives to travel agencies, expanded printing and production of brochures and recruitment efforts for the new President and Chief Executive Officer.

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

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

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

B. Excess of expenditures over appropriations

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

C. Deficit fund equity

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

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

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

III. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH EQUIVALENTS AND INVESTMENTS

State statutes, the City's Investment Policy and the City's Depository Agreement govern the investments of the City. The City is authorized to invest in U. S. Government obligations and its agencies or instrumentalities, obligations of Texas and its agencies, fully insured or collateralized certificates of deposit, fully collateralized repurchase agreements, commercial paper rated A-1+, P-1 with an underlying long-term rating of AA or better, prime domestic bankers acceptances, government pools and money market funds consisting of any of these securities listed, and obligations of states, cities and other political subdivisions with a rating of AAA and a maximum maturity of 18 months. Major provisions of the City's investment policy include the following: depositories must be FDIC-insured institutions, depositories must fully insure or collateralize all deposits, and investments must be purchased in the name of the City and be delivered to the City's agent for safekeeping.

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

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

The City elects to exclude investments with an original maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost.

As of September 30, 2008, the City had the following cash, cash equivalents and investments (amounts in thousands):

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

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

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

Credit Risk. In accordance with its investment policy, the City minimizes credit risk by limiting investments to the safest type of investments. The City's investments in the bonds of U.S. agencies were rated Aaa by Moody's investors Service and AAA by Standard and Poor's.   The Arlington Housing Authority's investments in the Federal Home Loan Bank bond was rated AAA by Moody's. The Arlington Sports Facilities Development Authority, Inc.'s investments were in U.S. Treasury funds or U.S. Treasury money market mutual funds.

Concentration of Credit Risk. The City's investment policy places no limit on the amount the City may invest in any one issuer, but the City's Investment Committee is assigned the strategy of portfolio diversification. All securities are AAA rated.

As of September 30, 2008 the City's overall portfolio consisted of:

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

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

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2008. The City's bank balance (excluding Component Units) was covered by collateral with a fair value of $10,566,098. The bank balance was fully collateralized by securities held in the City's name by the Federal Reserve Bank through a tri-party (City, depository bank and Federal Reserve Bank) collateral agreement.

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

2. PROPERTY TAXES

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

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Appraisal Review Board. The assessed value for the tax roll of January 1, 2007, upon which the original FY08 levy was based, was $17,559,408,000.

City property tax revenues are recorded as receivables and deferred revenues at the time the tax levy is billed. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year-end. An allowance is provided for delinquent property taxes not expected to be collected in the future.

For the fiscal year ended September 30, 2008, the City had a tax rate of $0.6480 ($0.4467 for general government and $0.2013 for debt service) per $100 assessed valuation with a tax margin of $1.8520 per $100 valuation based upon a maximum ad valorem tax of $2.50 per $100 valuation permitted by Article XI, Section 5, of the State of Texas Constitution. Additional revenues up to approximately $325,200,243 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately $17,559,408,000.

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

3. DALLAS COWBOYS COMPLEX DEVLEOPMENT PROJECT

In 2004, the voters authorized the City to provide the planning, acquisition, construction and financing for the Dallas Cowboys Complex Development Project (the "Complex"), approving an increase in the City's sales tax of one-half cent, a two percent increase in the hotel occupancy tax and a five percent short-term motor vehicle rental tax. The Complex will be a multi-functional enclosed facility with a retractable roof and seating for approximately 85,000. In accordance with the funding and closing agreement, the City will pay half of the projected costs, up to $325 million, to build the Complex. The Complex is anticipated to be completed by the summer of 2009.

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the "Tenant") for lease of the Complex. The Lease Agreement calls for an initial term of 30 years, after the Complex opens, at a rental rate of $2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of $1 million per year for the first 10-years and $1.25 million per year for all remaining renewals. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the Tenant, capped at $500 thousand per year. The lease is accounted for as an operating lease.

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

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

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

4. RECEIVABLES

Receivables at September 30, 2008 for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

(Amounts expressed in thousands)

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

5. CAPITAL ASSETS

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

(Amounts expressed in thousands)

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 81,760	$ 3,328	$ (166)	$ 84,922
Construction in progress-other	102,605	59,765	(30,282)	132,088
Construction in progress-stadium	371,746	280,295	-	652,041
Total capital assets, not being depreciated	556,111	343,388	(30,448)	869,051
Capital assets, being depreciated:				
Buildings	149,105	7,486	-	156,591
Improvements other than buildings	55,584	-	-	55,584
Equipment	61,981	9,718	(2,703)	68,996
Infrastructure	783,871	8,790	-	792,661
Total capital assets, being depreciated	1,050,541	25,994	(2,703)	1,073,832
Less accumulated depreciation for:				
Buildings	54,548	5,818	-	60,366
Improvements other than buildings	18,936	-	-	18,936
Equipment	38,374	8,538	(2,649)	44,263
Infrastructure	500,246	28,383	-	528,629
Total accumulated depreciation	612,104	42,739	(2,649)	652,194
Total capital assets, being depreciated, net	438,437	(16,745)	(54)	421,638
Governmental activities capital assets, net	$ 994,548	$326,643	($30,502)	$1,290,689

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Total Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 4,941	$ 1,489	$ -	$ 6,430
Construction in progress	73,780	35,664	(40,901)	68,543
Total capital assets, not being depreciated	78,721	37,153	(40,901)	74,973
Capital assets, being depreciated:				
Buildings and improvements	2,833	-	-	2,833
Water and sewer system	560,022	41,666	-	601,688
Machinery and equipment	9,896	541	-	10,437
Total capital assets, being depreciated	572,751	42,207	-	614,958
Less accumulated depreciation for:				
Buildings and improvements	1,017	53	-	1,070
Water and sewer system	171,889	11,382	-	183,271
Machinery and equipment	9,731	160	-	9,891
Total accumulated depreciation	182,637	11,595	-	194,232
Total capital assets, being depreciated, net	390,114	30,612	-	420,726
Business-type activities capital assets, net	$ 468,835	$ 67,765	($40,901)	$ 495,699

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

Governmental activities:	
General government	$ 3,620
Public safety	2,492
Parks and recreation	3,518
Public works	29,371
Public health	6
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	3,732
Total depreciation expense – governmental activities	$42,739
Business-type activities:	
Water and sewer	$ 11,595
Total depreciation expense – business-type activities	$ 11,595

Discretely presented component units:

(Amounts expressed in thousands)

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Arlington Sports Facilities Development Authority, Inc.:				
Capital assets, being depreciated:				
Buildings and improvements	$2,739	$ -	$ -	$2,739
Total capital assets, being depreciated	2,739	-	-	2,739
Less accumulated depreciation for:				
Buildings and improvements	1,478	110	-	1,588
Total accumulated depreciation	1,478	110	-	1,588
Arlington Sports Facility Development Authority, Inc. activities capital assets, net	$1,261	($ 110)	$ -	$1,151

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Arlington Housing Authority, Inc.:				
Capital assets, being depreciated:				
Machinery and equipment	$ 700	$ 125	$ -	$ 825
Total capital assets, being depreciated	700	125	-	825
Less accumulated depreciation for:				
Machinery and equipment	260	42	-	302
Total accumulated depreciation	260	42	-	302
Arlington Housing Authority, Inc. activities capital assets, net	$ 440	$ 83	$ -	$ 523

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Arlington Convention and Visitors Bureau, Inc.:				
Capital assets, being depreciated:				
Machinery and equipment	$ 604	$ 49	$ -	$ 653
Total capital assets, being depreciated	604	49	-	653
Less accumulated depreciation for:				
Machinery and equipment	359	84	-	443
Total accumulated depreciation	359	84	-	443
Arlington Convention and Visitors Bureau, Inc. activities capital assets, net	$ 245	($ 35)	$ -	$ 210

6. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

Plan Description:

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

Benefits depend upon a sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200 percent of the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. Additionally, initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees equal to 70% of the change in the consumer price index (CPI).

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City.

Funding Policy:

Under the state law governing TMRS, the actuary annually determines the City contribution rate on a calendar-year basis. The City discloses the annual pension costs (which equal the required contributions) based on the calculated rates for the City's fiscal year. The rate is 14.55% of covered payroll for the months in calendar year 2007, and 14.88% for the months in calendar year 2008. This rate consists of the normal cost contribution rate and the prior service contribution rate. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation for the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2005 valuation is effective of rates beginning January 1, 2007). If a change in plan provisions is elected by the City, this rate can change.

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

Annual Pension Cost and Net Pension Obligation:

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

Three-Year Trend Information

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

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

Funding State and Funding Progress:

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

Actuarial Methods and Assumptions:

A summary of actuarial assumptions is as follows:

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

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

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

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually reporting basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than .5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. The statutes further provide that plan members may request up to a forty year amortization period. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

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

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

Thrift Savings Plan

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution savings are adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401(k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2008, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $91,115,000.

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

There were no material changes to the Thrift plan during fiscal 2008. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

Part-Time Deferred Income Trust

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

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

The contribution rate for employees is 3 percent, and the City's actuarially determined matching percent is currently 3.3 percent. The City's required contribution rate was determined as part of the July 1, 2007, actuarial valuation (the most recent actuarial valuation) using the aggregate cost method, which does not identify or separately amortize unfunded actuarial liabilities.

The actuarial assumptions used in the July 1, 2007 actuarial valuation included were (a) 6.50 percent investment return, (b) no inflation rate adjustment, and (c) 4.50 percent salary increases. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. The actuarial accrued liability was determined using the entry age normal cost method.

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

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
9/30/06	$67,000	100.00%	-
9/30/07	$114,000	100.00%	-
9/30/08	$112,000	100.00%	-

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

IRC 457 Deferred Compensation Plans

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is administered by the International City Management Associations Retirement Corporation (the "ICMA"). In addition, the City offers its executive employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is also administered by the ICMA. Since the City does not administer these plans, these plans are not included in the City's financial statements.

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

TMRS	$19,486
THRIFT	2,273
PTDIT	112
	$21,871

Statement of Net Assets and Statement of Changes in Net Assets

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

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

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

7. OTHER POST EMPLOYMENT BENEFITS

Disability Income Plan

Effective October 1, 1992, the City began providing active employees with disability insurance through a policy obtained from a commercial carrier. Previously, all City employees had participated in a Disability Income Plan (DIP), a single-employer other postemployment benefit disability plan, which had been funded by actuarially determined contributions. This plan had been accounted for in the DIP fund. Benefits to employees who were disabled while participating under the previous plan will continue to be paid from the remaining assets of the DIP fund.

Summary of Significant Accounting Policies

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

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

Plan Description and Contribution Information

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

Retirees and beneficiaries receiving benefits	33
Active plan members	1,999
Total	2,032
Number of participating employers	1

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

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

Funded Status and Funding Progress

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

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

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

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

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

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

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

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

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

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

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

	Net Assets
Assets	
Investments	$491
Total assets	$491
Net assets, held in trust for	
Other postemployment benefits	$491

	Changes in Net Assets
Additions	
Employer contributions	$364
Net appreciation in fair value	
Of investments	7
Total additions	$ 371
Deductions	
Benefits	275
Plan Administration	22
Total deductions	297
Increase in net assets	74
Net assets, October 1, 2007	417
Net assets, September 30, 2008	$ 491

Retiree Health Insurance

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

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

Retiree Contributions for Pre-2008 Retirees

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

Retiree Contributions for January 1, 2008 and After

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

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

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

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

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

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

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

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

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

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

Supplemental Death Benefits Plan

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

Funding Policy. Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently .22 percent of covered payroll. The TMRS Board of Trustees sets the employer contribution rate based on the mortality and service experience of all employees covered by the plan and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. Contributions are made monthly based on covered payroll of employee members of the City. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net assets available for OPEB. The City's contributions to SDBF for the years ended September 30, 2007, 2006, and 2005, were $282,863, $262,378, and $251,396 respectively, which equaled the required contributions each year.

8. DEBT AND LIABILITIES

General Short-Term Debt

During fiscal 2005, the City authorized a $30,000,000 commercial paper program for interim funding of general obligation debt. During fiscal year 2008 the City issued $16,000,000 of commercial paper with interest rates ranging from 2.25 percent to 3.65 percent. This debt will mature on various days over the next several months. The City refunded $8,000,000 of commercial paper with part of the Permanent Improvement Bonds, Series 2008.

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

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

General Obligation Bonds

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

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

General obligation bonds currently outstanding are as follows:

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

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

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

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

The City received a determination in 2002 by the State of Texas Comptroller's office that the City had received $2,228,186 in sales tax receipts from the Comptroller's office in error over the past several years. The Comptroller's office agreed to allow the City to repay the excess sales tax revenue interest free over a period of ten years through reduced sales tax allocations from the state. The state began withholding $18,568 monthly from the City's sales tax allocations beginning in March 2003. The withholding is allocated between the General Fund for $12,427 per month and the ASFDA for $6,140 per month. As of September 30, 2008, this liability is reported at $633,810 in the governmental activities and $313,168 in the component units of the statement of net assets. Beginning in 2003 sales tax allocations were reduced monthly by the Comptroller's office.

Certificates of Obligation

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

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

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

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

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

Special Obligation Bonds

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

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

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

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

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

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

Revenue Bonds

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

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

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

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

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

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

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

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

9. PRIOR YEAR BOND REFUNDINGS

In prior years, the City legally defeased certain general obligation, revenue, and other bonds by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's report. As of September 30, 2008, previously defeased debt still outstanding amounted to $33,095,000.

10. INTERFUND TRANSACTIONS

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

Fund	Interfund Receivables	Interfund Payables
General Fund	$2,334	$ -
Nonmajor Funds	-	2,334
	$2,334	$2,334

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

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

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	$ 11,753	$ 15,956
Debt Service Fund	-	5,236
Stadium Venue Fund	3,882	-
Total Major Governmental Funds	15,635	21,192
Water and Sewer Fund	12,462	-
Nonmajor Funds	4,916	9,641
Internal Service Funds	3,800	5,980
Total All Funds	$36,813	$36,813

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

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

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

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

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

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

State and federal laws and regulations require the City to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and post-closure care costs as a liability on the Statement of Net Assets in each period based on landfill capacity used as of each balance sheet date. This liability is offset by an asset recorded for a trust account established for the purpose of paying the closure and post-closure costs as more fully described below. In 2004 the City received a permit for vertical expansion which increased the capacity and the life of the landfill. The $5,645,000 reported as a landfill closure and post-closure accrued liability at September 30, 2008, represents the cumulative amount reported to date based on the use of approximately 66 percent of the estimated capacity of the active cells of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of $2,849,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2008. The City expects to close the landfill in 2028. Actual costs may change due to inflation, changes in technology, or changes in regulations.

On March 18, 2005, the City entered into a contract with Republic Waste Services of Texas, Ltd. (Republic) for a 20 year renewable operating lease of the landfill. The City received an initial payment of $15 million, $6 million of which was for the purchase of the City's dirt inventory. The remaining $9 million was recorded as deferred revenue and will be amortized over the life of the lease. Republic is responsible for the funding of monthly contributions to a trust account that will pay closure and post-closure costs as required by state and federal laws and regulations. Republic is in compliance with these requirements and at September 30, 2008, cash and cash equivalents are held for these purposes.

12. COMMITMENTS AND CONTINGENCIES

Trinity River Authority

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

Grant Audits

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

Construction Commitments

The City has various active construction projects as of September 30, 2008. The projects include street construction, park construction, police construction, traffic construction, and the construction of water and sewer facilities. At year-end the City's commitments with contractors are as follows (amounts in thousands):

Project	Spent-to-Date	Remaining Commitment
Street Construction	$ 61,156	$ 24,729
Park Construction	18,612	1,973
Police Construction	12,879	1,073
Traffic Construction	8,309	1,354
Water and Sewer Construction	68,543	15,057
Stadium Venue	652,042	3,853
	$ 821,541	$ 48,039

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

Litigation

The City is currently involved in an employment lawsuit in wherein the plaintiff alleges that his termination violated the Family Medical Leave Act. The case was tried by jury in April 2004. Judgment in the amount of $1.1 million was rendered against the City for violation of the FMLA. The case was appealed to the Fifth Circuit. On June 30, 2006, the Fifth Circuit affirmed the liability portion of the judgment and remanded the damages portion to the district court to apply an offset for benefits received from the City. Meanwhile, it was learned that the plaintiff filed bankruptcy prior to his appeal and failed to disclose the trial court judgment to the bankruptcy court. The bankruptcy case was re-opened and the bankruptcy trustee now owns the plaintiff's claim. The District Court found that the plaintiff is judicially estopped from pursuing the judgment but the trustee can pursue the claim to the extent of the Bankruptcy Estate. Both sides have appealed to the 5th Circuit. Although the damages were reduced to $357,000, the judge awarded attorneys' fees of $695,357. Damages in the event of failing to prevail on the legal issues are anticipated to exceed $1,000,000. The City is pursuing settlement. Probability of an unfavorable outcome is likely.

The City is currently involved in an American with Disabilities Act discrimination lawsuit in which six wheel chair bound plaintiffs allege that they are discriminated against because of the condition of curb ramps and sidewalks in the public rights of way in the City of Arlington. The City contends that the City is in compliance with the ADA. The City's motion to dismiss was granted and the case is on appeal to the 5th Circuit. The probability of an unfavorable outcome is remote.

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of APFA limitations (see Note 13) of insurance coverage, if any, on all claims will not have a materially adverse effect on the City's financial position, as a whole.

Derivative Instruments

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

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

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

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

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

Terms, fair values, and credit risk. The terms, including the fair values and credit ratings of the Swaps, as of September 30, 2008, are included below. The Swaps contain one scheduled reduction to the outstanding notional amounts on September 1, 2013 from $164,265,000 to $115,055,000. This notional reduction is expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
Series 2005B	$ 82,132,500	9/1/2005	3.719%	SIFMA	$ (1,956,194)	9/1/2016	JPMorgan Chase Bank N.A.	(Aaa/AA/AA-)
Series 2005B	$ 82,132,500	9/1/2005	3.719%	SIFMA	$ (1,960,513)	9/1/2016	UBS AG, Stamford Branch	(Aa2/AA-/AA-)
	$ 164,265,000				$ (3,916,707)			

Fair value. The Swaps had a negative fair value as of September 30, 2008 of ($3,916,707). This fair value takes into consideration the prevailing interest rate environment, and the specific terms and conditions of the transaction. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swaps, assuming that the current forward tax-exempt rates implied by the SIFMA yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the taxable spot rates implied by the current London Interbank Offered Rate ("LIBOR") yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the Swaps.

Credit risk. As of September 30, 2008, the City was not exposed to credit risk on its Swaps because the Swaps had a negative fair value. However, should interest rates change and the fair values of the Swaps become positive, the City would be exposed to credit risk in the amount of the Swaps' fair value. The credit ratings of JPMorgan Chase Bank, N.A. are Aaa/AA/AA-, and of UBS AG, Stamford Branch are Aa2/AA-/AA-by Moody's Investors Service, Standard & Poor's Ratings Group, and Fitch Investors Service, respectively.

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

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

Termination risk. The City or the Counterparty may terminate the Swaps if the other party fails to perform under the terms of the respective contracts. If the Swaps are terminated, the Multi-Modal Bonds would no longer be hedged to a fixed rate. The City has a swap insurance policy in place with MBIA, which mitigates its exposure to termination risk. The City will not be required to post collateral as long as MBIA's credit ratings do not fall below A2 by Moody's or A by S&P. As of September 30, 2008, MBIA's credit ratings were A2 by Moody's and AA by S&P.

If at the time of termination the Swaps have a negative fair value, the City would be liable to the Counterparty for a payment equal to the Swaps' fair value. The additional termination events in the agreement are limited to credit related events only, and the ratings triggers are substantially below the current credit rating of the City.

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

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

Dallas Cowboys Complex Special Obligations, Series 2005B

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

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

13. RISK MANAGEMENT

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

Arlington Property Finance Authority (APFA)

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

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

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

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of $300,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. No settlements have utilized this commercial insurance coverage for the past three years. All City departments participate in the workers' compensation program. Payments to the WCF from such departments are based on actuarial estimates of the amounts needed to pay prior and current year claims and related administrative expenses. The WCF claims liabilities are actuarially determined annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 5.0 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately $4,479,000 at September 30, 2008.

Group Health

Group medical benefits are paid through the Group Health Fund. Revenues are recognized from payroll deductions and from City contributions for employee and dependent coverage.

The year-end liability for incurred but not reported claims is reported in the accompanying financial statements at the present value of approximately $1,600,000 at September 30, 2008.

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

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

14. LEASES

A. As Lessee

As lessee, the City is committed under various leases for data processing and office equipment. These leases are considered for accounting purposes to be capital leases. The liability for future capital lease payments totals approximately $1,490,000 and is reported as capital lease obligations current liabilities (approximately $665,000) and capital lease obligations non-current liabilities (approximately $825,000) in the General Services Fund and the Court Technology Fund.

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

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

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

Through fiscal 2008, the City was also committed under various leases for data processing, office equipment and machinery. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the fiscal year ended September 30, 2008, amounted to $2,000.

B. As Lessor

Effective October 1, 1983, the City entered into a contract to lease a tract of land for the purpose of constructing and developing a hotel. The term of the lease is for an initial period of fifty years with renewal options for two additional terms of fifteen years each. The rental payments are based upon a percentage (ranging from 1.0 percent - 1.75 percent) of gross revenues (as defined in the agreement) through December 31, 2006. After December 31, 2006, the lessee shall pay the total annual rent of $250,000. For each year thereafter the lessee shall pay an annual rent amount equal to the previous year's rent plus an increase not to exceed the effective percentage change in the Consumer Price Index (Specifically CPI-U for Dallas-Fort Worth region) for the previous 12 month period. Total rental payments received in 2008 were approximately $251,618.

15. DISPUTE SETTLEMENT AGREEMENT

On April 27, 1999, the ASFDA and the City entered into a Dispute Settlement Agreement and Agreement Not To Pursue Claim (the "Dispute Settlement Agreement") with the Texas Rangers baseball club (the "Rangers"). The Dispute Settlement Agreement relates to the amount of costs of acquiring certain tracts of land for the Project, which the ASFDA and the City alleged should be paid by the Rangers (the "Claim").

The Dispute Settlement Agreement requires the Rangers to make annual installment payments, without interest, to the Authority on or before December 31 of each year as follows:

Year	Amount
2008	$ 800,000
2009	800,000
2010	900,000
2011	1,000,000
2012	1,000,000
2013 to 2017	5,000,000
2018 to 2022	5,000,000
2023 to 2024	2,000,000
	16,500,000
Less Discount	5,741,000
	$10,759,000

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

16. CAPITAL LEASE

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

Pursuant to applicable accounting standards, the lease of the Facility to the Rangers has been accounted for as a capital lease in the component unit, ASFDA. Accordingly, a lease receivable has been established representing the future expected lease proceeds and the capital assets have been removed from the accounts of the ASFDA. As of September 30, 2008 the lease receivable balance was $17,828,912.

Minimum future rentals are as follows:

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

17. CONDENSED COMPONENT UNIT INFORMATION

The City includes five component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2008, for all discretely presented component units is as follows (amounts in thousands):

Condensed Schedule of Net Assets

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

Condensed Schedule of Activities

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

Conduit Debt - Mortgage Revenue Bonds

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

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

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

18. SUBSEQUENT EVENTS

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

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

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2008 (Unaudited)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)
REVENUES						
Taxes	$ 129,056	$ 129,056	$ 125,301	$ 3,235	$ 128,536	$ (520)
Licenses and permits	5,103	5,103	4,650	-	4,650	(453)
Utility franchise fees	29,581	29,581	25,994	5,005	30,999	1,418
Fines and forfeitures	9,664	9,664	10,515	-	10,515	851
Leases, rents and concessions	7,306	7,306	7,363	800	8,163	857
Service charges	9,009	9,009	4,386	4,414	8,800	(209)
Interest revenue	3,340	3,340	3,325	-	3,325	(15)
Other revenue	20	20	845	(800)	45	25
Net increase (decrease) in the fair value of investments	-	-	(26)	26	-	-
Total Revenues	193,079	193,079	182,353	12,680	195,033	1,954
EXPENDITURES						
Current-						
General government	37,116	37,281	34,776	937	35,713	1,568
Public safety	112,273	112,655	114,968	590	115,558	(2,903)
Public works	30,734	32,115	26,384	4,194	30,578	1,537
Public health	1,371	1,371	1,594	(6)	1,588	(217)
Parks and recreation	13,386	13,386	12,991	146	13,137	249
Capital Outlay	-	-	322	(322)	-	-
Total Expenditures	194,880	196,808	191,035	5,539	196,574	234
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(1,801)	(3,729)	(8,682)	7,141	(1,541)	2,188
OTHER FINANCING SOURCES (USES)						
Capital lease proceeds	-	-	322	(322)	-	-
Transfers in	8,507	8,507	15,956	(7,468)	8,488	(19)
Transfers out	(6,684)	(6,684)	(11,753)	4,889	(6,864)	(180)
Total Other Financing Sources (Uses)	1,823	1,823	4,525	(2,901)	1,624	(199)
Net Change In Fund Balances	22	(1,906)	(4,157)	4,240	83	1,989
Fund Balances, October 1	60,346	60,346	60,346	-	60,346	-
Fund Balances, September 30	$ 60,368	$ 58,440	$ 56,189	$ 4,240	$ 60,429	$ 1,989

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL (UAAL)	Funded Percent	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/05	$334,823	$447,440	$(112,617)	74.8%	$113,823	98.9%
12/31/06	$342,766	$466,521	$(123,755)	73.5%	$128,574	96.3%
12/31/07	$348,785	$569,404	$(220,619)	61.3%	$130,958	168.5%

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

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

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

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/02	$288	$3,104	9.3%	$(2,816)	$104,055	2.7%
7/1/05	$286	$2,960	9.7%	$(2,674)	$102,013	2.6%
7/1/07	$349	$2,633	13.3%	$(2,284)	$105,480	2.2%

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/07	$ -	$101.8	0%	($101.8)	$138.0	73.7%

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

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APPENDIX C

FORMS OF BOND COUNSEL OPINION

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[Form of Bond Counsel Opinion]

[Date]

$29,415,000
CITY OF ARLINGTON, TEXAS
PERMANENT IMPROVEMENTAND REFUNDING BONDS
SERIES 2009

WE HAVE represented the City of Arlington, Texas (the "Issuer"), as its bond counsel in connection with an issue of bonds (the "Bonds") described as follows:

> CITY OF ARLINGTON, TEXAS, PERMANENT IMPROVEMENT AND REFUNDING BONDS, SERIES 2009, dated September 15, 2009, in the principal amount of $29,415,000.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance").

WE HAVE represented the Issuer as its bond counsel for the purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer, a certificate of sufficiency (the "Sufficiency Certificate") of the issuing and paying agent (the "Issuing and Paying Agent") certifying the amount required to be deposited therewith for defeasance of the commercial paper notes (the "Refunded Obligations") being refunded with a portion of the proceeds of the Bonds, customary certificates of officers, agents and representatives of the Issuer and other public officials and other certified showings relating to the authorization and issuance of the Bonds. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;

(B) A continuing ad valorem tax upon all taxable property within the City of Arlington, Texas, necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law; and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations and

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations by the deposit with the Issuing and Paying Agent of an amount sufficient for the payment thereof, and therefore, the Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds deposited with the Issuing and Paying Agent.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and

(2) The Bonds are not "private activity bonds" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Issuer and the purchaser with respect to matters solely within the knowledge of the Issuer and the purchaser, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing provisions of the Ordinance, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the U.S. may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state and local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Financial Advisory Services
Provided By

ESTRADA HINOJOSA
INVESTMENT BANKERS