OFFICIAL STATEMENT DATED OCTOBER 28, 2010

NEW ISSUE – Book-Entry-Only

Ratings: Moody's: "Aa1"
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 - Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

THE BONDS WILL ***NOT*** *BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.*

$21,580,000

CITY OF ARLINGTON, TEXAS

(Tarrant County, Texas)

Permanent Improvement Refunding Bonds, Series 2010A

Dated: November 1, 2010 — Due: August 15, as shown below

The $21,580,000 City of Arlington, Texas, Permanent Improvement Refunding Bonds, Series 2010A (the "Bonds") will be issued in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal amounts of $5,000 or multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Interest on the Bonds will be payable on February 15 and August 15 of each year, commencing February 15, 2011.

MATURITY SCHEDULE

(August 15) Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]	(August 15) Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]
2011	$ 120,000	2.000%	0.450%	041796BR3	2018	$ 2,115,000	4.000%	2.450%	041796BY8
2012	520,000	2.000%	0.620%	041796BS1	2019	2,095,000	4.000%	2.720%	041796BZ5
2013	1,300,000	4.000%	0.880%	041796BT9	2020	2,080,000	4.000%	2.900%	041796CA9
2014	1,280,000	4.000%	1.160%	041796BU6	2021	2,060,000	4.000%	3.180% [2]	041796CB7
2015	2,920,000	4.000%	1.460%	041796BV4	2022	2,015,000	4.000%	3.330% [2]	041796CC5
2016	2,150,000	3.500%	1.780%	041796BW2	2023	800,000	4.000%	3.420% [2]	041796CD3
2017	2,125,000	4.000%	2.150%	041796BX0					

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based upon the assumption that the Bonds designated and sold at a premium will be redeemed on August 15, 2020, the first optional redemption date of the Bonds, at a redemption price of par plus accrued interest to the redemption date.

This cover page contains information for quick reference only. It is *not* a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

Optional Redemption. The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2021, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on August 15, 2020, 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").

Legality. The Bonds are offered for delivery when, as and if issued and received by the Underwriters, subject to the approving opinions of the Attorney General of the State of Texas and of Vinson & Elkins LLP, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel Andrews Kurth LLP, Austin, Texas. (See APPENDIX C "Form of Bond Counsel Opinion").

Delivery. It is expected that the Bonds will be delivered through the facilities of DTC on or about November 18, 2010.

MORGAN KEEGAN & COMPANY, INC.

LOOP CAPITAL MARKETS — **RBC CAPITAL MARKETS** — **WELLS FARGO SECURITIES**

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this data page from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY .... The City of Arlington, Texas (the "City"), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.4 square miles operates under a Council/Manager form of government (see "INTRODUCTION – The Issuer").

THE BONDS .... The $21,580,000 City of Arlington, Texas, Permanent Improvement Refunding Bonds, Series 2010A, dated November 1, 2010, are issued as serial bonds maturing on August 15 in each of the years 2011 through 2023. (see "THE BONDS - General").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from November 1, 2010 and will be paid on February 15, 2011, and on each August 15 and February 15 thereafter until the earlier of maturity or prior redemption. (See "THE BONDS - General" and "THE BONDS – Optional Redemption").

AUTHORITY FOR ISSUANCE........ The Bonds are authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas, including particularly Chapters 1207 and 1371, 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").

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

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2021, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2020, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

TAX EXEMPTION .... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, and the Bonds are not private activity Bonds. See "TAX MATTERS – Tax Exemption" herein for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences on corporations.

USE OF PROCEEDS .... The proceeds from the sale of the Bonds are being used to (i) refund certain outstanding obligations of the City as described on Schedule I hereto (the "Refunded Obligations"); and (ii) to pay the costs related to the issuance of the Bonds.

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RATINGS .... The Bonds are rated "Aa1" by Moody's Investors Service ("Moody's"), "AA+" by Standard and Poor's Rating Services, a Standard and Poor's Financial Services LLC business ("S&P"), and "AA+" by Fitch Ratings ("Fitch"). The City's presently outstanding tax supported debt has underlying ratings of "Aa1" by Moody's, "AA+" by S&P and "AA+" by Fitch. (see "OTHER RELEVANT INFORMATION – Ratings").

Moody's and Fitch have recently recalibrated their long-term municipal ratings to their global rating scales.

Information regarding Moody's recalibration may be found on Moody's website at http://v3.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_PBM123300.

Information regarding Fitch's recalibration may be found on Fitch's website at http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=506212.

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

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.

NOT QUALIFIED TAX-EXEMPT OBLIGATION .... The City will NOT designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

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CITY OF ARLINGTON

Elected Officials

City Council	Length of Service	Term Expires	Occupation
Robert Cluck, M.D. Mayor	10 years [(1)]	May, 2011	Doctor
Mel LeBlanc Council Member	3 years	May, 2012	Account Manager
Sheri Capehart Council Member	8 years [(2)]	May, 2012	Computer Security Analyst, Retired
Robert Rivera Council Member	4 years	May, 2011	Real Estate Developer
Kathryn Wilemon Council Member	6 years	May, 2011	Community Volunteer
Lana Wolff Mayor Pro Tem	6 years	May, 2011	Community Volunteer
Gene Patrick Council Member	6 years	May, 2011	Small Business Owner
Robert Shepard Council Member	2 years	May, 2012	Attorney
Jimmy Bennett Council Member	2 years	May, 2012	Certified Public Accountant

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

Appointed Officials

Name	Position	Years of Employment with City
Jim Holgersson	City Manager	5
Fiona Allen	Deputy City Manager – Economic Development and Capital Investment	20
Gilbert Perales	Deputy City Manager – Strategic Support	4
Trey Yelverton	Deputy City Manager – Neighborhood Services	17
April Nixon	Director, Financial and Management Resources	18
Jay Doegey	City Attorney	24
Mary Supino	City Secretary	2 months [(1)]

(1) Joined the City as of October 4, 2010

ADVISORS AND INDEPENDENT AUDITORS

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

Bond Counsel....................Vinson & Elkins LLP
Dallas, Texas

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

For additional information regarding the City, please contact:

Ms. April Nixon Mr. Mike Finley City of Arlington 101 W. Abram Street, 3rd Floor Arlington, Texas (817) 459-6100	Mr. Larry Jordan Ms. Nicole Roberts Estrada Hinojosa & Company, Inc. 1717 Main Street, Suite 4700 Dallas, Texas (214) 658-1670

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page, schedules and the 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, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise or guarantee of the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City, its Financial Advisor nor the Underwriters make any representation as to the accuracy, completeness, or adequacy of the information supplied by the Depository Trust Company for use in this Official Statement.

The Bonds are exempt from registration with the Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Bonds in accordance with applicable securities law provisions of the jurisdiction in which the Bonds have been registered, qualified, or exempted should not be regarded as a recommendation thereof.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME

THIS OFFICIAL STATEMENT 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. INVESTORS ARE CAUTIONED THAT THE 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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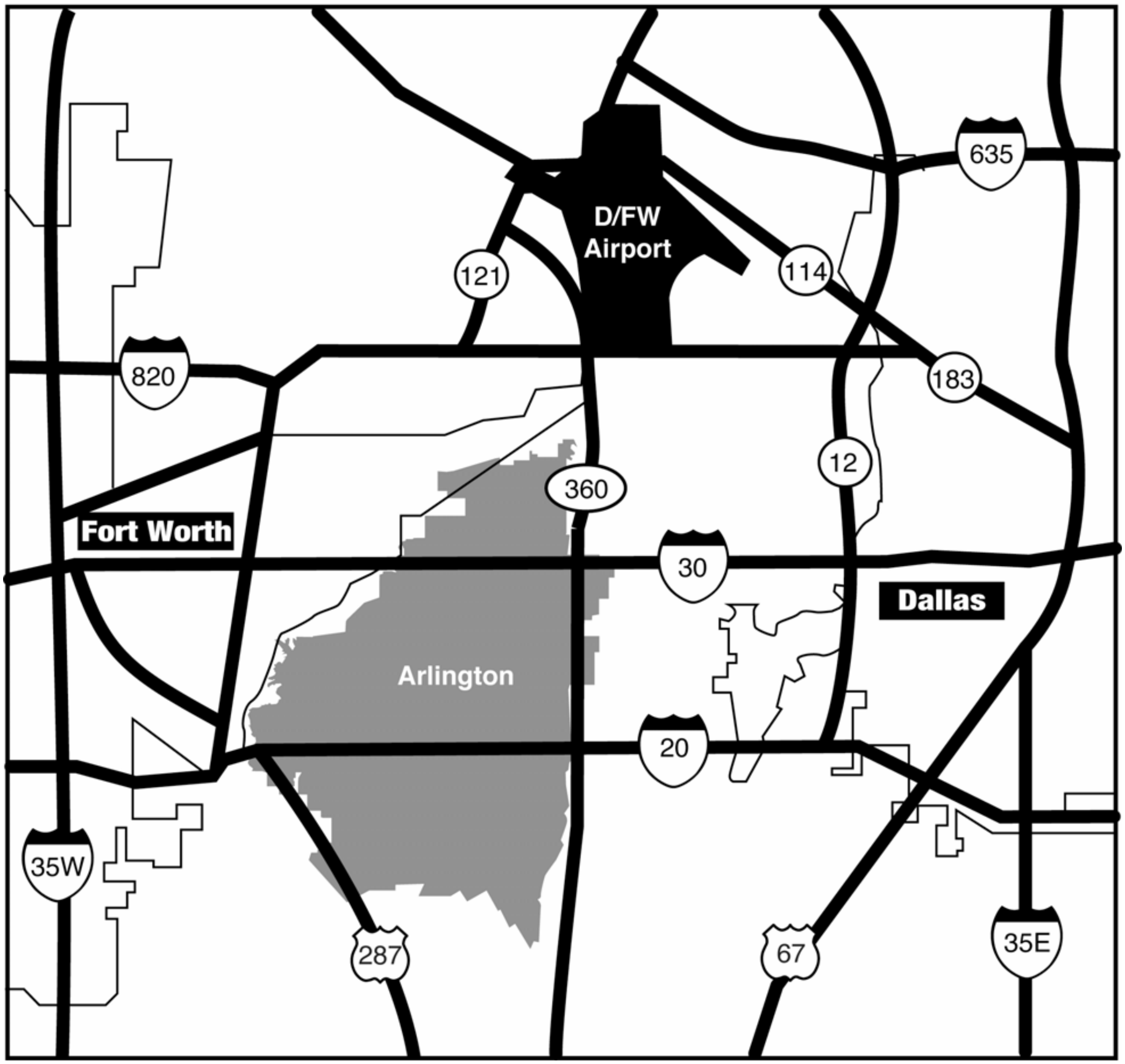
Dallas/Fort Worth/Arlington Metropolitan Area



CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)

$21,580,000
Permanent Improvement Refunding Bonds, Series 2010A

INTRODUCTION

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, 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 99.4 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 367,987 residents. The City operates as a home-rule City under a Council-Manager form of government as established by it 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 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 the Constitution and the general laws of the State of Texas, particular Chapters 1207 and 1371, 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

The $21,580,000 City of Arlington, Texas, Permanent Improvement Refunding Bonds, Series 2010A (the "Bonds"), will be dated November 1, 2010, and will mature on the dates set forth on the cover of this Official Statement. Interest will be paid on February 15, 2011, 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 and direct and annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City.

Tax Rate Limitation

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.

Use of Proceeds

The proceeds from the sale of the Bonds are being used to provide funds for (i) refunding the Refunded Obligations (See Schedule I hereto); and (ii) paying the costs related to the issuance of the Bonds.

Refunded Obligations

A portion of the proceeds from the sale of the Bonds will be used to refund the outstanding debt obligations of the City listed on Schedule I hereto (the "Refunded Obligations"). The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the respective maturity or redemption dates, as applicable, of such Refunded Obligations, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and Wells Fargo Bank N.A., Austin, Texas (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, together with other lawfully available funds of the City, if any, the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective maturity or redemption dates, as applicable. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase obligations authorized by Chapter 1207, Texas Government Code, as amended (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Grant Thornton LLP, a firm of independent public accountants, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Obligations and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the City and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the City and its representatives and has not evaluated or examined the assumptions or information used in the computations.

By the deposit of the Escrowed Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Grant Thornton LLP, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

Sources and Uses

The estimated sources and uses of funds are as follows:

Sources:		**The Bonds**
Par Amount	$	21,580,000.00
Accrued Interest		39,650.14
Net Premium		1,961,024.35
Transfer from Prior Issue Debt Service Funds		259,183.90
Total	$	23,839,858.39
Uses:		
Deposit to Escrow Fund	$	23,506,228.59
Accrued Interest		39,650.14
Cost of Issuance, including Underwriters Discount		293,979.66
Total	$	23,839,858.39

Legal Matters

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding to the City and based upon examination of such transcript of proceedings, the approving legal opinions of Vinson & Elkins LLP, Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law and the interest on the Bonds being excludable from gross income for purposes of federal income tax. The form of Bond Counsel's opinion is attached hereto as Appendix C.

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions or subcaptions "THE BONDS" (except under the subcaptions "Sources and Uses", "Payment Record", "Redemption Procedures While Bonds Held by DTC" and "Holders' Remedies" and under the last two sentences of this paragraph), "LEGAL HOLDINGS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance with Prior Undertakings"), "TAX MATTERS", and the subcaption "Registration and Qualification" under the caption "OTHER RELEVANT INFORMATION" and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas. The legal fee of such firm is contingent upon 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

The initial Paying Agent/Registrar is Wells Fargo Bank, N.A., Austin, Texas. Payments of principal and interest on the Bonds will be payable by Wells Fargo Bank N.A., Austin, Texas (the "Paying Agent/Registrar") to DTC or its nominee, Cede & Co., which will then remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described herein under "BOOK-ENTRY-ONLY SYSTEM."

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.

Amendments

The City may amend the Bond Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, as applicable, amend, add to, or rescind any of the provisions of the Bond Ordinance, except that, without the consent of the registered owners of all of the Bonds, as applicable, no such amendment, addition or rescission may

(1) change the date specified as the date on which the principal on any installment of interest is due payable, reduce the principal amount or the rate of interest, or in any other way modify the terms of their payment, (2) give any preference to any Bond, as applicable, over any other Bond or (3) reduce the aggregate principal amount required to be held by owners for consent to any amendment, addition or rescission.

Optional Redemption

The City has reserved the right and option to redeem the Bonds scheduled to mature on or after August 15, 2021, prior to their scheduled maturities, in whole or in part, on August 15, 2020, 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 (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot or other method that results in random selection 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 an Obligation 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 if 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.

Redemption Procedures While Bonds Held by DTC

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of a portion of Bonds by the City will reduce the outstanding principal amount, as applicable, of such Bonds held by DTC.

In such event, DTC may implement, through its Book-Entry-Only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bonds to be redeemed will not be governed by the Bond Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act a nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds selected for redemption (see "Book-Entry-Only System")

Defeasance

The City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either by (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium if any, and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

Under current state law, after such deposit as described above, the Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

Holders' Remedies

The Bond 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 any Bond 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 Bonds. 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 Bond, 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 Bond 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 Bond Ordinance provides that holders may exercise the remedy of mandamus to enforce the obligations of the City under the Bond 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 obligations, but in connection with the issuance of the obligations, the City has not waived sovereign immunity in the proceedings authorizing the Bonds.

The Bond 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 Bond 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 Bond 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 opinions relative to the enforceability of the Bond Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Registration, Transfer and Exchange

Registration and Payment. The Bonds will be initially issuable only in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Bonds. Principal and semiannual interest on the Bonds will be paid by the Paying Agent/Registrar to Cede & Co., as nominee for DTC, which shall disburse such payments to the DTC Participants who will distribute such payments to the Beneficial Owners as described herein.

For so long as DTC is the securities depository for the Bonds, then the term "Owner" shall refer solely to DTC. In the event that DTC is no longer the securities depository for the Bonds, the term "Owner" shall refer to a successor securities depository or the Beneficial Owners of the Bonds which are shown as registered Owners on the registration books of the Paying Agent/Registrar.

Future Registration. In the event that DTC is no longer the securities depository for the Bonds and a successor securities depository is not appointed by the City, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar and such registration shall be at the expense of the City except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. An Obligation may be assigned by execution of an assignment form on the Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned Bonds in accordance with the provisions of the Bond Ordinance. Such new Obligation or Bonds must be in the denomination of $5,000 for any one maturity or any integral multiple thereof. The last assignee's claim of title to the Bond must be proved to the satisfaction of the Paying Agent/Registrar.

Record Date for Interest Payment. The record date ("Record Date") for the interest payment on the Bonds on an interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on the Bonds on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each

Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Successor Paying Agent/Registrar. Provision is made in the Bond Ordinance for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. The Paying Agent/Registrar selected by the City shall be a commercial bank, a trust company organized under the laws of the State of Texas, or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds. A successor Paying Agent/Registrar, if any, shall be determined by the City. Upon a change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond or portion thereof, called for redemption prior to maturity, within 45 days prior to the date fixed for redemption.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, arid clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com and www.dtc.org**.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds are discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct and Indirect Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Ordinance will be given only to DTC. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Initial Purchaser.

Effect of Termination of Book-Entry-Only System

In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the City, printed certificates will be issued to the respective holders of the Bonds, as the case may be, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Bond Ordinance, summarized under "Registration."

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.

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.

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Table 1 – Current Investments

As of September 30, 2010, the following percentages of the City's operating funds were invested in the following categories of investments:

Type of Investment	% Invested
Certificates of Deposit	0.79%
Federal Farm Credit Bank	7.89%
Federal Home Loan Bank	18.33%
Federal Home Loan Mortg Corp	16.94%
Federal National Mortg Assoc	34.97%
FDIC Insured	4.75%
Farmer Mac	1.64%
TexPool	2.18%
Texas Daily	0.04%
TexStar	0.03%
Cash	12.44%
Totals	**100.00%**

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 September 30, 2010, the weighted average maturity of the City's operating portfolio was 459 days and the market value of the operating portfolio was 100.37 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.

Table 2 - 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	Outstanding Commercial Paper	Unissued
1993 Library Mobile and Portable Facilities	$ 570	$ -	$ -	$ 570
1997 Parks and Recreation	37,860	35,860	2,000	-
2003 Erosion Control	1,900	-	-	1,900
2003 Street Improvements	83,635	65,504	12,700	5,431
2003 Traffic Management	400	-	-	400
2005 Park and Recreation	13,600	11,100	2,500	-
2008 Parks and Recreation	15,500	2,091	-	13,409
2008 Street	103,735	15,375	-	88,360
2008 Library	500	-	-	500
2008 Fire Station	9,090	3,470	-	5,620
2008 Creek	12,000	-	-	12,000
Total	**$ 278,790**	**$ 133,400**	**$ 17,200**	**$ 128,190**

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.

Table 3 - Key Debt Ratios

Fiscal Year	Estimated Population (1)	Estimated Taxable Valuation Calendar Year (2)	Net Tax - Supported Debt Year Ended September 30 (3)	Ratio of Net Tax-Supported Debt: Per Capita	Ratio of Net Tax-Supported Debt: Assessed Valuation
2001	339,215	$ 12,435,152,758	$ 276,879,000	$832	2.23%
2002	346,197	13,513,378,507	286,398,601	827	2.12%
2003	351,719	14,344,001,305	284,539,762	809	1.98%
2004	355,630	15,018,724,599	283,792,540	798	1.89%
2005	361,300	15,599,320,395	280,766,546	777	1.80%
2006	362,393	16,143,581,172	258,483,552	713	1.60%
2007	364,300	16,793,424,763	243,713,552	669	1.45%
2008	369,150	17,591,230,061	217,938,552	590	1.24%
2009	370,450	18,246,819,671	286,848,552	774	1.57%
2010	367,987	18,251,104,674	297,918,552	810	1.63%

Source: City Financial and Management Resources Department.

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

(2) Estimated taxable valuation is obtained from Tarrant County Appraisal District and the City Financial and Management Resources Department.

(3) Does not include self-supporting debt. See "Table 5 – Computation of Self-Supporting Debt. If revenues or other available funds of the City are not sufficient to pay the self-supporting debt, the City will be obligated to assess an ad valorem tax to pay the difference.

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Table 4 – 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.

Fiscal Year Ended 9/30	Outstanding Debt [1] Principal	Outstanding Debt [1] Interest	The Bonds Principal	The Bonds Interest	Less: Refunded Obligations Principal	Less: Refunded Obligations Interest	Less: Self-Supporting Debt Service [2]	Net Tax Supported Debt Service Requirements	Percentage of Debt Retired
2011	$ 26,750,000	$ 14,450,179	$ 120,000	$ 662,391	$ -	$ 1,003,293	$ 3,972,869	$ 37,006,409	
2012	26,065,000	13,042,883	520,000	837,250	450,000	1,003,293	3,933,482	35,078,358	
2013	25,470,000	11,918,054	1,300,000	826,850	1,215,000	983,018	4,927,423	32,389,463	
2014	26,335,000	10,854,204	1,280,000	774,850	1,215,000	934,243	4,905,904	32,188,907	
2015	26,140,000	9,722,895	2,920,000	723,650	2,840,000	883,088	4,888,693	30,894,765	46.44%
2016	24,615,000	8,576,321	2,150,000	606,850	2,100,000	749,843	4,792,731	28,305,598	
2017	22,790,000	7,485,961	2,125,000	531,600	2,100,000	652,383	4,701,528	25,478,651	
2018	18,950,000	6,451,995	2,115,000	446,600	2,100,000	553,708	3,795,262	21,514,626	
2019	17,720,000	5,605,736	2,095,000	362,000	2,100,000	453,843	3,782,654	19,446,240	
2020	15,015,000	4,825,623	2,080,000	278,200	2,100,000	352,788	2,632,613	17,113,423	77.43%
2021	13,425,000	4,156,201	2,060,000	195,000	2,100,000	250,950	2,632,926	14,852,326	
2022	12,035,000	3,555,855	2,015,000	112,600	2,075,000	147,625	2,580,988	12,914,843	
2023	10,910,000	3,022,520	800,000	32,000	885,000	44,063	2,579,163	11,256,295	
2024	9,695,000	2,534,863	-	-	-	-	2,576,663	9,653,200	
2025	8,560,000	2,112,159	-	-	-	-	2,581,506	8,090,653	93.17%
2026	8,645,000	1,733,495	-	-	-	-	2,581,256	7,797,239	
2027	8,225,000	1,347,948	-	-	-	-	2,576,756	6,996,191	
2028	7,230,000	979,698	-	-	-	-	2,578,006	5,631,691	
2029	5,035,000	675,873	-	-	-	-	2,579,356	3,131,516	
2030	3,210,000	471,494	-	-	-	-	2,581,656	1,099,838	100.00%
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	-	100.00%
	$ 323,890,000	$ 114,187,873	$ 21,580,000	$ 6,389,841	$ 21,280,000	$ 8,012,133	$ 75,915,351	$ 360,840,230	

(1) Excludes $17,200,000 in outstanding commercial paper notes.

(2) Self Supporting debt includes a portion of the Combination Tax and Revenue Certificates of Obligation, Series 2001-A and Series 2001-B, a portion of the Permanent Improvement Refunding Bonds, Series 2005, Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B, Combination Tax and Revenue Certificates of Obligation Series 2009A and 2009B, Combination Tax & Revenue Certificates of Obligations, Series 2010. If revenues or other available funds of the City are not sufficient to pay the self-supporting debt, the City will be obligated to assess an ad valorem tax to pay the difference. See "Table 5 – Computation of Self-Supporting Debt."

Table 5 - Computation of Self-Supporting Debt (1)

Hotel Occupancy Tax Revenue (2)		
Gross Hotel Occupancy Tax Revenues for Fiscal Year ended 9-30-09	$	4,834,785
Debt Service Requirements for Hotel Occupancy Tax Revenue Debt FY 2010		1,381,076
Debt Service Requirements for Hotel Occupancy Tax Revenue Debt FY 2011		1,358,673
Percent of Tax Increment Self-Supporting		100%
Water and Wastewater System (WWS) Revenues		
Revenue Available for Debt Service from WWS Revenues, FY end 9-30-09	$	44,588,000
Less: Revenue Bond requirements, FY 2010		13,925,590
Balance Available for Other Purposes		30,662,410
Debt Service Requirements for Water for Portions of CO 2001 A and B, FY 2010		78,098
Debt Service Requirements for Water for Portions of CO 2001 A and B, FY 2011		75,173
Percentage of Water and Wastewater System CO Debt, Self-Supporting		100%
Tax Incremental Reinvestment Zone 5 (TIRZ 5) (3)		
Total Projected Balance Available for Debt Service FY 2011	$	1,024,087
Debt Service Requirements for TIRZ 5, FY2011		1,567,781
Percentage of TIRZ 5 Obligations Self-Supporting		65%
Tax Incremental Reinvestment Zone 4 (TIRZ 4)		
Beginning Fund Balance TIRZ 4, 9-30-10	$	5,910,036
Projected Tax Revenue TIRZ 4, FY 2011		1,316,044
Total Projected Balance Available for Debt Service FY 2011		7,226,080
Debt Service Requirements for TIRZ 4, FY 2011		971,242
Percentage of TIRZ 4 Obligations Self-Supporting		100%
Total Debt Service Requirements, FY 2011	$	3,972,869

(1) If funds are not sufficient for any of the above debt service payments, the City will be obligated to assess an ad valorem tax to pay the difference.
(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 discretionary payments from surplus revenues of the Hotel Occupancy Tax Collections will be made in the future or that such revenue will be sufficient to pay such allocated debt service.
(3) The interest and sinking fund tax rate was established with the expectation that the shortfall would be funded from funds on deposit in the Debt Service Fund.

Table 6 - Tax Adequacy (1)

The following analysis assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2011 Net Assessed Valuation.

Average Annual Requirement (2011 - 2030) ……………..…………	$	18,042,011
A tax rate of $0.1009 per $100 assessed valuation produces ………		18,050,000
Average Annual Requirement (2011 - 2020) …………………………		27,941,644
A tax rate of $0.1563 per $100 assessed valuation produces ………		27,950,000
Maximinum Annual Requirement (2011) ……………………………		37,006,409
A tax rate of $0.2069 per $100 assessed valuation produces ………		37,010,000

(1) Amounts do not include the outstanding principal amount of commercial paper or the Refunded Obligations. Includes the Bonds. Excludes Refunded Obligations and self-supporting debt.

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 "Table 2 - Authorized Permanent Improvement Bonds and Use of Proceeds" for a description of the approved capital projects for the Commercial Paper Notes). As of the date and date of this official statement, the City has $17,200,000 in Commercial Paper Notes outstanding (see "Table 2 – 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.

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.

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	Total Tax Supported Debt as of 10/25/2010 (1)	Percent	Amount Overlapping
Arlington ISD	$666,804,943	78.23%	$521,641,507
Hurst-Euless-Bedford ISD	193,055,026	0.35%	675,693
Kennedale ISD	49,545,946	54.36%	26,933,176
Mansfield ISD	644,753,345	29.85%	192,458,873
Tarrant Co	321,866,349	14.19%	45,672,835
Tarrant Co College Dist	43,109,589	14.19%	6,117,251
Tarrant Co Hosp Dist	62,680,000	14.19%	8,894,292
Total Net Overlapping Debt			$802,393,627
Arlington, City of (2)			$274,652,302
Total Direct and Overlapping Debt			$1,077,045,929
Total Direct and Overlapping Debt % of AV			6.27%
Total Direct and Overlapping Debt % of Capita			$2,927

(1) Source: Municipal Advisory Council, net debt outstanding per representative of each jurisdiction.
(2) Includes the Bonds and excludes the Refunded Obligations and 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 $115,735,000 for Public Works; $15,500,000 for Parks; $9,090,000 for Fire; and $500,000 for Libraries. Combined with the authorized but unissued bonds from prior elections, the City has $128,190,000 in unissued permanent improvement bonding authority.

The approved CIP is the result of a process that balances the need for public facilities against the fiscal capability of the City to provide for those needs. The City's tax-supported CIP for fiscal year 2011 is budgeted at $18,835,000. The projects include funds for fire improvements, parks and recreation and for public works and transportation.

FINANCIAL INFORMATION

Basis of Accounting and Accounting Structure

The accounting records of the City are maintained on the modified accrual basis of accounting for the General Fund, Special Revenue Funds, Capital Projects Funds and Trust and Agency Funds and on the accrual basis of accounting for the Enterprise Funds, and the Internal Service Funds. In general, under the modified accrual basis of accounting, revenues are recorded as received in cash except for material revenues considered to be both measurable and available to finance current year appropriations, which are recognized as revenue when earned. Expenditures are recorded in the period in which liabilities are incurred. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when liabilities are incurred without regard to receipts or disbursements of cash.

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, 2008. The City was awarded a Certificate of Excellence for its CAFR for the year ended April 30, 1966 and then annually from 1977 to 2003 and 2005 to 2008. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2009.

ACCOUNTING STANDARDS

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 schedule is presented that compares the originally adopted and final General Fund budget with actual results

Measurement Focus and Basis of Accounting

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

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

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

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

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

The following major funds are used by the City:

<u>1. Governmental Funds:</u>

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.

<u>2. Enterprise Funds:</u>

The focus of Enterprise Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. The City's Enterprise Funds are the Water and Sewer Fund and the Storm Water Utility Fund. The Water and Sewer Fund accounts for the administration, operation and maintenance of the water and sewer utility system, and the 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. The Storm Water Utility Fund accounts for the design, construction and maintenance of the City's storm water drainage systems. This Fund was previously set up as a capital project fund and was converted to an enterprise fund in Fiscal Year 2009.

<u>3. Other Fund Types:</u>

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.

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.

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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 2005 to 2009 have been compiled from the audited financial statements included in the Comprehensive Annual Financial Reports of the City. These unaudited summaries should be read in conjunction with their related audited financial statements and notes. For the fiscal year ended September 30, 2009, the General Fund had revenues greater than expenditures and transfers by $2,092,000 or (1.12%) percent of General Fund revenues, leaving a General Fund balance at September 30, 2009, of $58,281,000. The following table presents a comparison of the City's General Fund balance for fiscal years 2005 to 2009.

Table 7 - General Fund Revenue and Expenditure History
(amounts in thousands)

	Fiscal Years Ended September 30,				
	2009	**2008**	**2007**	**2006**	**2005**
Beginning Fund Balance	$56,189	$60,346	$66,114	$52,057	$25,317
Revenues					
Ad Valorem Taxes	80,385	77,829	75,090	68,166	62,701
Sales Tax	45,362	46,009	46,245	43,228	40,072
Other Taxes	2,484	1,463	895	1,452	1,435
Franchise Fees	25,038	25,994	29,145	31,140	28,928
Service Charges	4,371	4,386	5,668	5,198	5,781
Interest	1,854	3,299	4,549	3,365	1,501
All Other	27,850	23,373	19,008	26,856	16,742
Total Revenues	$ 187,344	$ 182,353	$ 180,600	$ 179,405	$ 157,160
Expenditures					
Total Expenditures	$ 191,612	$ 190,713	$ 179,882	$ 168,327	$ 164,724
Net Expenditures Over (Under) Expenditures	(4,268)	(8,360)	718	11,078	(7,564)
Other Financing Sources					
Issuance of Capital Leases					1,626
Operating Transfers	6,360	4,203	(6,486)	2,979	32,678
Ending Fund Balance	$58,281	$56,189	$60,346	$66,114	$52,057
General Fund Balance as a Percent of General Fund Expenditures	30.42%	29.46%	33.55%	39.28%	31.60%

The following table shows the City's estimated revenues and budgeted expenditures for fiscal year 2011, as reported in the adopted Budget.

Table 8 - DEBT SERVICE FUND BUDGET
Fiscal Year 2011

Beginning Balance	$ 5,765,529
Total Revenue	35,795,380
Transfers In (1)	4,810,674
Total Available for Debt Service	46,371,583
Debt Service Expenditures	(41,486,054)
Estimated Ending Fund Balance	$ 4,885,529

Source: Fiscal Year 2011 Budget and Fiscal Year 2010 CAFR

1) Includes transfers to the Debt Service Fund from the Convention and Event Services Fund, Park Performance Fund, TIRZ #4 Fund, TIRZ#5 Fund and Water and Wastewater Fund.

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 2011, the Council has levied a tax rate equal to $0.6480 per $100 assessed valuation of which $0.2150 was allocated to pay debt service on outstanding tax-supported Bonds and notes. See "Table 9 - Tax Rate Distribution and Collection Ratios."

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 2011 tax rolls reflect the Council granting persons 65 years of age and older, disabled persons and disabled veterans exemptions totaling $884,556,069.

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 2011 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 2011 tax roll, which totaled $1,821,175,615 or 10.7 percent of the FY 2011 taxable assessed valuation. In addition, $69,236,796 of value was reduced from the FY 2011 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 2011 tax roll reveals a value loss of $9,410,286 due to scenic deferrals.

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 2011 tax roll is $52,920,270.

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 2011 tax roll is $330,447,914.

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 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. Effective January 1, 2010, State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. 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 2011 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 or portion of the month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. 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.

In FY 2010, the City had 68,622 residential homestead properties and 14,295 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.

Table 9 – Tax Rate Distribution and Collection Ratios

Fiscal Year	Estimated Net Taxable Valuation [1]	Tax Rate: General Fund	Tax Rate: Debt Service Fund	Tax Rate: Total Tax Rate	Tax Levy	% Collections [2]: Current Year	% Collections [2]: Prior Years
2007	16,793,424,763	0.4468	0.2012	$ 0.6480	108,821,392	97.54	99.82
2008	17,591,230,061	0.4467	0.2013	$ 0.6480	113,991,171	97.73	99.68
2009	18,246,820,000	0.4467	0.2013	$ 0.6480	118,239,394	98.40	100.17
2010	18,251,104,674	0.4467	0.2013	$ 0.6480	118,267,158	97.89	99.41
2011	17,179,122,309	0.4330	0.2150	$ 0.6480	111,320,648	N/A [3]	N/A [3]

Source: City Financial and Management Resources Department.

(1) Net Taxable Valuation is the certified roll as of September of each year including minimum estimated value of property under protest. 2010 and 2011 values provided by City Financial and Management Resources Department.

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

(3) Taxes for Tax Year 2010/Fiscal Year 2011 are delinquent on February 1, 2011.

Table 10 - Tax Base Distribution
Fiscal Years 2006 to 2010

	2010	2009	2008	2007	2006
Residential	59.8%	60.6%	62.4%	62.3%	62.1%
Commercial, Industrial, Retail	38.1%	37.5%	35.7%	35.7%	35.9%
Undeveloped	1.8%	1.9%	1.9%	2.0%	2.0%

Source: City Financial and Management Resources Department.

Table 11 - Top Ten Taxpayers [1]

Employer	Type of Business	FY 2010
General Motors Corporation [2]	Automobile Assembly	$ 211,846,231
Parks at Arlington LP	Real Estate Holdings	150,541,475
Oncor Electric Delivery Co.	Public Utility	142,416,467
Arlington Highlands Ltd	Retail	130,885,400
Southwestern Bell Telephone Co.	Public Utility	73,409,308
Texas Flags/Six Flags Over Texas [3]	Amusement Park	66,077,444
Wal-Mart Real Estate	Retail	58,486,313
USMD Surgical Hospital	Healthcare	58,177,021
Quicksilver Resources Inc.	Natural Gas Producer	51,016,783
Lincoln Square Ltd	Real Estate Holdings	39,783,322
Total		**$ 982,639,764**
Above ten taxpayers as % of total tax rolls		5.38%
Total tax roll		$ 18,251,104,674

(1) Source: Tarrant Appraisal District as of 11/12/2009.

(2) General Motors Corporation owns and operates an assembly plant in the City. The company filed for bankruptcy protection in 2009 and underwent reorganization. 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 its assembly plant in Arlington. The company is current on its tax liability.

(3) Texas Flags/Six Flags of Texas emerged from bankruptcy protection in May, 2010. 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.

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.

Table 12 – Municipal Sales Tax History

Fiscal Year	Sales Tax Receipts	Ad Valorem Tax Levy	Sales Tax as a % of Tax Levy	Population Estimate	Per Capita Sales Tax Collection
2001	$ 44,436,164	$ 78,838,868	56%	339,215	$ 131
2002	41,172,479	85,674,820	48%	346,197	119
2003	38,695,033	90,940,968	43%	351,719	110
2004	39,663,609	97,321,335	41%	355,630	112
2005	40,072,031	101,083,596	40%	361,300	111
2006	43,228,000	104,610,406	41%	362,393	119
2007	46,368,418	108,821,392	43%	364,300	127
2008	46,008,765	113,784,966	40%	369,150	125
2009	45,873,000	118,435,518	39%	370,450	124
2010	46,066,360 (1)	118,267,158	39%	367,987	125

(1) FY 2010 Estimate – FY 2011 Proposed Budget and Business Plan

PENSION FUND

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 811 currently administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas, 78714.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100 percent, 150 percent, or 200 percent) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity. 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 4/1/06):

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

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate. The normal cost contribution rate finances the currently accruing monetary credits due to the City's 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. 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. If a change in plan provisions is elected by the City, this rate can change.

For 2009, the City's annual pension cost of $29,582,321 was $7,287,773 higher than the City's contribution of $22,294,458, resulting in a net pension obligation. Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by the City. 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 repeating 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. 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.

As of December 31, 2008, the most recent actuarial valuation date, the plan was 60.6% funded. The actuarial accrued liability for benefits was $594,441,728, and the actuarial value of assets was $360,028,646, resulting in an unfunded actuarial accrued liability (UAAL) of $234,413,082. The covered payroll (annual payroll of active employees covered by the plan) was $143,790,619, and the ratio of the UAAL to the covered payroll was 163%.

The actuarial assumptions included (a) 7.5 % investment rate of return (b) 3% payroll growth, (c) 2.1% cost of living adjustment, and (d) 3% inflation rate adjustment. The asset valuation method is amortized cost. The City's unfunded actuarial accrued liability is being amortized over a 30-year closed period with 29 years remaining.

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

Fiscal Year Ending 9/30	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2005	$ 14,671,901	100%	-
2006	14,512,396	100%	-
2007	15,164,348	100%	-
2008	19,486,546	100%	-
2009	29,582,321	75%	7,287,773

OTHER POST-EMPLOYMENT BENEFITS

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, 2009, 586 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.

(Amount in millions)

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
1/1/2007	$ -	$ 101,800	0.0%	$ 101,800	$ 138,000	73.8%
1/1/2009	-	$ 104,500	0.0%	$ 104,500	$ 106,000	98.6%

An actuarial valuation was not performed as of 1/1/2009

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.

(Amount in millions)

Actuarial Valuation Date	Actuarial Valueof Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	$ 349	$ 2,633	13.3%	$ (2,284)	$ 105,480	2.2%
7/1/2008	482	2,734	17.6%	(2,252)	117,128	1.9%
7/1/2009	581	2,770	21.0%	(2,189)	122,952	1.8%

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.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Ordinance, the City made the following agreement for the benefit of the owners and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rule Making Board (the "MSRB"). This information will be available free of charge via the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 12 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year. The City will provide the updated information to the MSRB.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide notice that audited financial statements are not available and will provide unaudited financial statements for the applicable fiscal year to the MSRB, and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulations.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year for the preceding year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices

The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Obligations, if such event is material to a decision to purchase or sell Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of owners of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Ordinance make any provision for debt service reserves, credit enhancement, or liquidity enhancement.) In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph only to the MSRB.

Availability of Information from MSRB

The City has agreed to provide the foregoing information, only as described above to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the owners and Beneficial Owners of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

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 LLP, Bond Counsel, under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes, and (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 Bond 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 Bond 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 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. Bond Counsel will further rely on the report of Grant Thornton LLP, Certified Public Accountants, regarding the mathematical accuracy of certain computations. If the City should fail to comply with the covenants contained in the Bond Ordinance or if the foregoing representations or report 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 inclusion 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 is "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 investing in the Bonds 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.

Tax Accounting Treatment of Original Issue Premium Bonds

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

OTHER RELEVANT INFORMATION

Ratings

The Bonds are rated "Aa1" by Moody's Investors Service ("Moody's"), "AA+" by Standard and Poor's Rating Services, a Standard and Poor's Financial Services LLC business ("S&P"), and "AA+" by Fitch Ratings ("Fitch"). The City's presently outstanding tax supported debt of the City has underlying ratings of "Aa1" by Moody's, "AA+" by S&P and "AA+" by Fitch.

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 Official Statement 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.

Moody's and Fitch have recently recalibrated their long-term municipal ratings to their global rating scales.

Information regarding Moody's recalibration may be found on Moody's website at
http://v3.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_PBM123300.
Information regarding Fitch's recalibration may be found on Fitch's website at
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=506212.

Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City Attorney that the resolution of these matters will not have a material adverse affect on the financial condition of the City.

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.

Underwriting

The Bonds are being purchased by Morgan Keegan & Company, Inc. as the Senior Managing Underwriter, on behalf of a group of Underwriters listed on the cover of this Official Statement (the "Underwriters"). The purchase contract for the Bonds (the "Bond Purchase Contract") sets forth the obligation of the Underwriters to purchase the Bonds at an underwriting discount of $129,849.02 from the initial public offering prices set forth on the cover of this Official Statement, plus accrued interest, and is subject to certain terms and conditions, including the approval of certain legal matters by Bond Counsel. The Bond Purchase Contract provides that the Underwriters will purchase all of the Bonds if any Bonds are purchased. The Underwriters may offer and sell the Bonds to certain dealers and others at prices different from the public offering prices stated on the cover of this Official Statement. The public offering prices of the Bonds may be changed from time to time at the discretion of the Underwriters.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

Wells Fargo Bank, National Association is serving as the Paying Agent/Registrar, Escrow Agent, and as one of the underwriters 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 Official Statement.

Verification of Arithmetical and Mathematical Computations

The arithmetical accuracy of certain computations included in the schedules provided by Estrada Hinojosa & Company, Inc. on behalf of the City relating to (a) computation of forecasted receipts of principal and interest on the Federal Securities and the forecasted payments of principal and interest to redeem the Refunded Bonds and (b) computation of the yields of the Bonds and the restricted Federal Securities will be verified by Grant Thornton LLP, certified public accountants. Such computations will be based solely on assumptions and information supplied by Estrada Hinojosa & Company, Inc. on behalf of the City. Grant Thornton LLP will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information on which the computations will be based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

Forward - Looking Statements

The statements contained in this Official Statement 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 Official Statement 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 Official Statement 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 Official Statement 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 Bond Ordinance authorizing the issuance of the Bonds also approves the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

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

ATTEST:
/s/ Mary Supino
City Secretary
City of Arlington, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax & Revenue Certificates of Obligation, Series 2001B

Original Dated Date	Original Maturity Date	Interest Rates	Amount
3/1/2001	8/15/2012	4.500%	$ 425,000

The 2012 maturity will be redeemed prior to original maturity on August 15, 2011 at par.

Combination Tax & Revenue Certificates of Obligation, Series 2001C

Original Dated Date	Original Maturity Date	Interest Rates	Amount Refunded
7/1/2001	8/15/2012	4.600%	$ 25,000
	8/15/2013	4.700%	25,000
	8/15/2014	4.700%	25,000
	8/15/2015	4.800%	25,000
	8/15/2016	4.900%	25,000
	8/15/2017	5.000%	25,000
	8/15/2018	5.000%	25,000
	8/15/2019	5.000%	25,000
	8/15/2020	5.000%	25,000
	8/15/2021	5.000%	25,000
			$ 250,000

The 2012 - 2021 maturities will be redeemed prior to original maturity on August 15, 2011 at par.

Permanent Improvement Bonds, Series 2002

Original Dated Date	Original Maturity Date	Interest Rates	Amount
7/15/2002	8/15/2013	4.000%	$ 1,190,000
	8/15/2014	4.200%	1,190,000
	8/15/2015	4.300%	1,190,000
	8/15/2016	4.400%	1,190,000
	8/15/2017	4.500%	1,190,000
	8/15/2018	4.600%	1,190,000
	8/15/2019	4.700%	1,190,000
	8/15/2020	4.750%	1,190,000
	8/15/2021	4.875%	1,190,000
	8/15/2022	5.000%	1,190,000
			$ 11,900,000

The 2013 - 2022 maturities will be redeemed prior to original maturity on August 15, 2012 at par.

Combination Tax & Revenue Certificates of Obligation, Series 2003

Original Dated Date	Original Maturity Date		Interest Rates		Amount
7/15/2003	8/15/2019	(1)	4.500%		375,000
	8/15/2023	(2)	4.750%		300,000
				$	675,000

The 2019 and 2023 maturities will be redeemed prior to original maturity on August 15, 2013 at par.

(1) Represents a Term Certificate with mandatory sinking fund payments on August 15, 2015, August 15, 2016, August 15, 2017, August 15, 2018 and a final maturity on August 15, 2019.

(2) Represents a Term Certificate with mandatory sinking fund payments on August 15, 2020, August 15, 2021, August 15, 2022, and a final maturity on August 15, 2023.

Permanent Improvement & Refunding Bonds, Series 2003 (1)

Original Dated Date	Original Maturity Date	Interest Rates		Amount
6/15/2003	8/15/2015	5.000%		1,550,000
	8/15/2016	5.000%		810,000
	8/15/2017	5.000%		810,000
	8/15/2018	5.000%		810,000
	8/15/2019	5.000%		810,000
	8/15/2020	5.000%		810,000
	8/15/2021	5.000%		810,000
	8/15/2022	5.000%		810,000
	8/15/2023	5.000%		810,000
			$	8,030,000
	Total Refunded Obligations		$	21,280,000

The 2015 - 2023 maturities will be redeemed prior to original maturity on August 15, 2013 at par.

(1) Partial refunding of such maturities.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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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 99.4 square miles.

The City was incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the Texas State Constitution. The City 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 three Deputy City Managers, he coordinates the functions of the various municipal agencies and departments responsible for the delivery of services to residents. The City 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.

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ECONOMIC AND DEMOGRAPHIC FACTORS

Population

The 2010 estimated population for the City of Arlington is 367,987. 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	(1)	-	150,697,361	-
1960	44,775	(1)	19.30%	178,464,236	1.71%
1970	90,229	(1)	7.30%	203,211,926	1.31%
1980	160,113	(1)	5.90%	226,545,805	1.09%
1990	261,721	(1)	5.00%	248,765,170	0.94%
2000	332,969	(1)	2.40%	281,421,906	1.40%
2003	351,719		1.90%	290,809,777	1.11%
2004	355,630		1.10%	293,655,404	1.01%
2005	361,300		1.60%	296,410,404	0.94%
2006	362,393		0.30%	301,071,787	1.57%
2007	364,300		0.50%	303,241,702	0.72%
2008	369,150		1.30%	305,727,974	0.82%
2009	370,450		0.40%	308,784,189	1.00%
2010	367,987	(2)	-0.66%	309,162,581 (3)	0.18%

Source: U.S. Dept. of Commerce, U.S. Census, and the Community Development and Planning Department Estimates.
(1) Actual Census population.
(2) Estimated by the City of Arlington as of March 31, 2010
(3) U.S. Census Bureau as of September 23, 2010

Employment

As illustrated in the table below, the City has maintained lower unemployment rates than the United States and the State of Texas. As of July 2010, the City's unemployment rate averaged 8.1 percent compared to the U.S. rate of 9.6 percent and the Texas rate, which was 8.2 percent.

Unemployment Rate
Annual Average Rates
2006 to 2010

	2010 (1)	2009	2008	2007	2006	2005
Arlington	8.1%	7.1%	4.5%	4.2%	4.8%	5.1%
Texas	8.2%	7.5%	4.8%	4.3%	4.9%	5.4%
United States	9.6%	9.3%	5.8%	4.6%	4.6%	5.2%

Source: U.S. Bureau of Labor Statistics
(1) City of Arlington, as of July 2010.

Arlington Major Employers [(1)]

Employer	Type of Business	Number of employees
Arlington Independent School District	Public Education	5,144
Dallas Cowboys Football Club	Sports Entertainment	5,000
University of Texas at Arlington	Higher Education	4,987
Six Flags Over Texas [(2)]	Amusement Park	2,500
City of Arlington	Municipality	2,468
General Motors [(3)]	Automobile Assembly	2,362
Texas Resource Health - AMH	Health Care	2,105
Texas Rangers Baseball Club [(4)]	Sports Entertainment	1,295
Medical Center of Arlington	Health Care	1,250
Washington Mutual Card Service	Finance	1,117
Total		**28,228**

(1) Arlington Chamber of Commerce as of June, 2010. Includes part-time and peak seasonal employees.

(2) Texas Flags/Six Flags of Texas emerged from bankruptcy protection in May 2010. 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) General Motors Corporation owns and operates an assembly plant in the City. The company filed for bankruptcy protection in 2009 and underwent reorganization. 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 its assembly plant in Arlington. The company is current on its tax liability.

(4) The Texas Rangers Baseball Club (the "Rangers") filed voluntary Chapter 11 bankruptcy on May 26, 2010. The Rangers were sold and are under new ownership, however, the new owners are subject to the existing lease agreement with the City. All lease payments to date are current.

Building Permits

During the FY 2009 the City issued 4,606 building permits with a total value of $266,648,000. Presented below is a table covering building permit activity for the last three years:

	2009		2008		2007	
	Permits	Value (000's)	Permits	Value (000's)	Permits	Value (000's)
New Single Family	1,384	$ 58,559	1,838	$ 91,597	2,237	$ 147,130
New Multifamily	2	2,605	11	35,620	1	11,000
New Commercial	720	202,377	796	197,338	730	125,151
Other (Additions, etc. [(1)])	2,500	3,107	3,264	4,793	2,996	2,994
Grand Total	4,606	266,648	5,909	329,349	5,964	286,275

Source: City of Arlington Building Inspections Division

(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.

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APPENDIX B

BASIC FINANCIAL STATEMENTS OF THE CITY OF ARLINGTON
FISCAL YEAR 2009

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Deloitte.

Deloitte & Touche LLP
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USA

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www.deloitte.com

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, 2009, 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 6.63% and 0.64%, respectively, of total discrete component unit assets as of September 30, 2009, and total program revenues constituting 80.71% and 13.69%, respectively, of total discrete component unit program revenues for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Arlington, Texas, and the Arlington Convention and Visitors Bureau, Inc., is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2009, 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.

Member of
Deloitte Touche Tohmatsu

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

March 1, 2010

CITY OF ARLINGTON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

SEPTEMBER 30, 2009

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, 2009. It should be read in conjunction with the accompanying letter of transmittal and financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets of governmental activities **increased** by $338M (37.6%) this year, primarily because of a net increase in capital assets of $375M. This increase in capital assets is primarily due to additional capitalized costs of construction on the Dallas Cowboys Complex Development Project (Cowboys Project). The City recorded an increase in construction costs of $417M which included $403M in contributions from the Cowboys Stadium, L. P. The stadium was completed in July 2009 and the cost of the completed stadium was moved from construction in progress to building and improvements.

- The City's **increase** in total net assets of $420M for the year was $273M higher than the increase last year. This variance is primarily attributable to a $261M increase in contributions from the Cowboys Stadium, L. P. for construction of the Cowboys Project.

- The City's governmental funds reported combined ending fund balances of $179M, a **decrease** of $53M last year. This decrease is due to spending prior year's bond proceeds on current year capital outlay in the capital projects funds. $21M was spent on street projects in the Street Capital Projects Fund. $38M was spent on various capital projects in other non-major governmental funds.

- The 2009 General Fund unreserved fund balance was $53M and unreserved and undesignated fund balance was $3.7M. In 2008, the comparable balances were $49M and $.5M. Total unreserved and unreserved undesignated fund balance of $53.1M is $3.6M higher than last year primarily due to a lower reserve requirement for encumbrances of $2.2M this year.

- Total debt of $710.4M **decreased** $19.5M during the year. Debt issues in 2009 include $18M Water and Wastewater System Revenue bonds, $14M Water and Wastewater System Revenue refunded bonds, and $175M of Dallas Cowboys Complex special tax refunding bonds Series 2008 and Series 2009. Bond principal payments total $219M on existing obligations. Debt is allocated 86% for general government, with the remaining 14% 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, as well as storm water utilities.
- Component Units – The City includes one blended component unit in its report – Arlington Property Finance Authority, Inc. The City includes six 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 and storm water runoff. These services are reported in enterprise funds, a type of proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The internal service funds, another component of proprietary funds, report activities that provide supplies and services for the City such as self-insurance and fleet maintenance functions.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

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

NOTES TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION

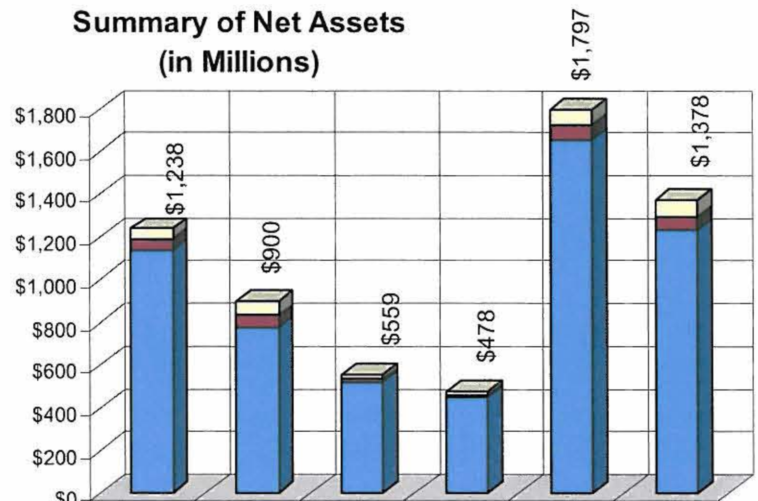
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning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

THE CITY AS A WHOLE – Government-wide Financial Analysis

The City's combined net assets were $1.8B as of September 30, 2009. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are $560M. This analysis focuses on the net assets and changes in general revenues and significant expenses of the City's governmental and business-type activities.

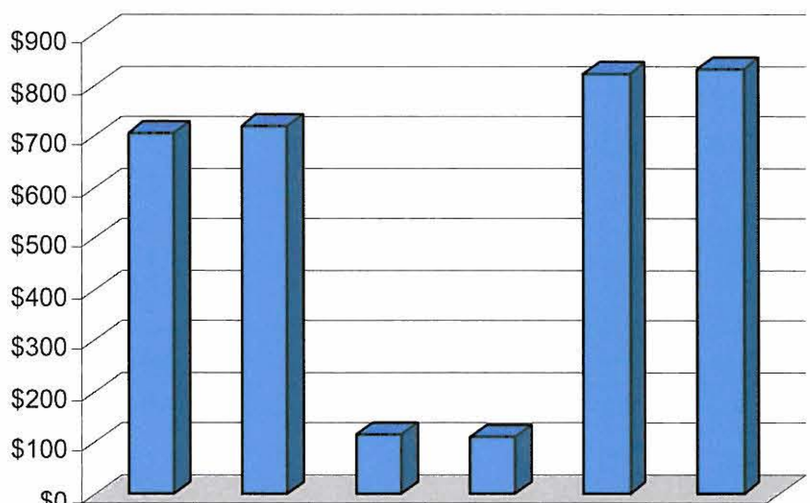
By far the largest portion of the City's net assets (92.7%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services 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.

Summary of Net Assets
(in Millions)



	Governmental Activities 2009	Governmental Activities 2008	Business-type Activities 2009	Business-type Activities 2008	Total Primary Government 2009	Total Primary Government 2008
Unrestricted	49	66	24	15	73	81
Restricted	54	55	10	10	64	65
Investment in Capital	1,135	779	525	453	1,660	1,232

Summary of Liabilities
(in Millions)



	Governmental Activities 2009	Governmental Activities 2008	Business-type Activities 2009	Business-type Activities 2008	Total Primary Government 2009	Total Primary Government 2008
Total Liabilities	707	723	119	112	826	835

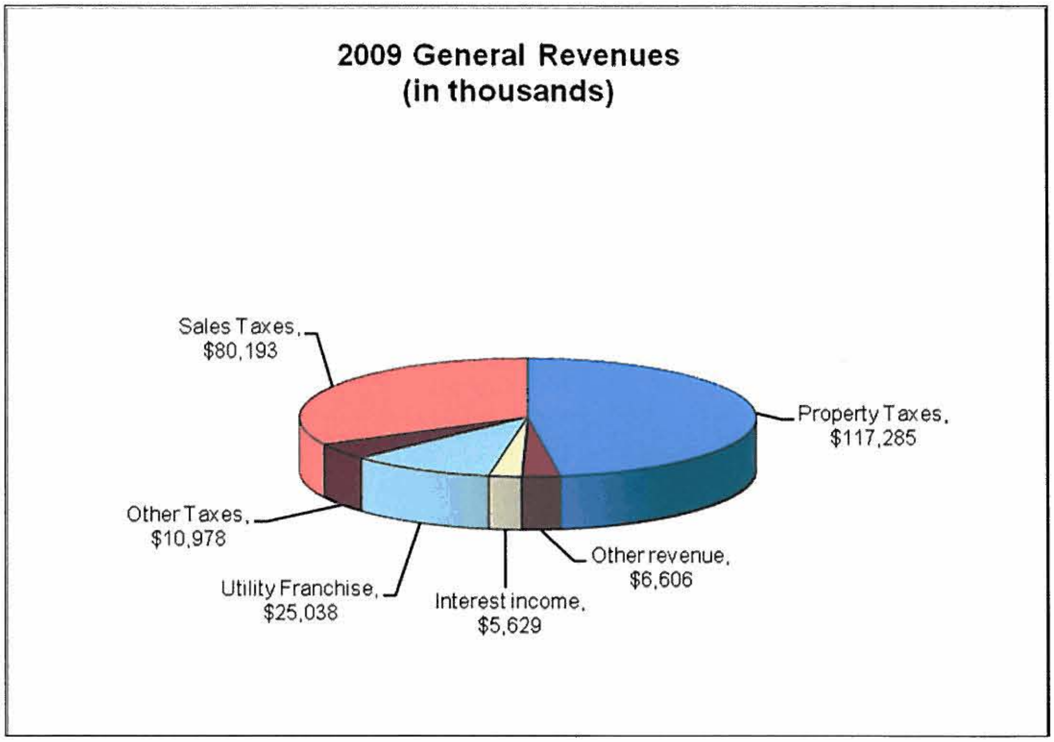
Table 1
Summary of Net Assets
(Amounts Expressed in Millions)

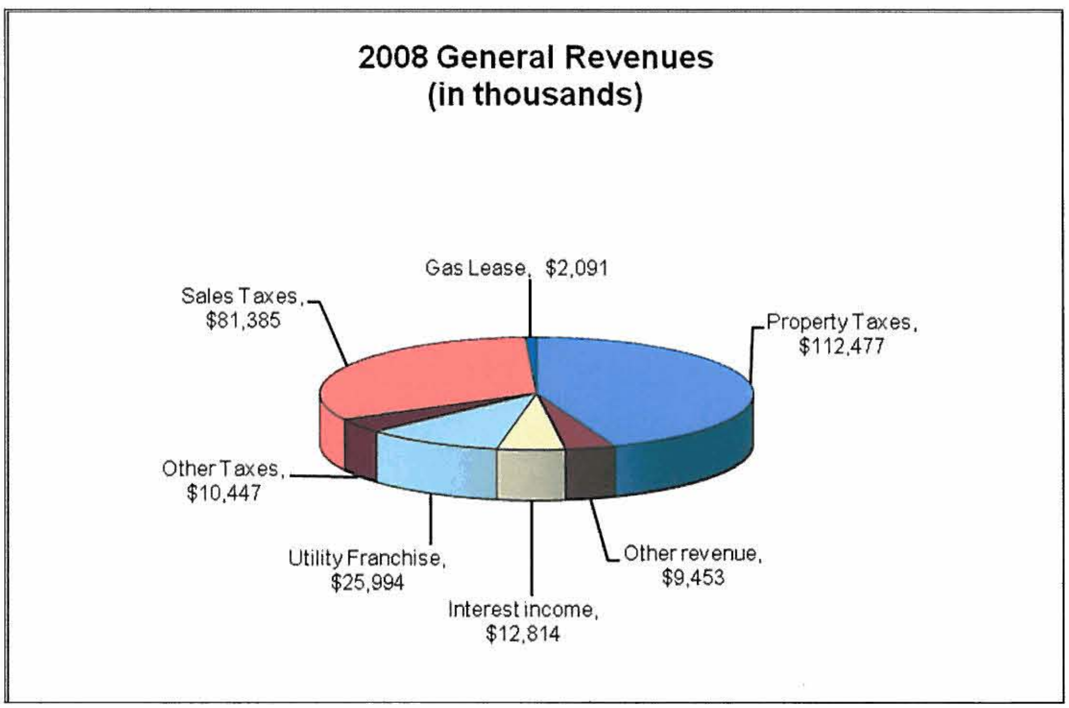
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 279	$ 332	$ 88	$ 94	$ 367	$ 426
Capital assets	1,665	1,291	590	496	2,255	1,787
Total assets	1,945	1,623	678	590	2,623	2,213
Long-term liabilities	616	613	92	84	708	697
Other liabilities	91	110	27	28	118	138
Total liabilities	707	723	119	112	826	835
Net assets:						
Invested in capital assets, net of related debt	1,135	779	525	453	1,660	1,232
Restricted	54	55	10	10	64	65
Unrestricted	49	66	24	15	73	81
Total net assets	$1,238	$ 900	$ 559	$ 478	$ 1,797	$ 1,378

Governmental Activities

The City's general revenues decreased 3.5% ($8.9M) compared to the prior year. The primary reason for this decrease was a $7.2M decrease in interest revenue mostly due to declining interest rates. The reclassification of gas lease income from general revenue in 2008 to program revenue of the general government in 2009 made up the balance of the decrease.

Property tax revenue increased $4.8M 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 $656M or 4% while the property tax rate of $0.6480 per $100 assessed valuation remained the same as in 2008.





Governmental and Business-type activities increased the City's net assets by $338M and $81.4M, respectively. The key elements of these increases are:

Table 2
Changes in Net Assets
(Amounts Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	$51,829	$45,232	$ 115,144	$102,324	$ 166,973	$ 147,556
Operating grants and contributions	24,578	20,787	-	-	24,578	20,787
Capital grants and contributions	411,788	145,029	2,018	2,622	413,806	147,651
General Revenues:						
Taxes	208,456	204,309	-	-	208,456	204,309
Utility franchise fees	25,038	25,994	-	-	25,038	25,994
Gas lease income	-	2,091	-	-	-	2,091
Interest income	5,629	12,814	1,581	2,196	7,210	15,010
Other	6,606	9,453	183	(49)	6,789	9,404
Total revenues	733,924	465,709	118,926	107,093	852,850	572,802
Expenses:						
General government	40,403	43,788	-	-	40,403	43,788
Public safety	128,219	123,587	-	-	128,219	123,587
Public works	94,171	84,115	-	-	94,171	84,115
Public health	2,406	1,920	-	-	2,406	1,920
Parks and recreation	28,228	28,027	-	-	28,228	28,027
Public welfare	10,213	39,282	-	-	10,213	39,282
Convention and event services	6,299	6,533	-	-	6,299	6,533
Interest and fiscal charges	42,485	26,624	-	-	42,485	26,624
Water and sewer	-	-	80,808	71,929	80,808	71,929
Total expenses	352,424	353,876	80,808	71,929	433,232	425,805
Increase in net assets before transfers	381,500	111,833	38,118	35,164	419,618	146,997
Transfers & capital contributions	(43,278)	12,462	43,278	(12,462)	-	-
Increase in net assets	338,222	124,295	81,396	22,702	419,618	146,997
Net Assets, October 1,	899,993	775,698	477,809	455,107	1,377,802	1,230,805
Net Assets, September 30	$ 1,238,215	$ 899,993	$ 559,205	$ 477,809	$ 1,797,420	$ 1,377,802

Revenue increases of $266.8M in capital grants and contributions were primarily the result of an increase in contributions from the Cowboys Stadium, L. P. for construction of the Cowboys Project.

Expense increases in public works of $10M were primarily attributable to increased capital projects activity in the City's entertainment district.

Expense increases in public safety of $4.6M were due primarily to an increase in expenses for maintenance of vehicles and information technology charges for server support.

Expense decreases in public welfare of $29.1M were primarily the result of a one-time contribution expensed in 2008 of gas lease bonus proceeds to the Arlington Tomorrow Foundation.

Expense increases in interest and fiscal charges of $15.9M were primarily attributable to swap termination fees on the refunding of the Dallas Cowboys Complex Special Obligation Bonds, Series 2005B.

Revenue and expense variances in business activities (Water and Wastewater/Storm Water Utility) were due to the addition of a new enterprise fund-Storm Water Utility.

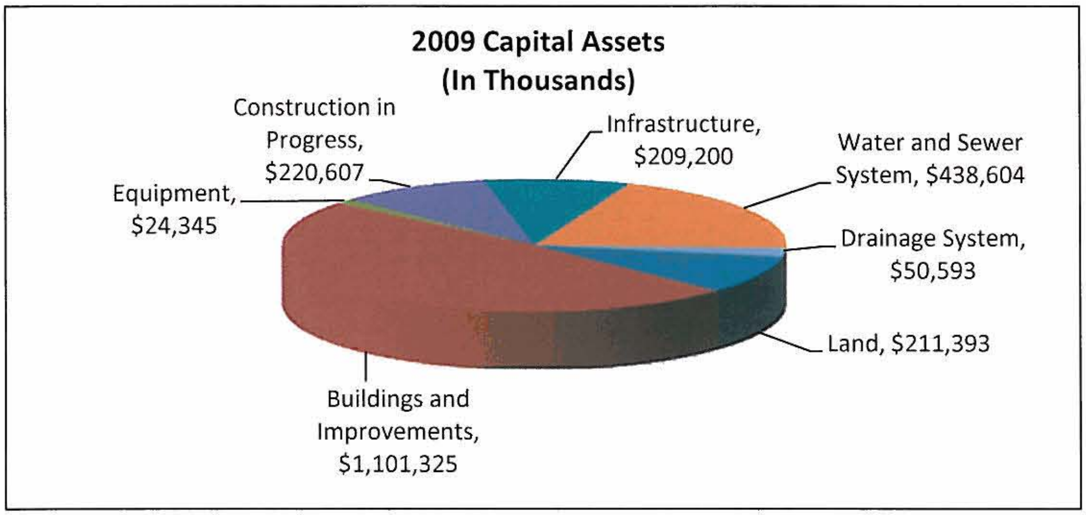
CAPITAL ASSET AND DEBT ADMINISTRATION

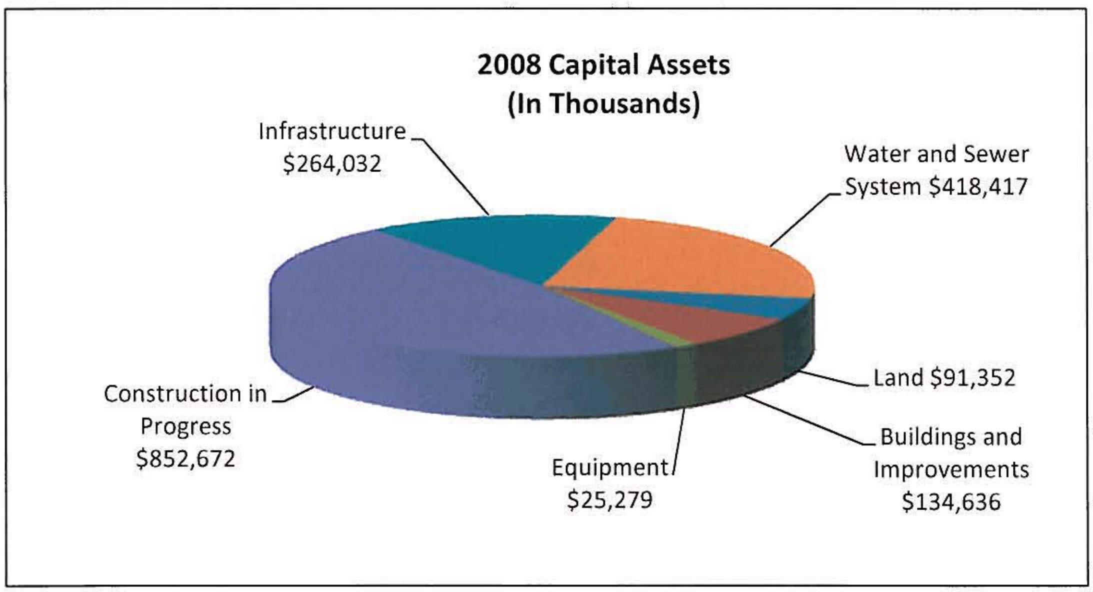
Capital Assets

At the end of the fiscal year 2009, the City had $2.26B invested in a broad range of capital assets. This amount represents a net increase (including additions and deductions) of $470M or 26% over the prior fiscal year. The $470M increase combines a $375M increase in Governmental Activities with a $95M increase in Business-type Activities. The increase in Governmental Activities is mostly due to $417M in capital outlay related to the Cowboys Project. The stadium was completed in July 2009 and $1.1B was transferred from construction in progress to buildings and improvements. The stadium is being depreciated over a period of 45 years. The increase in Business-type Activities is due to increased capital outlays for the water and sewer system offset by a $55M transfer from governmental to proprietary funds for the Storm Water Utility fund. Footnote 5 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.

Table 3
Capital Assets, net of Accumulated Depreciation
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Land	$ 204,698	$ 84,922	$ 6,695	$ 6,430	$ 211,393	$ 91,352
Buildings and improvements	1,099,619	132,873	1,706	1,763	1,101,325	134,636
Equipment	23,223	24,733	1,122	546	24,345	25,279
Construction in progress	128,913	784,129	91,694	68,543	220,607	852,672
Infrastructure	209,200	264,032	-	-	209,200	264,032
Drainage system	-	-	50,593	-	50,593	-
Water and sewer system	-	-	438,604	418,417	438,604	418,417
Totals	$1,665,653	$1,290,689	$ 590,414	$ 495,699	$ 2,256,067	$ 1,786,388



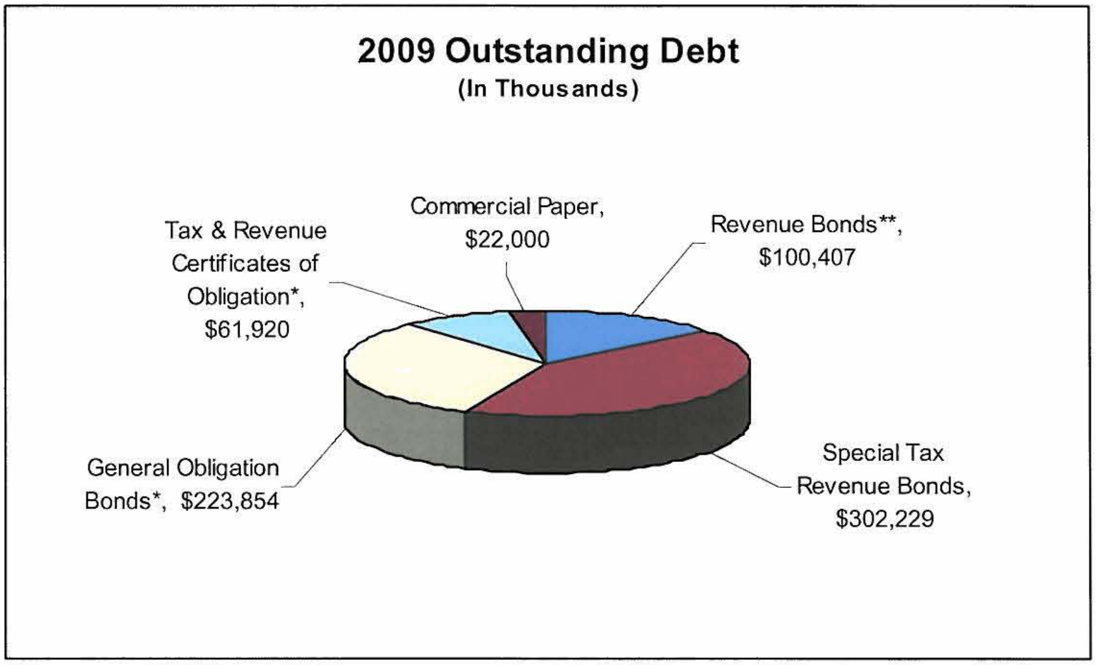


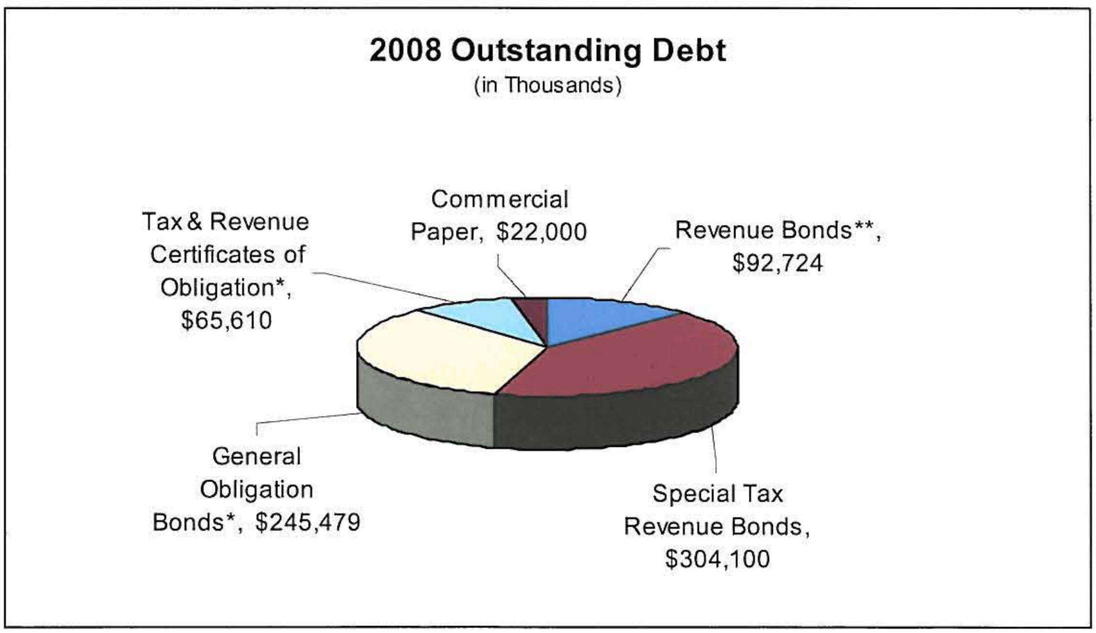
Major capital asset additions during the fiscal year, other than the Cowboys Project include the following:

- Private developer capital contributions of $2M 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 $50M
- A variety of storm drainage and street construction projects with capital outlay totaling $47M
- Various capital outlays totaling $5M for improvement of the City's parks and recreation facilities
- Various capital outlays of $2M for police and fire public safety improvements

Debt

At year-end, the City had $710.4M in debt, a decrease of $19.5M from 2008.





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

Table 4
Outstanding Debt
(Amounts Expressed In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds (backed by the City)	$ 223,854	$ 245,479	$ -	$ -	$ 223,854	$ 245,479
Combination tax and revenue certificates of obligation (backed by the City)	61,920	65,610	-	-	61,920	65,610
Commercial Paper	22,000	22,000	-	-	22,000	22,000
Special tax revenue bonds	302,229	304,100	-	-	302,229	304,100
Revenue bonds (backed by fee revenues)	-	-	100,407	92,724	100,407	92,724
Totals	$ 610,003	$ 637,189	$ 100,407	$ 92,724	$710,410	$ 729,913

During the current fiscal year, the City issued $175M of Dallas Cowboys Complex Special Tax Refunding Bonds, Series 2008 and Series 2009. The City also issued $18M in Water and Wastewater System revenue bonds for the purpose of expanding the water treatment plant. The City issued $13.8M in Water and Wastewater system Revenue Refunding Bonds for the purpose of refunding $14.2M. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2009, the City maintained its 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 $835 in 2008 to $827 in 2009.

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net bonded debt to assessed value of all taxable property is 1.56%.

The City maintains a self-insurance program for bodily injury, property damage, personal injury, advertising injury, regulatory injury and worker's compensation. Claims for worker's compensation over $500,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors. Claim liability was $9.9M in 2009 compared to $8M in 2008.

DALLAS COWBOYS COMPLEX DEVELOPMENT PROJECT

The Stadium Complex opened in July 2009, with the 2009 football season being 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 paid $325M, to build the Complex. In July of 2005, the City issued $298M Dallas Cowboy Complex Special Obligations Series A, B, and C, pledging one-half cent sales tax, 2% hotel occupancy tax and 5% car rental tax. The 2005B bonds were refunded partially by Series 2008 in November of 2008 and the remainder was refunded by Series 2009 in April of 2009. The proceeds of debt issuance, along with interest earnings, and revenues from the pledged taxes, which are not required for debt service, provide the City's funding for the Complex.

As part of the closing agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (tenant) for lease of the Complex. The lease calls for an initial term of 30 years at a rental rate of $2M per year and contains several renewal options. The lease also provides the tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City equal to 5% of the net naming rights revenue, if any, received by the tenant capped at $500,000 per year.

In July of 2006, $148M 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, provided a portion of the Cowboy's funding for the project. The bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City's revenue sources. The bonds do not constitute a debt or pledge of the faith and credit of the City and are not reported as a liability in the City's financial statements but are disclosed as conduit debt.

The City and the Dallas Cowboys Football Club, LTD. entered into a franchise agreement that requires the Dallas Cowboys NFL football franchise to remain in Arlington and to play all of the team's home games in the Complex for a minimum of 30 years with four ten-year renewal options.

THE CITY'S FUNDS

The governmental funds of the City reported a combined fund balance of $179M. The General fund balance was $58.3M and the Debt Service fund balance was $48.9M, both substantially unchanged from last year. Other changes in fund balances should be noted:

- The City recorded a contribution for $403M from the Cowboys Stadium, L.P. and expended $417M for the Cowboys Project, contributing to a net decrease in fund balance of $7.6M in the Stadium Venue Fund. This fund was created to account for the construction for the Cowboys Stadium Complex Project which was completed in July 2009.

- The City spent $21M in capital outlay in the Street Capital Projects fund, down $3M from last year. The decrease is due to lower spending on existing street projects.

- The City's water and sewer fund net assets of $498M increased by $20.3M over the prior year net asset balance. The increase in net assets is primarily due to operating revenues exceeding operating expenses by $32.5M.

- The Storm Water Utility fund is a new proprietary fund created to address the City's need to manage the issues associated with storm water runoff. Capital assets totaling $55M were transferred from governmental activities to the new fund. Fund balance was $61.5M at September 30, 2009.

GENERAL FUND BUDGET HIGHLIGHTS

There were no General Fund budget amendments in 2009.

Actual expenditures on a budgetary basis of $194.3M were less than budgeted expenditures of $198.5M. Lower than budgeted spending in public works accounted for the difference.

Actual revenues on a budgetary basis were $199M, equaled the budgeted amount of $199M.

ECONOMIC FACTORS AND FISCAL YEAR 2010

The City's elected and appointed officials considered many factors when setting the fiscal year 2010 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 2010. 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 2010.

In 2010, 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 2010 are budgeted at $197M, down $2M from 2009, while total General Fund expenditures are $195M down $3M 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 2010 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 2010 is estimated to be $79M down $1M or 1.25% 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 2010 is estimated at $46M, down $2M from last year.

The largest revenue sources for the Water and Sewer Fund is water sales and wastewater treatment budgeted at $105M. 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 Assistant Director of Financial Operations, 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 MSRB's Electronic Municipal Market Access (EMMA), which keeps the Arlington CAFR on file. Additionally, the CAFR can be found on the City's website at http://www.ci.arlington.tx.us.

ARLINGTON

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2009
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 224,973	$ 18,588	$ 243,561	$ 16,094
Investments	3,099	-	3,099	46,342
Receivables (net of allowance for uncollectibles):				
Taxes	4,625	-	4,625	-
Sales taxes	14,168	-	14,168	-
Grants	-	-	-	83
Leases	-	-	-	17,221
Trade accounts	147	8,463	8,610	-
Franchise fees	6,359	-	6,359	-
Unbilled trade accounts	-	6,848	6,848	-
Special assessments	192	-	192	-
Accrued interest	2,074	-	2,074	636
Settlement agreement	-	-	-	10,507
Other	3,815	43	3,858	50
Internal balances	343	(343)	-	-
Due from other governments	4,989	-	4,989	-
Deferred charge - issuance costs	6,893	-	6,893	-
Inventory of supplies	872	460	1,332	-
Prepaid expenses	406	-	406	8
Net other post employment benefit asset	109	-	109	-
Restricted assets-				
Bond contingency-				
Investments	-	11,791	11,791	-
Accrued interest receivable	-	56	56	-
Capital construction-				
Investments	-	37,393	37,393	-
Assessments receivable	-	4	4	-
Meter deposits-				
Investments	-	4,888	4,888	-
Closure/Post-closure trust fund				
Investments	6,292	-	6,292	-
Capital Assets-				
Land	204,698	6,695	211,393	-
Buildings and improvements	1,195,432	2,833	1,198,265	2,739
Water and sewer system	-	633,984	633,984	-
Machinery and equipment	73,469	11,121	84,590	1,516
Infrastructure	738,414	-	738,414	-
Drainage systems	-	77,221	77,221	-
Construction in progress	128,913	91,694	220,607	-
Accumulated depreciation	(675,273)	(233,134)	(908,407)	(2,546)
Total Assets	$ 1,945,009	$ 678,605	$ 2,623,614	$ 92,650

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, 2009
(CONTINUED)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable and accrued liabilities	$ 18,410	$ 5,131	$ 23,541	$ 1,073
Retainage payable	2,459	-	2,459	-
Accrued interest	1,731	-	1,731	-
Unearned revenue	9,418	-	9,418	3,707
Commercial paper	22,000	-	22,000	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	3,210	3,210	-
Retainage payable	-	2,269	2,269	-
Accrued interest	-	1,481	1,481	-
Meter deposits	-	4,888	4,888	-
Non-current liabilities				
Due within one year:				
Estimated claims payable	5,485	-	5,485	-
Sales tax payable	149	-	149	74
General obligation and certificates of obligation debt	23,880	-	23,880	-
Special tax revenue debt	5,230	-	5,230	-
Accrued compensated absences	1,481	147	1,628	-
Capital lease obligation	326	-	326	-
Revenue bonds	-	9,990	9,990	-
Due in more than one year:				
Arbitrage rebate	193	-	193	-
Estimated claims payable	4,263	-	4,263	-
Sales tax payable	336	-	336	166
Net other post-employment benefit obligation	11,328	-	11,328	-
Net pension obligation	7,288	-	7,288	-
General obligation and certificates of obligation debt	261,894	-	261,894	-
Special tax revenue debt	296,999	-	296,999	-
Landfill closure accrued liabilities	6,292	-	6,292	-
Accrued compensated absences	27,207	1,867	29,074	-
Capital lease obligation	425	-	425	-
Revenue bonds	-	90,417	90,417	-
Total Liabilities	706,794	119,400	826,194	5,020
NET ASSETS				
Invested in capital assets, net of related debt	1,134,428	525,131	1,659,559	1,706
Restricted for debt service	48,685	10,310	58,995	-
Restricted for use of impact fees	5,801	-	5,801	-
Restricted for endowments	-	-	-	52,551
Unrestricted	49,301	23,764	73,065	33,373
Total Net Assets	$ 1,238,215	$ 559,205	$ 1,797,420	$ 87,630

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

ARLINGTON

CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(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	$ 40,403	$ 19,017	$ 8,594	$ 57
Public safety	128,219	16,440	7,377	-
Public works	94,171	1,116	708	7,742
Public health	2,406	2,707	243	-
Parks and recreation	28,228	9,835	74	403,989
Public welfare	10,213	179	7,582	-
Convention and event services	6,299	2,535	-	-
Interest and fiscal charges	42,485	-	-	-
Total Governmental Activities	352,424	51,829	24,578	411,788
Business-Type Activities:				
Water and sewer	77,130	108,224	-	2,018
Storm water utility	3,678	6,920	-	-
Total Business-Type Activities	80,808	115,144	-	2,018
Total Primary Government	$ 433,232	$ 166,973	$ 24,578	$ 413,806
Component Units:				
Arlington Sports Facilities Development Authority, Inc.	$ 3,221	$ 1,510	$ -	$ -
Arlington Housing Authority	25,558	-	22,737	-
Arlington Convention and Visitors Bureau	4,152	3,858	-	-
Arlington Tomorrow Foundation	1,101	15,102	-	-
Arlington Housing Finance Corporation	50	-	67	-
Total Component Units	$ 34,082	$ 20,470	$ 22,804	$ -

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
Interest
Net increase 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
$ (12,735)	$ -	$ (12,735)	$ -
(104,402)	-	(104,402)	-
(84,605)	-	(84,605)	-
544	-	544	-
385,670	-	385,670	-
(2,452)	-	(2,452)	-
(3,764)	-	(3,764)	-
(42,485)	-	(42,485)	-
135,771	-	135,771	-
-	33,112	33,112	-
-	3,242	3,242	-
-	36,354	36,354	-
$ 135,771	$ 36,354	$ 172,125	$ -
$ -	$ -	$ -	$ (1,711)
-	-	-	(2,821)
-	-	-	(294)
-	-	-	14,001
-	-	-	17
$ -	$ -	$ -	$ 9,192
117,285	-	117,285	-
80,193	-	80,193	-
417	-	417	-
1,136	-	1,136	-
106	-	106	-
3,109	-	3,109	-
6,210	-	6,210	-
25,038	-	25,038	-
5,629	1,581	7,210	3,099
1,837	183	2,020	281
4,769	-	4,769	1,403
(43,278)	43,278	-	-
202,451	45,042	247,493	4,783
338,222	81,396	419,618	13,975
899,993	477,809	1,377,802	73,655
$ 1,238,215	$ 559,205	$ 1,797,420	$ 87,630

CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2009
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Stadium Venue
ASSETS			
Cash and cash equivalents	$ 54,162	$ 44,055	$ 365
Closure/Post-closure restricted cash	6,292	-	-
Receivables (net of allowance for uncollectibles)			
Taxes	2,883	420	-
Sales taxes	8,080	4,059	-
Franchise fees	6,359	-	-
Special assessments	-	-	-
Accrued interest	1,593	457	-
Other	2,921	-	-
Due from other funds	4,130	-	-
Due from other governments	-	-	-
Inventory of supplies, at cost	583	-	-
Prepaid expenditures	252	-	-
Total Assets	$ 87,255	$ 48,991	$ 365
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 11,066	$ 306	$ 213
Retainage payable	-	-	-
Due to other funds	-	-	-
Deferred revenue-			
Taxes	2,610	-	-
Closure/Post-closure trust fund	6,292	-	-
Landfill	7,088	-	-
Gas lease	-	-	-
Other	1,918	-	-
Commercial paper	-	-	-
Total Liabilities	28,974	306	213
Fund Balances:			
Reserved for encumbrances	3,780	-	-
Reserved for debt service	-	48,685	-
Reserved for inventory	583	-	-
Reserved for prepaids	252	-	-
Reserved for capital projects	-	-	152
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	16,219	-	-
Designated for subsequent years' expenditures	5,839	-	-
Designated for arbitrage	193	-	-
Designated for compensated absences	1,464	-	-
Designated for other post employment benefits	1,718	-	-
Designated for future initiatives	21,487	-	-
Designated for dispatch	137	-	-
Designated for group health	2,446	-	-
Undesignated	3,663	-	-
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	58,281	48,685	152
Total Liabilities and Fund Balances	$ 87,255	$ 48,991	$ 365

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

Street Capital Projects	Other Nonmajor Funds	Total Governmental Funds
$ 31,939	$ 71,492	$ 202,013
-	-	6,292
-	1,322	4,625
-	2,029	14,168
-	-	6,359
192	-	192
-	-	2,050
-	894	3,815
-	-	4,130
-	4,989	4,989
-	206	789
-	-	252
$ 32,131	$ 80,932	$ 249,674
$ 1,072	$ 5,263	$ 17,920
1,318	1,141	2,459
-	4,130	4,130
-	-	2,610
-	-	6,292
-	-	7,088
-	407	407
192	5,393	7,503
17,000	5,000	22,000
19,582	21,334	70,409
10,346	23,607	37,733
-	-	48,685
-	206	789
-	-	252
2,203	19,900	22,255
-	5,763	5,763
-	-	500
-	162	162
-	228	228
-	-	16,219
-	-	5,839
-	-	193
-	-	1,464
-	-	1,718
-	-	21,487
-	-	137
-	-	2,446
-	-	3,663
-	2,045	2,045
-	200	200
-	611	611
-	389	389
-	1,728	1,728
-	1,833	1,833
-	2,926	2,926
12,549	59,598	179,265
$ 32,131	$ 80,932	$ 249,674

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF SEPTEMBER 30, 2009
(AMOUNTS EXPRESSED IN THOUSANDS)

Total fund balance per balance sheet			$ 179,265
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 $13,322 recorded in the internal service funds).			1,652,331
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Deferred & Unearned	Unearned	
Taxes	$ 2,610	$ -	
Closure/Post-closure	6,292	-	
Landfill	7,088	7,088	
Gas lease	407	407	
Grant revenue	4,853	1,923	
Other	2,650	-	
	23,900	9,418	14,482
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.			29,209
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 $10,433 recorded in the internal service funds).			
Bonds payable		$ (587,080)	
Less: Deferred charge for issuance costs (to be amortized as interest expense)		6,893	
Premium general obligation debt		(9,597)	
Discount on bonds		3,986	
Deferred loss refunding		4,688	
Accrued interest payable		(1,731)	
Arbitrage rebate		(193)	
Sales tax payable		(485)	
Landfill closure		(6,292)	
Compensated absences		(28,430)	
Net other post-employment benefit obligation		(11,219)	
TMRS net pension obligation		(7,288)	
Capital leases		(324)	(637,072)
Net assets of governmental activities			$ 1,238,215

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

ARLINGTON

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Stadium Venue	Streets Capital Projects
REVENUES				
Taxes	$ 127,404	$ 61,847	$ -	$ -
Licenses and permits	5,881	-	-	-
Utility franchise fees	25,038	-	-	-
Fines and forfeitures	12,949	-	-	-
Leases, rents and concessions	9,020	667	-	-
Service charges	4,371	-	-	-
Interest revenue	1,508	897	20	1,030
Net increase in fair value of investments	346	964	-	151
Contributions	-	-	403,496	7,469
Intergovernmental revenues	-	-	8,426	-
Gas lease	-	-	-	-
Other	827	105	-	-
Total Revenues	187,344	64,480	411,942	8,650
EXPENDITURES				
Current-				
General government	34,513	-	-	-
Public safety	116,517	-	-	-
Public works	25,118	-	-	-
Public health	1,892	-	-	-
Public welfare	-	-	-	-
Parks and recreation	13,572	-	255	-
Convention and event services	-	-	-	-
Capital outlay	-	-	417,157	20,692
Debt service-				
Principal retirement	-	30,180	-	-
Interest and fiscal charges	-	48,672	-	-
Total Expenditures	191,612	78,852	417,412	20,692
Deficiency of revenues under expenditures	(4,268)	(14,372)	(5,470)	(12,042)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset	-	-	-	-
Proceeds from refunding bond issue	-	175,005	-	-
Amount used to fund escrow account	-	(164,265)	-	-
Bond discount	-	(4,130)	-	-
Transfers in	16,606	6,173	-	-
Transfers out	(10,246)	-	(2,148)	(1,790)
Total Other Financing Sources and Uses	6,360	12,783	(2,148)	(1,790)
Net Change in Fund Balances	2,092	(1,589)	(7,618)	(13,832)
Fund Balances, October 1,	56,189	50,274	7,770	26,381
Fund Balances, September 30	$ 58,281	$ 48,685	$ 152	$ 12,549

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

Other Nonmajor Funds	Total Governmental Funds
$ 19,505	$ 208,756
-	5,881
-	25,038
-	12,949
-	9,687
13,402	17,773
1,998	5,453
289	1,750
823	411,788
13,818	22,244
4,430	4,430
3,299	4,231
57,564	729,980
1,637	36,150
7,907	124,424
16,656	41,774
395	2,287
10,142	10,142
10,513	24,340
6,299	6,299
38,300	476,149
-	30,180
-	48,672
91,849	800,417
(34,285)	(70,437)
201	201
-	175,005
-	(164,265)
-	(4,130)
14,728	37,507
(12,758)	(26,942)
2,171	17,376
(32,114)	(53,061)
91,712	232,326
$ 59,598	$ 179,265

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, 2009
(AMOUNTS EXPRESSED IN THOUSANDS)

Net change in fund balance - total governmental funds		$ (53,061)
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.		421,989
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.		(47,546)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,463
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Interest on bond payoff	(232)	
Repayment of general obligation debt	30,180	
Repayment of capital lease	441	
Amortization of deferred loss on bond refunding	(679)	
Amortization of bond premium	859	
		30,569
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	(509)	
Arbitrage	(10)	
Accrued interest expense	777	
Post-employment benefit obligation expense	(6,447)	
TMRS net pension obligation	(7,288)	
Amortization of issuance cost	(324)	
Sales tax	149	
		(13,652)
Internal service funds are used by management to charge the costs of fleet management and management information systems, property liability loss, health claims and offices services to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities.		(2,540)
Change in net assets of governmental activities		$ 338,222

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			
	Water and Sewer	Non-Major Fund Storm Water Utility	Total	Governmental Activities-Internal Service Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 12,077	$ 6,511	$ 18,588	$ 22,960
Investments	-	-	-	3,099
Receivables (net of allowances for uncollectibles):				
Trade accounts	7,921	542	8,463	147
Unbilled trade accounts	6,437	411	6,848	-
Accrued interest	-	-	-	24
Other	43	-	43	-
Inventory of supplies, at cost	460	-	460	83
Prepaid expenses	-	-	-	154
Subtotal	26,938	7,464	34,402	26,467
Restricted Assets:				
Bond contingency-cash and cash equivalents	8,655	-	8,655	-
Capital construction-cash and cash equivalents	18,483	-	18,483	-
Total Current Assets	54,076	7,464	61,540	26,467
Non-Current Assets:				
Restricted Assets:				
Bond contingency-				
Investments	3,136	-	3,136	-
Accrued interest	56	-	56	-
Capital construction-				
Investments	18,910	-	18,910	-
Assessments receivable	4	-	4	-
Meter deposit investments	4,888	-	4,888	-
Capital Assets:				
Land	6,695	-	6,695	-
Buildings and improvements	2,833	-	2,833	467
Water and sewer system	633,984	-	633,984	-
Machinery and equipment	11,121	-	11,121	39,482
Drainage system	-	77,221	77,221	-
Construction-in-progress	88,005	3,689	91,694	-
Accumulated depreciation	(206,506)	(26,628)	(233,134)	(26,627)
Total Capital Assets Net of Accumulated Depreciation	536,132	54,282	590,414	13,322
Total Noncurrent Assets	563,126	54,282	617,408	13,322
Total Assets	$ 617,202	$ 61,746	$ 678,948	$ 39,789

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, 2009
(CONTINUED)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Non-Major Fund Storm Water Utility	Total	
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	$ 5,077	$ 54	$ 5,131	$ 490
Accrued compensated absences	147	-	147	15
Revenue bonds payable from unrestricted assets	6,660	-	6,660	-
Capital lease obligation	-	-	-	235
Current Liabilities Payable From Restricted Assets:				
Accounts payable and accrued liabilities	3,210	-	3,210	-
Retainage	2,229	40	2,269	-
Accrued interest	1,481	-	1,481	-
Estimated claims payable	-	-	-	5,485
Revenue bonds payable	3,330	-	3,330	-
Meter deposits	4,888	-	4,888	-
Total Current Liabilities	27,022	94	27,116	6,225
Noncurrent Liabilities:				
Estimated claims payable	-	-	-	4,263
Compensated absences	1,698	169	1,867	243
Revenue bonds payable from unrestricted assets	90,417	-	90,417	-
Capital lease obligation	-	-	-	192
Total Noncurrent Liabilities	92,115	169	92,284	4,698
Total Liabilities	119,137	263	119,400	10,923
NET ASSETS				
Invested in capital assets, net of related debt	470,889	54,242	525,131	12,895
Restricted for debt service	10,310	-	10,310	-
Unrestricted	16,866	7,241	24,107	15,971
Total Net Assets	$ 498,065	$ 61,483	$ 559,548	$ 28,866

Reconciliation to government-wide statements of net assets.	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(343)
Net assets of business-type activities	$ 559,205

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, 2009
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			
	Water and Sewer	Non-Major Fund Storm Water Utility	Total	Governmental Activities- Internal Service Funds
Operating Revenues:				
Water sales	$ 57,685	$ -	$ 57,685	$ -
Sewer service	45,749	-	45,749	-
Storm water fee - commercial	-	3,090	3,090	-
Storm water fee - residential	-	3,830	3,830	-
Service charges	-	-	-	31,945
Sundry	4,790	-	4,790	116
Total Operating Revenues	108,224	6,920	115,144	32,061
Operating Expenses:				
Purchase of water	13,082	-	13,082	-
Purchase of sewage treatment	22,126	-	22,126	-
Salaries and wages	11,725	1,139	12,864	2,006
Employees' retirement	1,739	149	1,888	313
Supplies	4,077	30	4,107	2,970
Maintenance and repairs	3,300	113	3,413	2,482
Utilities	3,181	1	3,182	569
Claims (net of adjustments)	-	-	-	18,935
Legal and professional	-	-	-	1,533
Depreciation	12,273	1,624	13,897	4,025
Miscellaneous services	4,177	622	4,799	3,498
Total Operating Expenses	75,680	3,678	79,358	36,331
Operating Income (Loss)	32,544	3,242	35,786	(4,270)
Nonoperating Revenues (Expenses):				
Interest revenue	1,461	120	1,581	393
Net decrease in the fair value of investments	180	3	183	87
Gain on sale of assets	-	-	-	242
Interest expense and fiscal charges	(1,108)	-	(1,108)	(47)
Total Nonoperating Revenues (Expenses)	533	123	656	675
Income (loss) before transfers and contributions	33,077	3,365	36,442	(3,595)
Contributions in aid of construction	2,018	-	2,018	-
Capital contribution	-	54,556	54,556	-
Transfers in	-	4,172	4,172	4,013
Transfers out	(14,840)	(610)	(15,450)	(3,300)
Change in Net Assets	20,255	61,483	81,738	(2,882)
Total Net Assets, October 1	477,810	-	477,810	31,748
Total Net Assets, September 30	$ 498,065	$ 61,483	$ 559,548	$ 28,866

Net change in net assets - total proprietary funds	$ 81,738
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(342)
Change in net assets of business-type activities	$ 81,396

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, 2009
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities- Enterprise Funds			
	Water and Sewer	Non-Major Fund Storm Water Utility	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 107,610	$ 6,573	$ 114,183	$ 32,112
Cash payments to suppliers	(47,796)	(1,157)	(48,953)	(28,725)
Cash payments to employees	(13,498)	(1,119)	(14,617)	(2,301)
Net Cash Provided By Operating Activities	46,316	4,297	50,613	1,086
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	4,172	4,172	4,013
Transfers out	(14,840)	(610)	(15,450)	(3,300)
Net Cash Provided By (Used For) Noncapital Financing Activities	(14,840)	3,562	(11,278)	713
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(50,689)	(1,351)	(52,040)	(4,561)
Principal payments on capital lease	-	-	-	(315)
Interest payments on capital lease	-	-	-	(47)
Proceeds from sales of capital assets	-	-	-	273
Proceeds from issuance of long-term debt	32,058	-	32,058	-
Repayment of long-term debt	(24,375)	-	(24,375)	-
Interest payment long-term debt	(3,883)	-	(3,883)	-
Net Cash Used For Capital And Related Financing Activities	(46,889)	(1,351)	(48,240)	(4,650)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from interest earnings	1,874	-	1,874	393
Net increase (decrease) in the fair value of investments	180	3	183	87
Purchase of investments	(35,590)	-	(35,590)	(3,152)
Maturities/sales of investments	30,383	-	30,383	53
Net Cash Provided By (Used For) Investing Activities	(3,153)	3	(3,150)	(2,619)
Net Increase (Decrease) In Cash And Cash Equivalents	(18,566)	6,511	(12,055)	(5,470)
Cash And Cash Equivalents, October 1	57,781	-	57,781	28,430
Cash And Cash Equivalents, September 30	$ 39,215	$ 6,511	$ 45,726	$ 22,960
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (Loss)	$ 32,544	$ 3,242	$ 35,786	$ (4,270)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	12,273	1,624	13,897	4,025
Interest earnings capitalized	(350)	-	(350)	-
Interest expense capitalized	2,862	-	2,862	-
Amortization of bond premium	187	-	187	-
Amortization of deferred loss on bond refunding	(127)	-	(127)	-
Provision for bad debts	144	(9)	135	-
(Increase) decrease in-				
Receivables	(614)	(333)	(947)	51
Inventory of supplies	36	-	36	7
Prepaid expenses	-	-	-	(154)
Increase (decrease) in-				
Accounts payable and accrued liabilities	(1,731)	(396)	(2,127)	(36)
Estimated claims payable	-	-	-	1,446
Retainage payable	1,154	-	1,154	-
Meter deposits	8	-	8	-
Accrued compensated absences	(71)	169	98	17
Total adjustments	13,771	1,055	14,826	5,356
Net Cash Provided By Operating Activities	$ 46,315	$ 4,297	$ 50,612	$ 1,086
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	2,018	-	2,018	-
Capital Leases	-	-	-	16
Capital contribution from governmental fund	-	54,556	54,556	-

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, 2009
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 1	$ 10,088
Investments		
Money market fund	24,974	-
U. S. Government bonds	-	-
Corporate bonds	913	-
Fixed income mutual bond funds	10,273	-
Common stock mutual bond funds	44,039	267
Balanced mutual funds	11,674	-
Participant borrowing	4,801	-
Self directed brokerage accounts	2,954	-
Total Investments	99,628	267
Total Assets	99,629	$ 10,355
LIABILITIES		
Accounts payable and accrued liabilities	-	$ 10,088
IRC 401 deferred compensation plans	-	267
Total Liabilities	-	$ 10,355
NET ASSETS		
Held in trust for pension benefits	$ 99,629	

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, 2009
(AMOUNTS EXPRESSED IN THOUSANDS)

		Pension Trust Funds
ADDITIONS		
Employer contributions	$	2,823
Employee contributions		5,721
Net appreciation in fair value of investments		4,392
Total Additions		12,936
DEDUCTIONS		
Benefits		6,456
Plan administration		52
Total Deductions		6,508
Increase in Net Assets		6,428
Net Assets, October 1		93,201
Net Assets, September 30	$	99,629

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.

Arlington Convention Center Development Corporation

Arlington Convention Center Development Corporation (the "ACCDC") was formed to encourage and assist with planning, designing, constructing and maintaining a convention center complex or hotel facility. The City Council serves as the board of directors. The ACCDC has had no transactions and therefore does not have financial statements.

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

Arlington Sports Facilities Development Authority, Inc.

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

Arlington Housing Authority

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

Arlington Convention and Visitors Bureau, Inc.

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

Arlington Tomorrow Foundation

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

Arlington Housing Finance Corporation

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

Arlington Industrial Development Corporation

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

The following major funds are used by the City:

1. Governmental Funds:

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

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

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

c. 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 Enterprise Funds are the Water and Sewer Fund and the Storm Water Utility Fund. The Water and Sewer Fund accounts for the administration, operation and maintenance of the water and sewer utility system, and the 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. The Storm Water Utility Fund accounts for the design, construction and maintenance of the City's storm water drainage systems. This Fund was previously set up as a capital project fund and was converted to an enterprise fund in Fiscal Year 2009.

3. Other Fund Types:

The City additionally reports for the following Fund types:

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

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

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

E. Cash, Cash Equivalents and Investments

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

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

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

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

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

F. Inventories and Prepaid Items

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

G. Capital Assets

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

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

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

Assets	Years
Buildings	45 - 50
Improvements other than buildings	20 - 40
Equipment	4 - 10
Drainage improvements	35 - 50
Meters	10
Streets	20 - 25
Storm/sanitary sewer	50
System infrastructure	20 - 50

H. Capitalization of Interest

The City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2009, approximately $2,512,000 of interest costs, net of $350,000 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 2009 for the Water and Sewer Fund amounted to approximately $1,108,000 and $1,461,000, 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 2009, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and be required to estimate its expected outlays for pollution remediation if an obligating event, as defined by the standard, has occurred. This pronouncement had no impact on current financial statements.

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments.* 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. This pronouncement had no impact on current financial statements.

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

Statement No. 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. 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.

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* which is effective for the City beginning in fiscal year 2011. This Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans,* which is effective for the City beginning in fiscal year 2012. This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans and clarifies when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers.

Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies,* which is effective for the City beginning in fiscal year 2010. This Statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

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 2009, there were no budget amendments.

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, 2009, expenditures exceeded appropriations in the General fund by $229,000 in public health. These overexpenditures were funded by a reduction in other expenditure categories. In the Water and Sewer enterprise fund, expenditures exceeded appropriations in the purchase of sewage treatment by $240,000, supplies by $618,000, and maintenance and repairs by $198,000. These overexpenditures were offset by underexpenditures in purchase of water, salaries and wages, employees' retirement, utilities, depreciation and miscellaneous services. In the Stormwater Utility fund, miscellaneous expenses exceeded budget by $317,000.

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:

Federal Transit Administration-$837,000
Community Development Block Grant-$773,000
Texas Department of Transportation-$1,017,000
Texas Criminal Justice Division-$45,000
FEMA-$1,010,000

These fund balances will all be replenished in 2010 from reimbursements funded by Federal and State Grants.

In addition, the Police and Library capital projects funds have deficit balances of $126,000 and $129,000, respectively. These deficits will be funded through the issuance of permanent improvement bonds and certificates of obligation.

III. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH EQUIVALENTS AND INVESTMENTS

State statutes, the City's Investment Policy and the City's Depository Agreement govern the investments of the City. The City is authorized to invest in United States Treasuries, its agencies or instrumentalities, other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities, obligations of Texas and its agencies, counties and cities, and other political subdivisions rated not less than AA, fully insured or collateralized certificates of deposit, fully collateralized repurchase agreements, Guaranteed Investment Contracts, commercial paper rated A-1+, P-1 with an underlying long-term rating of AA or better, government pools and money market funds consisting of any of these securities listed. Major provisions of the City's investment policy include the following: depositories must be FDIC-insured institutions, depositories must fully insure or collateralize all deposits, and investments must be purchased in the name of the City and be delivered to the City's agent for safekeeping.

Deposits - At September 30, 2009, the carrying amount of the City's demand deposits was a $1,064,000 deficit (bank balance, $1,448,000). The $1,064,000 deficit balance consisted of a $1,981,000 deficit balance in City Funds and a $917,000 positive balance in Component Unit Funds. The balance in cash on hand was $70,000 at year end.

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

The City is the beneficiary of a Closure/Post Closure Trust in the amount of $6,292,000. This amount is recorded as an investment in trust and as a landfill closure accrued liability. Under the landfill lease agreement, the lessee must maintain a trust equal to the amount of the City's closure/post closure liability. The lessee contributed $5,154,000 at closing and makes annual contributions of approximately $600,000. The funds in this trust are to be used solely by the City to pay for closure and post closure expenses as they are incurred.

As of September 30, 2009, the City had the following cash, cash equivalents and investments (amounts in thousands):

City Funds	Fair Value	Weighted average Maturity (in days)
Demand Deposits	$(1,981)	n/a
Cash on Hand	70	n/a
Other Cash in Bank	(87)	n/a
General Operating/Internal Pool	256,002	273
Dallas Cowboy Complex Development Project	741	1
Debt Service and Working Capital Reserve	5,660	247
Dallas Cowboy Complex Development Project Debt Service Reserve	37,228	1,868
Closure/Post-closure trust fund	6,292	1
Self-Insurance	3,099	299
Total City	**$307,024**	
Fiduciary Funds	**Fair Value**	**Weighted average Maturity (in days)**
Agency Funds-Internal Pool	$10,097	273
Agency Funds- Cash in Bank	(9)	n/a
Agency Funds- Mutual Funds	267	n/a
Pension Trust Funds – Money Market Fund	24,975	n/a
Pension Trust Funds – Corporate Bonds	913	n/a
Pension Trust Funds- Mutual Funds	73,741	n/a
Total Fiduciary Funds	**$109,984**	
Component Units		
Demand Deposits	$917	n/a
Cash in Bank	3,070	n/a
ATF – Internal Pool	12,107	2,233
ATF – Investments	43,491	273
AHA – Bank Cert. of Deposit	2,851	420
Total Component Units	**$62,436**	
Total Entity – Cash, Cash Equivalents and Investments	**$479,444**	

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.

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

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

As of September 30, 2009 the City's overall portfolio consisted of:

City Funds	Fair Value
Demand Deposits	**$(1,981)**
Cash on Hand	**70**
Cash in Bank	**(87)**
Federal Home Loan Bank Bonds	**96,457**
Federal Home Loan Mortgage Corp. Bonds	**66,881**
Federal National Mortgage Association Bonds	**57,381**
Federal Farm Credit Bonds	**8,379**
U.S. Treasury	**1,412**
Wells Fargo Money Market	**12,023**
TexPool	**28,862**
TexasDaily	**8,194**
TexStar	**8,673**
Bank of Texas Cert. of Deposit	**2,307**
Compass Bank Cert. of Deposit	**18,453**
Total City	**$307,024**
Fiduciary Funds	**Fair Value**
Agency Funds - Cash in Bank	**$(9)**
Agency Funds - Mutual Funds	**267**
Agency Funds - Federal Home Loan Bank	**2,790**
Agency Funds - Federal Home Loan Mortgage Corp.	**2,529**
Agency Funds - Federal National Mortgage Association	**2,188**
Agency Funds - U.S. Treasury	**54**
Agency Funds - TexPool	**1,101**
Agency Funds - TexasDaily	**313**
Agency Funds - TexStar	**331**
Pension Trust Funds - Money Market Fund	**24,975**
Pension Trust Funds - Corporate Bonds	**913**
Pension Trust Funds - Mutual Funds	**73,741**
Bank of Texas Cert. of Deposit	**88**
Compass Bank Cert. of Deposit	**703**
Total Fiduciary Funds	**$109,984**
Component Units	
Demand Deposits	**$917**
Cash in Bank	**3,070**
ATF - Federal Home Loan Bank	**19,980**
ATF - Federal Home Loan Mortgage Corp.	**3,033**
ATF - Federal National	**2,624**

Mortgage Association	
ATF - Farmer Mac	**5,416**
ATF - Federal Farm Credit	**21,439**
ATF - U.S. Treasury	**65**
ATF - TexPool	**1,320**
ATF - TexasDaily	**375**
ATF - TexStar	**397**
AHA – Bank Cert. of Deposit	**2,851**
Bank of Texas Cert. of Deposit	**105**
Compass Bank Cert. of Deposit	**844**
Total Component Units	**$62,436**
Total Entity – Cash, Cash Equivalents and Investments	**$479,444**

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation (FDIC) collateralized by U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits or by a Letter of Credit from a Federal Agency. Due to the financial crisis the FDIC was providing unlimited insurance coverage for demand deposits through December 31, 2009. The City's deposits at its depository bank were insured by the FDIC and there was no collateral on September 30, 2009. During fiscal year 2009 the City purchased two certificates of deposit (CD). The $20 million CD at Compass BBVA Bank is collateralized by a $20.3 million Letter of Credit from the Federal Home Loan Bank. The $2.5 million CD with Bank of Texas is part of the CDARS program and is distributed between thirteen banks and is fully insured by the FDIC.

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, 2009, the City's investment in TexPool was $31,284,000 with a market value of $31,284,000. The City's investment in TexasDaily was $8,881,000 with a market value of $8,881,000 and the City's investment in TexStar was $9,400,000 with a market value of $9,400,000.

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, 2008, upon which the original FY09 levy was based, was $18,246,819,671.

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, 2009, 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 $337,931,100 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately $18,246,819,671.

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

3. DALLAS COWBOYS COMPLEX DEVELOPMENT PROJECT

In 2004, the voters authorized the City to provide the planning, acquisition, construction and financing for the Dallas Cowboys Complex Development Project (the "Complex"), approving an increase in the City's sales tax of one-half cent, a two percent increase in the hotel occupancy tax and a five percent short-term motor vehicle rental tax. The Complex was completed in July 2009 and is a multi-functional enclosed facility with a retractable roof and seating for approximately 85,000. The final cost of the project was $1.1 billion and in accordance with the funding and closing agreement, the City paid a portion of the projected costs, $325 million, to build the Complex.

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the "Tenant") for lease of the Complex. The Lease Agreement calls for an initial term of 30 years. Monthly lease payments of $166,666.67 began in June, 2009 for an annualized rental rate of $2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of $1 million per year for the first 10 years and $1.25 million per year for all remaining renewals. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the Tenant, capped at $500 thousand per year. There was no such naming rights revenue for the latest fiscal year. The lease is accounted for as an operating lease. The cost of the stadium is $1,069,198,000 with an accumulated depreciation of $10,633,734.

The City received $403,989,000 in contributions from the Cowboys this year which is included in program revenue for Parks and Recreations.

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"). In December, 2008 the City issued $112,185,000 in Special Tax Revenue Bonds to refund $104,265,000 of the Series 2005B bonds and in May 2009 issued $62,820,000 to refund the remaining $60,000,000 of the Series 2005B bonds. The City also terminated its two swap agreements as part of these refundings and no longer has any variable rate bond or swap exposure.

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., were issued 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, 2009, 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, 2009 for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	(Amounts expressed in thousands)							
	General	Debt Service	Storm Water Utility	Water & Sewer	Street Capital Projects	Other Nonmajor Governmental Funds	Internal Service Funds	Total
Receivables:								
Taxes	$ 8,245	$ 420	$ -	$ -	$ -	$ 1,322	$ -	$ 9,987
Franchise Fees	6,359	-	-	-	-	-	-	6,359
Trade Accounts	-	-	577	10,111	-	-	147	10,835
Unbilled Trade Accounts	-	-	415	6,705	-	-	-	7,120
Special Assessments	-	-	-	-	192	-	-	192
Sales Taxes	8,080	4,059	-	-	-	2,029	-	14,168
Accrued Interest	1,593	457	-	-	-	-	24	2,074
Other	2,921	-	-	43	-	896	-	3,860
Gross Receivables	27,198	4,936	992	16,859	192	4,247	171	54,595
Less: Allowance for Uncollectibles	(5,362)	-	(39)	(2,458)	-	(2)	-	(7,861)
Net total Receivables	$21,836	$4,936	$ 953	$ 14,401	$ 192	$ 4,245	$ 171	$ 46,734

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 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	$ 84,922	$ 119,867	$ (91)	$ 204,698
Construction in progress-other	132,088	59,992	(63,167)	128,913
Construction in progress-stadium	652,041	417,156	(1,069,197)	-
Total capital assets, not being depreciated	869,051	597,015	(1,132,455)	333,611
Capital assets, being depreciated:				
Buildings	156,591	983,546	(289)	1,139,848
Improvements other than buildings	55,584	-	-	55,584
Equipment	68,996	7,876	(3,403)	73,469
Infrastructure	792,661	21,538	(75,785)	738,414
Total capital assets, being depreciated	1,073,832	1,012,960	(79,477)	2,007,315
Less accumulated depreciation for:				
Buildings	60,366	16,674	(163)	76,877
Improvements other than buildings	18,936	-	-	18,936
Equipment	44,263	9,308	(3,325)	50,246
Infrastructure	528,629	25,589	(25,004)	529,214
Total accumulated depreciation	652,194	51,571	(28,492)	675,273
Total capital assets, being depreciated, net	421,638	961,389	(50,985)	1,332,042
Governmental activities capital assets, net	$1,290,689	$1,558,404	($1,183,440)	$1,665,653

Total Business-type activities:	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Capital assets, not being depreciated:				
Land	$ 6,430	$ 265	$ -	$ 6,695
Construction in progress	68,543	54,227	(31,076)	91,694
Total capital assets, not being depreciated	74,973	54,492	(31,076)	98,389
Capital assets, being depreciated:				
Buildings and improvements	2,833	-	-	2,833
Drainage system	-	77,221	-	77,221
Water and sewer system	601,688	32,296	-	633,984
Machinery and equipment	10,437	684	-	11,121
Total capital assets, being depreciated	614,958	110,201	-	725,159
Less accumulated depreciation for:				
Buildings and improvements	1,070	57	-	1,127
Drainage system	-	26,628	-	26,628
Water and sewer system	183,271	12,109	-	195,380
Machinery and equipment	9,891	108	-	9,999
Total accumulated depreciation	194,232	38,902	-	233,134
Total capital assets, being depreciated, net	420,726	71,299	-	492,025
Business-type activities capital assets, net	$495,699	$125,791	($31,076)	$590,414

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

Governmental activities:	
General Government	$ 14,517
Public Safety	2,718
Parks and recreation	3,769
Public works	26,542
Public health	-
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	4,025
Total depreciation expense – governmental activities	$51,571
Business-type activities:	
Storm Water Utility	1,624
Water and sewer	$ 12,274
Total depreciation expense – business-type activities	$ 13,898

During fiscal 2009, the Drainage fund with $75,785,000 of gross capital assets, net of accumulated depreciation of $25,004,000, and $3,775,000 of CIP was transferred from governmental activities to Storm Water Utility enterprise fund.

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	1,588	110	-	1,698
Total accumulated depreciation	1,588	110	-	1,698
Arlington Sports Facility Development Authority, Inc. activities capital assets, net	$1,151	($110)	$ -	$1,041

	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	$ 825	$ -	$ -	$825
Total capital assets, being depreciated	825	-	-	825
Less accumulated depreciation for:				
Machinery and equipment	302	54	-	306
Total accumulated depreciation	302	54	-	306
Arlington Housing Authority, Inc. activities capital assets, net	$ 523	$ (54)	$ -	$469

	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	$653	$ 38	$ -	$691
Total capital assets, being depreciated	653	38	-	691
Less accumulated depreciation for:				
Machinery and equipment	443	49	-	492
Total accumulated depreciation	443	49	-	492
Arlington Convention and Visitors Bureau, Inc. activities capital assets, net	$210	$(11)	$ -	$199

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 833 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, 2008 valuations are contained in the 2008 TMRS comprehensive Annual Financial Report (CAFR), a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153 or accessing the CAFR on line at www.tmrs.com.

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

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

Funding Policy:

Under the state law governing TMRS, the actuary annually determines the City contribution rate on a calendar-year basis using the Projected Unit Credit actuarial method. 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 14.88% of covered payroll for the months in calendar year 2008, and 15.51% for the months in calendar year 2009. 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, 2007 valuation is effective of rates beginning January 1, 2009). 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 $29,582,321 was $7,287,773 higher than the City's contributions.

Annual pension cost	$29,582,321
Interest	0
Annual pension cost (expense)	29,582,321
Contributions made	22,294,548
Increase (Decrease) in net pension obligation	$ 7,287,773

Three-Year Trend Information

Fiscal Year	Annual Pension Cost	Percentage of APC Contribution	Net Pension Obligation (Asset)
2007	$15,164,648	100%	-
2008	$19,486,546	100%	-
2009	$29,582,321	75.36%	$7,287,773

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

Changes in Actuarial and Amortization Methods:

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, The TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually reporting basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 2-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 rations; however, the funded ration should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

Funding State and Funding Progress:

As of December 31, 2008, the most recent actuarial valuation date, the plan was 60.6 percent funded. The actuarial accrued liability for benefits was $594,441,728, and the actuarial value of assets was $360,028,646, resulting in an unfunded actuarial accrued liability (UAAL) of $234,413.082. The covered payroll (annual payroll of active employees covered by the plan) was $143,790,619, and the ratio of the UAAL to the covered payroll was 163%.

Actuarial Methods and Assumptions:

A summary of actuarial assumptions is as follows:

Actuarial Valuation Date	December 31, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	29 Years – Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7.5%

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%

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, 2009, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $97,089,000.

The City's total payroll during fiscal 2009 was $149,128,000. The current year contribution was calculated based on a covered payroll of $86,449,000, resulting in a required and actual employer contribution of $2,349,000 and actual employee contributions of $5,626,000. The employer contribution represents 2.71 percent of the covered payroll. The employee contribution represents approximately 6.5 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2009. 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, 2008, the most recent actuarial valuation date, the plan was 128.8 percent funded. The actuarial accrued liability for benefits was $1,254,909, and the actuarial value of assets was $1,615,873, resulting in an excess funded actuarial accrued liability (EAAL) of $360,964. The covered payroll (annual payroll of active employees covered by the plan) was $4,097,159, and the ratio of the UAAL to the covered payroll was 8.8%.

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, 2008, 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, 2008 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
9/30/07	$114,000	100.00%	-
9/30/08	$112,000	100.00%	-
9/30/09	$102,000	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, 2009, are as follows (amounts in thousands):

TMRS	$22,294
THRIFT	2,349
PTDIT	102
	$24,745

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, 2009 (amounts in thousands):

	Net Assets		
	Part-Time Deferred Income Trust	Thrift Savings Plan	Total
ASSETS			
Investments	$1,879	$97,089	$98,968
Total Assets	$1,879	$97,089	$98,968
NET ASSETS, Held in Trust For Pension Benefits	$1,879	$97,089	$98,968

	Changes in Net Assets		
	Part-Time Deferred Income Trust	Thrift Savings Plan	Total
ADDITIONS			
Employer contributions	$ 102	$ 2,349	$ 2,451
Employee contributions	95	5,626	5,721
Net appreciation in fair value of investments	166	4,160	4,326
Total Additions	$ 363	$12,135	$12,498
DEDUCTIONS			
Benefits	49	6,149	6,198
Plan administration	30	12	42
Total Deductions	79	6,161	6,240
Increase in Net Assets	284	5,974	6,258
NET ASSETS, October 1	1,595	91,115	92,710
NET ASSETS, September 30	$1,879	$97,089	$ 98,968

7. OTHER POST EMPLOYMENT BENEFITS

Disability Income Plan

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

Summary of Significant Accounting Policies

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

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

Plan Description and Contribution Information

Membership of the plan consisted of the following at July 1, 2009, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	30
Active plan members	2,286
Total	2,316
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, 2009, the City contributed $372,000 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, 2009, the most recent actuarial valuation date, the plan was 21.0 percent funded. The actuarial accrued liability for benefits was $2,770,504, and the actuarial value of assets was $581,422, resulting in an unfunded actuarial accrued liability (UAAL) of $2,189,082. The covered payroll (annual payroll of active employees covered by the plan) was $122,952,201, and the ratio of the UAAL to the covered payroll was 1.8%.

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 07/01/09	
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	6.5 percent
(Includes an inflation assumption of 4.5 percent)	
Pay progression	4.5 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 asset (dollar amounts in thousands):

Annual required contribution	$316
Interest on net OPEB asset	(3)
Adjustment to annual required contribution	(55)
Annual OPEB cost (expense)	258
Contributions made	(367)
Increase (Decrease) in net OPEB asset	(109)
Net OPEB asset – beginning of year	0
Net OPEB asset – end of year	$(109)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2009 and the two preceding years are as follows:

Year Ending	**OPEB Cost**	**Annual OPEB Contribution**	**OPEB Obligation (Asset)**
9/30/07	$323,000	100.00%	-
9/30/08	$364,000	100.00%	-
9/30/09	$258,000	100.00%	($109,000)

DIP does not issue separate GAAP financial reports. Its financial statements are presented below as of September 30, 2009 (in thousands):

	Net Assets
Assets	
Investments	$661
Total assets	$661
Net assets, held in trust for	
Other postemployment benefits	$661

	Changes in Net Assets
Additions	
Employer contributions	$372
Net appreciation in fair value	
Of investments	66
Total additions	$438
Deductions	
Benefits	258
Plan Administration	10
Total deductions	268
Increase in net assets	170
Net assets, October 1, 2008	491
Net assets, September 30, 2009	$661

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, 2009, 586 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	$ 9,025
Interest on net OPEB Obligation	215
Adjustment to annual required contribution	(293)
Annual OPEB cost (expense)	8,947
Contributions made	(2,391)
Increase in net OPEB obligation	6,556
Net OPEB obligation – beginning of year	4,772
Net OPEB obligation – end of year	$11,328

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows (dollar amounts in thousands):

Year Ending	OPEB Cost	Annual OPEB Contribution	OPEB Obligation
9/30/09	$ 8,947	26.72%	$ 11,328

Funded Status and Funding Progress. As of January 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $104.5 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $104.5 million. The covered payroll (annual payroll of active employees covered by the plan) was $106 million, and the ratio of the UAAL to the covered payroll was 98.6 percent.

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

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

Actuarial Valuation Date	1/01/2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar, open
Remaining Amortization Period	30 years
Healthcare inflation rate – medical	9% initial (2009)
	5% ultimate (2013)
Healthcare inflation rate – prescription	11% initial (2009)
	5% ultimate (2015)

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 .18 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, 2008, 2007, and 2006, were $258,737, $282,863, and $262,378 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. There were no new issues during fiscal 2009. This debt will mature on various days over the next several months and will be rolled over.

General short-term debt balances and transactions for the year ended September 30, 2009 are as follows (amounts in thousands):

	Balance, October 1, 2008	Additions	Retirements and Other	Balance, September 30, 2009
Commercial Paper	$22,000	$ -	$ -	$22,000

General Obligation Bonds

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	2.5% - 6.000%	$107,840
Governmental activities – refunding	2.5% - 6.375%	113,540
Total governmental		$221,380

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

	Governmental activities	
Year Ending September 30	General Obligation	GO Interest
2010	$ 20,300	$ 10,294
2011	21,275	9,373
2012	20,750	8,387
2013	20,095	7,399
2014	19,080	6,480
2015-2019	75,735	20,156
2020-2024	33,485	6,355
2025-2028	10,660	1,150
Total	$221,380	$69,594

General obligation debt authorized and unissued as of September 30, 2009, 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, 2009, this liability is reported at $484,678 in the governmental activities and $239,481 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

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

Year Ending September 30	Governmental activities Certificates of Obligation	CO Interest
2010	3,580	2,770
2011	2,605	2,609
2012	2,580	2,497
2013	3,120	2,393
2014	3,065	2,269
2015-2019	12,870	9,574
2020-2024	12,670	6,792
2025-2029	12,205	3,758
2030-2033	9,225	1,091
Total	$ 61,920	$ 33,753

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 were paid on December 31, 2008.

In 2005, the City issued $297,990,000 Dallas Cowboys Complex Special Obligations 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"). In December 2008, the City issued $112,185,000 in Special Tax Revenue Bonds, Series 2008 to refund $104,265,000 of the Series 2005B bonds. The Final maturity for these bonds is August 15, 2027 and coupons range from 5.0 percent to 5.5 percent. Interest is payable on these bonds February 15 and August 15 of each year and began on August 15, 2009. Total interest requirements will aggregate $90,137,187.50. The difference between the reacquisition price and the carrying amount of the debt resulted in a loss of $7,920,000. In May 2009, the City issued $62,820,000 in Special Tax Revenue Bonds, Series 2009 to refund the remaining $60,000,000 of the Series 2005B bonds. The final maturity for these bonds is August 15, 2028 and coupons range from 4.0 percent to 5.0 percent. Interest is payable on these bonds February 15 and August 15 of each year and began on August 15, 2009. Total interest requirements will aggregate $45,832,715.80. The difference between the reacquisition price and the carrying amount of the debt resulted in a loss of $2,820,000. The City also terminated its two swap agreements as part of these refundings and no longer has any variable rate bond or swap exposure.

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

Year Ending	Governmental Activities	
September 30	Principal	Interest
2010	$ 5,230	$ 15,177
2011	7,415	14,990
2012	7,695	14,714
2013	8,000	14,392
2014	7,710	14,026
2015-2019	52,220	64,064
2020-2024	80,850	48,040
2025-2029	70,530	24,652
2030-2034	64,130	11,418
	$303,780	$221,473

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 $525,253,000. Principal and interest payments and total pledged revenues for the year ended September 30, 2009 were $33,095,000 and $8,664,000, respectively.

Revenue Bonds

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

In April 2009, the City issued $13,760,000 Water and Wastewater System Revenue Refunding Bonds Series 2009. These bonds refunded $14,225,000 of existing Water and Wastewater System Revenue bonds. The final maturity for Series 2009 is June 1, 2019. Interest is payable on June 1 and December 1 of each year starting December 1, 2009. Total interest requirements of these bonds, with interest rates ranging from 2.0 percent to 5.0 percent aggregate $3,357,354 as of 9/30/09. The bond proceeds were used to currently refund $5,450,000 of Series 1997 and $3,600,000 of Series 1999 and purchase $5,592,827 of U.S. Government securities which were placed in an irrevocable trust with an escrow agent for the purpose of generating resources for all future debt service payments to advance refund $5,175,000 of Series 2001, which will be called on June 1, 2011. As a result, the refunded bonds are considered to be legally defeased and the liability is not reflected in the statement of net assets. The refunding was undertaken to reduce total debt service payments by $1,031,119 and resulted in an economic gain of $903,022. The difference between the reacquisition price and the carrying amount of the debt resulted in a loss of $465,000 which has been recorded in the Proprietary Funds' financial statements.

In fiscal 2009, the City issued Water and Sewer Revenue Bonds in the amount of $17,950,000 for the purpose of expanding the water treatment plant. The bonds were sold to the Texas Water Development Board. These bonds will mature June 2010 to June 2019 at interest rates of .84 percent to 2.55 percent.

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
2010	$ 8,090	$ 3,626	$ 1,900	$ 310
2011	7,515	3,226	1,900	318
2012	7,165	2,922	1,900	292
2013	6,690	2,636	1,900	264
2014	6,220	2,359	1,900	232
2015-2019	26,570	7,829	8,885	592
2020-2024	16,265	2,705	-	-
2025-2027	3,600	324	-	-
	$ 82,115	$25,627	$18,385	$2,008

Net revenues of the City's water operations have been pledged for repayment of the City's revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for these bonds, which were all originally issued to provide funding for construction of the water and wastewater systems. The pledge continues for the life of the bonds. For the year ended September 30, 2009, net pledged revenues for the water enterprise fund was $46,278,000 and debt service on the revenue bonds was $11,395,000.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2009 (amounts expressed in thousands):

	10/1/2008	Increases	Reductions	9/30/2009	Due Within One Year
Governmental activities:					
General obligation debt	$242,920	$ -	($21,540)	$221,380	$20,300
Special tax revenue debt	297,990	175,005	(169,215)	303,780	5,230
Certificates of obligation	65,610	-	(3,690)	61,920	3,580
Premium on general bonds	4,490	-	(625)	3,865	-
Premium on special bonds	6,110	-	(378)	5,732	-
Deferred loss on refunding	(1,931)	-	540	(1,391)	-
Deferred loss on special bond refund	-	(3,436)	139	(3,297)	-
Discount on special bonds	-	(4,130)	144	(3,986)	
Net governmental bonds payable	615,189	167,439	(194,625)	588,003	29,110
Compensated absences	28,163	2,097	(1,572)	28,688	1,481
Capital leases	1,490	16	(755)	751	326
Arbitrage liability	183	10	-	193	-
Claims	8,302	6,186	(4,740)	9,748	5,485
Landfill closure	5,645	647	-	6,292	-
Sales tax	634	-	(149)	485	149
Net other post-employ benefit oblg.	4,772	6,556	-	11,328	-
Net pension oblg.	-	7,288	-	7,288	-
Total governmental long-term liabilities	$664,378	$190,239	($201,841)	$652,776	$36,551
Business-type activities:					
Water and sewer bonds	$93,105	$31,710	($24,315)	$100,500	$9,990
Premium on water and sewer bonds	-	1,113	(186)	927	-
Deferred loss on refunding	(381)	(766)	127	(1,020)	-
Net water and sewer bonds payable	92,724	32,057	(24,374)	100,407	9,990
Compensated Absences	1,916	235	(137)	2,014	147
Total business-type long term liabilities	$94,640	$32,292	($24,511)	$102,421	$10,137
Component units:					
Special obligation debt	$17,180	$ -	($17,180)	$ -	$ -
Sales tax payable	313	-	(73)	240	74
Total component unit long-term debt	$17,493	$ -	($17,253)	$ 240	$ 74

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, 2009, previously defeased debt still outstanding amounted to $25,160,000.

Derivative Instruments

During fiscal 2009, the City refunded all $164,265,000 Dallas Cowboys Complex Special Obligation Tax-Exempt Special Tax Bonds, Series 2005B (the "multi-Modal Bonds") with fixed rate debt (see Note 3) and terminated all associated swap agreements. Swap termination payments were made totaling $10,885,000.

10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2009, is as follows (amounts in thousands):

Fund	Interfund Receivables	Interfund Payables
General Fund	$4,130	$ -
Nonmajor Funds	-	4,130
	$4,130	$4,130

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2010.

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

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	$ 10,246	$ 16,606
Debt Service Fund	-	6,173
Street Capital Projects	1,790	-
Stadium Venue Fund	2,148	-
Total Major Governmental Funds	14,184	22,779
Water and Sewer Fund	14,840	-
Storm Water Utility	610	4,172
Nonmajor Funds	12,758	14,728
Internal Service Funds	3,300	4,013
Total All Funds	$45,692	$45,692

The combined Water and Sewer, and Convention and Event Services transferred $4,089,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred $9,459,000 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 $4,283,000 from the Convention and Event Services, Water and Sewer, Park Performance Funds, Park Capital Projects 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 $6,292,000 reported as a landfill closure and post-closure accrued liability at September 30, 2009, represents the cumulative amount reported to date based on the use of approximately 73 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 $2,380,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2009. The City expects to close the landfill in 2028. Actual costs may change due to inflation, changes in technology, or changes in regulations.

On March 18, 2005, the City entered into a contract with Republic Waste Services of Texas, Ltd. (Republic) for a 20 year renewable operating lease of the landfill. The City received an initial payment of $15 million, The remaining balance of deferred revenue of $7,088,000 will be amortized over the life of the lease. Republic is responsible for the funding of monthly contributions to a trust account that will pay closure and post-closure costs as required by state and federal laws and regulations. Republic is in compliance with these requirements and at September 30, 2009, 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, 2009. 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	$ 63,884	$ 10,308
Park Construction	17,012	4,598
Police Construction	-	15
Traffic Construction	7,564	279
Water and Sewer Construction	88,005	8,269
Stadium Venue	-	435
	$ 176,465	$ 23,904

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 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 has control of 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. Further, although after an evidentiary hearing, the Judge reduced the plaintiff's damages to $357,000, he awarded attorneys' fees of $695,357. Both sides have appealed the Judge's rulings to the Fifth Circuit Court of Appeals. Damages in the event of failing to prevail on the legal issues are anticipated to exceed $1,000,000. Oral arguments were presented to the Fifth Circuit on September 2, 2009.

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 was appealed to the 5th Circuit. The 5th Circuit reversed the dismissal but applied a limitations period of two years. Thus, under the 5th Circuit's analysis, Arlington would only be responsible for non-compliant sidewalks or curbs constructed in the last two years which would be virtually none. However, both sides have filed a motion for rehearing as Arlington does not believe the analysis regarding sidewalks being a program under the ADA is correct and the plaintiffs are contesting the two year statute of limitations. 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.

13. RISK MANAGEMENT

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

Arlington Property Finance Authority (APFA)

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

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

The APFA claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately $2,748,000 at September 30, 2009.

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of $500,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. No settlements have utilized this commercial insurance coverage for the past three years. All City departments participate in the workers' compensation program. Payments to the WCF from such departments are based on actuarial estimates of the amounts needed to pay prior and current year claims and related administrative expenses. The WCF claims liabilities are actuarially determined annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately $5,306,000 at September 30, 2009.

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 $1,694,000 at September 30, 2009.

Changes in the balances of claims liabilities during fiscal 2009 and 2008 were as follows (amounts in thousands):

	Workers' Compensation		Health		APFA	
	2009	2008	2009	2008	2009	2008
Unpaid claims Oct 1	$ 4,479	$ 4,699	$ 1,600	$ 2,315	$ 2,223	$ 2,578
Incurred Claims (including IBNRs and changes in estimates)	3,536	1,581	15,651	14,655	1,194	(183)
Claim payments	(2,709)	(1,801)	(15,557)	(15,370)	(669)	(172)
Unpaid Claims Sept 30	$ 5,306	$ 4,479	$ 1,694	$ 1,600	$ 2,748	$ 2,223

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 $751,000 and is reported as capital lease obligations current liabilities (approximately $326,000) and capital lease obligations non-current liabilities (approximately $425,000) 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, 2009	Rental Payments
2010	$448
2011	268
2012	70
2013	17
Total minimum future lease payments	803
Less: Amount representing interest	(52)
Present value of net minimum lease payments	$751

The City's investment in equipment under capital lease arrangements as of September 30, 2009 is $3,363,000.

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 2009 were approximately $265,667.

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
2009	$ 800,000
2010	900,000
2011	1,000,000
2012	1,000,000
2013	1,000,000
2014 to 2018	5,000,000
2019 to 2023	5,000,000
2024	1,000,000
	15,700,000
Less Discount	5,193,000
	$10,507,000

The total is reported as a settlement agreement receivable by the ASFDA. 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, 2009 the lease receivable balance was $17,220,963.

Minimum future rentals are as follows:

September 30	
2010	$ 2,000,000
2011	2,000,000
2012	2,000,000
2013	2,000,000
2014	2,000,000
2015-2019	10,000,000
2020-2024	9,055,556
	29,055,556
Less Discount	11,834,593
Minimum future lease rentals	$17,220,963

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, 2009, 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	$28,239	$56,223	$ 5,678	$801	$ 90,941
Capital assets	1,041	-	469	199	1,709
Total assets	29,280	56,223	6,147	1,000	92,650
Long-term liabilities outstanding	166	-	-	-	166
Other liabilities	74	3,672	836	272	4,854
Total liabilities	240	3,672	836	272	5,020
Net assets:					
Invested in capital assets, net of related debt	1,041	-	469	196	1,706
Restricted	-	52,551	-	-	52,551
Unrestricted	27,999	-	4,842	532	33,373
Total net assets	$29,040	$52,551	$5,311	$728	$87,630

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	$ 3,221	$1,101	$25,558	$4,202	$34,082
Program Revenues:					
Charges for services	1,510	15,102	-	3,858	20,470
Operating grants and contributions	-	-	22,737	67	22,804
Capital grants and Contributions	-	-	-	-	-
Net Program (Expense) Revenue	(1,711)	14,001	(2,821)	(277)	9,192
Interest Revenues	1,478	1,462	149	10	3,099
Other NonTax General Revenues	483	323	875	3	1,684
Change in Net Assets	250	15,786	(1,797)	(264)	13,975
Net Assets, October 1,	28,790	36,765	7,108	992	73,655
Net Assets, September 30	$29,040	$52,551	$ 5,311	$ 728	$87,630

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, 2009, outstanding conduit debt was as follows:

Bond Series	Original Issue Amount	Outstanding Amount
Arlington 03B	$ 12,375,000	$ 3,503,540
Arlington 06	12,857,000	11,435,101
Total	$25,232,000	$14,938,641

18. SUBSEQUENT EVENTS

In October 2009, the City issued Permanent Improvement and Refunding Bonds, Series 2009 of $29.4 million with an interest rate of 3.55 percent and serial maturities through FY 2029 for various permanent public improvements in the City and to refund a portion of the City's commercial paper. The City also issued Combination Tax and Revenue Certificates of Obligation, Series 2009A of $6.9 million with an interest rate range of 1.0 to 4.0 percent and serial maturities through FY 2016 and Combination Tax and Revenue Certificates of Obligation Series 2009B with an interest rate range of 2.0 percent to 2.20 percent and serial maturities through FY 2016 for various permanent improvements in the City.

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2009 (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	$ 133,022	$ 133,022	$ 127,404	$ 3,350	$ 130,754	$ (2,268)
Licenses and permits	5,260	5,260	5,881	-	5,881	621
Utility franchise fees	31,535	31,535	25,038	6,195	31,233	(302)
Fines and forfeitures	11,474	11,474	12,949	-	12,949	1,475
Leases, rents and concessions	8,095	8,095	9,020	800	9,820	1,725
Service charges	7,403	7,403	4,371	3,018	7,389	(14)
Interest revenue	2,659	2,659	1,508	-	1,508	(1,151)
Other revenue	20	20	827	(800)	27	7
Net increase (decrease) in the fair value of investments	-	-	346	(346)	-	-
Total Revenues	199,468	199,468	187,344	12,217	199,561	93
EXPENDITURES						
Current-						
General government	37,226	37,226	34,513	(94)	34,419	2,807
Public safety	118,313	118,313	116,517	1,175	117,692	621
Public works	27,376	27,376	25,118	1,381	26,499	877
Public health	1,660	1,660	1,892	(3)	1,889	(229)
Parks and recreation	13,941	13,941	13,572	237	13,809	132
Capital outlay	-	-	-	-	-	-
Total Expenditures	198,516	198,516	191,612	2,696	194,308	4,208
Excess (Deficiency) Of Revenues Over (Under) Expenditures	952	952	(4,268)	9,521	5,253	4,301
OTHER FINANCING SOURCES (USES)						
Transfers in	8,528	8,528	16,606	(8,745)	7,861	(667)
Transfers out	(9,459)	(9,459)	(10,246)	337	(9,909)	(450)
Total Other Financing Sources (Uses)	(931)	(931)	6,360	(8,408)	(2,048)	(1,117)
Net Change In Fund Balances	21	21	2,092	1,113	3,205	3,184
Fund Balances, October 1	56,189	56,189	56,189	-	56,189	-
Fund Balances, September 30	$ 56,210	$ 56,210	$ 58,281	$ 1,113	$ 59,394	$ 3,184

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
12/31/06	$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%
12/31/08	360,029	594,442	(234,413)	60.6%	143,791	163.0%

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
7/1/06	$ 1,270	$1,056	$214	120.3%	$2,558	8.4%
7/1/07	1,485	1,156	329	128.5%	3,328	9.9%
7/1/08	1,616	1,255	361	128.8%	4,097	8.8%

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
7/1/07	$349	$2,633	13.3%	$(2,284)	$105,480	2.2%
7/1/08	482	2,734	17.6%	(2,252)	117,128	1.9%
7/1/09	581	2,770	21.0%	(2,189)	122,952	1.8%

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	0	$101.8	0%	$101.8	$138.0	73.8%
1/1/09	0	$104.5	0%	$104.5	$106.0	98.6%

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

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APPENDIX C

FORM OF BOND COUNSEL OPINION

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[Form of Bond Counsel Opinion]

[Closing Date]

$21,850,000
CITY OF ARLINGTON, TEXAS
PERMANENT IMPROVEMENT
REFUNDING BONDS SERIES 2010A

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

CITY OF ARLINGTON, TEXAS PERMANENT IMPROVEMENT REFUNDING BONDS SERIES 2010A, dated November 1, 2010 in the principal amount of $21,850,000.

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 Town Council of the Issuer authorizing their issuance and the Pricing Certificate authorized therein (together, 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; an escrow agreement (between the Issuer and Wells Fargo Bank, N. A., as escrow agent (the "Escrow Agent"); a report (the "Report") of Grant Thornton LLP, Certified Public Accountants (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded (the "Refunded Obligations") and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; and 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 such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of the Treasury regulations, and rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. 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, 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 pursuant to the Escrow Agreement, 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 provided therefor in such Escrow Agreement.

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 Code, and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds may be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT, or REMIC) for purposes of computing its alternative minimum tax.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Issuer, the Issuer's Financial Advisor and the Underwriters, 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. We have further relied on the Report of the Verification Agent regarding the mathematical accuracy of certain computations. If such representations or the Report 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, our opinions are not a guarantee of result and are not binding on 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 or 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.

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INVESTMENT BANKERS