OFFICIAL STATEMENT DATED MAY 22, 2018

NEW ISSUE – Book-Entry-Only

Ratings:
Moody's: "Aa1"
S&P: "AAA"
Fitch: "AAA"
(See "OTHER RELEVANT INFORMATION – Ratings")

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds." See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

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

$54,200,000
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
Permanent Improvement Bonds, Series 2018

Dated: May 15, 2018 **Due: August 15, as shown below**
Interest to accrue from date of delivery.

The $54,200,000 City of Arlington, Texas, Permanent Improvement Bonds, Series 2018 (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 accrue from the Delivery Date (defined below) to the Initial Purchasers and will be payable on February 15 and August 15 of each year, commencing February 15, 2019.

MATURITY SCHEDULE

(August 15) Maturity	Amount	Interest Rate	Yield	CUSIP[1]	(August 15) Maturity	Amount	Interest Rate	Yield	CUSIP[1]
2019	$ 2,710,000	5.000%	1.750%	041796 TD5	2029	2,710,000	2.950%	2.950%	041796 TP8
2020	2,710,000	5.000%	1.890%	041796 TE3	2030	2,710,000	3.000%	3.000%	041796 TQ6
2021	2,710,000	5.000%	2.000%	041796 TF0	2031	2,710,000	3.100%	3.100%	041796 TR4
2022	2,710,000	5.000%	2.120%	041796 TG8	2032	2,710,000	3.150%	3.150%	041796 TS2
2023	2,710,000	5.000%	2.180%	041796 TH6	2033	2,710,000	3.250%	3.250%	041796 TT0
2024	2,710,000	5.000%	2.310%	041796 TJ2	2034	2,710,000	3.350%	3.350%	041796 TU7
2025	2,710,000	5.000%	2.430%	041796 TK9	2035	2,710,000	3.400%	3.400%	041796 TV5
2026	2,710,000	5.000%	2.550%	041796 TL7	2036	2,710,000	3.450%	3.450%	041796 TW3
2027	2,710,000	4.000%	2.700% [2]	041796 TM5	2037	2,710,000	3.500%	3.500%	041796 TX1
2028	2,710,000	2.850%	2.850%	041796 TN3	2038	2,710,000	3.500%	3.500%	041796 TY9

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(1) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence 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 Purchasers 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, 2026, the first optional redemption date for 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.

Separate Issues. The Bonds are being offered by the City concurrently with the "City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2018" (the "Certificates"). The Bonds and the Certificates are being offered under a common Official Statement and are hereinafter sometimes referred to collectively as the "Obligations." The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently. While the Bonds and Certificates share certain common attributes, each issue is separate from the others and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features (see "THE OBLIGATIONS – General").

Optional Redemption. The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2027, in whole or in part in the principal amounts of $5,000 or any integral multiple thereof, on August 15, 2026, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see "THE OBLIGATIONS – Optional Redemption").

Legality. The Bonds are offered for delivery when, as and if issued and received by the Purchasers, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bracewell LLP, Bond Counsel and West & Associates, L.L.P., Dallas, Texas, Disclosure Counsel. (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 June 7, 2018 (the "Delivery Date").

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OFFICIAL STATEMENT DATED MAY 22, 2018

NEW ISSUE – Book-Entry-Only

Ratings:
Moody's: "Aa1"
S&P: "AAA"
Fitch: "AAA"
(See "OTHER RELEVANT INFORMATION – Ratings")

In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes and the Certificates are not "private activity bonds." See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

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

$5,060,000
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
Combination Tax and Revenue Certificates of Obligation, Series 2018

Dated: May 15, 2018 **Due: August 15, as shown below**
Interest to accrue from date of delivery.

The $5,060,000 City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates") 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 Certificates. 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 Certificates purchased. Interest on the Certificates will accrue from their Delivery Date (defined below) to the Initial Purchasers and will be payable on February 15 and August 15 of each year, commencing February 15, 2019.

MATURITY SCHEDULE

(August 15) Maturity	Amount	Interest Rate	Yield	CUSIP[1]
2019	$ 510,000	2.000%	1.800%	041796 TZ6
2020	510,000	2.250%	1.930%	041796 UA9
2021	505,000	2.250%	2.040%	041796 UB7
2022	505,000	2.250%	2.120%	041796 UC5
2023	505,000	2.500%	2.220%	041796 UD3
2024	505,000	2.500%	2.350%	041796 UE1
2025	505,000	2.750%	2.480%	041796 UF8
2026	505,000	4.000%	2.600%	041796 UG6
2027	505,000	4.000%	2.680%	041796 UH4
2028	505,000	4.000%	2.750%	041796 UJ0

(1) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence 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 Purchasers are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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.

Separate Issues. The Certificates are being offered by the City concurrently with the "City of Arlington, Texas, Permanent Improvement Bonds, Series 2018" (the "Bonds"). The Certificates and the Bonds are being offered under a common Official Statement and are hereinafter sometimes referred to collectively as the "Obligations." The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently. While the Certificates and Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features (see "THE OBLIGATIONS – General").

No Optional Redemption. The Certificates are not subject to optional redemption before their stated maturity.

Legality. The Certificates are offered for delivery when, as and if issued and received by the Purchasers, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bracewell LLP, Bond Counsel and West & Associates, L.L.P., Dallas, Texas, Disclosure Counsel. (See APPENDIX C "Form of Bond Counsel Opinion").

Delivery. It is expected that the Certificates will be delivered through the facilities of DTC on or about June 7, 2018 (the "Delivery Date").

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 Obligations 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 99.5 square miles operates under a Council/Manager form of government (see "INTRODUCTION – Description of the City").

THE BONDS..................................... The $54,200,000 City of Arlington, Texas, Permanent Improvement Bonds, Series 2018, dated May 15, 2018, will be issued as serial bonds and/or term bonds maturing on August 15 in each of the years 2019 through 2038. Should term bonds be issued, they will be subject to mandatory sinking fund redemption (see "THE OBLIGATIONS - General").

THE CERTIFICATES........................ The $5,060,000 City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2018, dated May 15, 2018, will be issued as serial certificates and/or term certificates maturing on August 15 in each of the years 2019 through 2028. Should term certificates be issued, they will be subject to mandatory sinking fund redemption (see "THE OBLIGATIONS - General").

PAYMENT OF INTEREST .... Interest on the Obligations accrues from the date of their initial delivery to the initial purchasers. Interest on the Obligations will be paid on February 15, 2019, and on each August 15 and February 15 thereafter until the earlier of maturity or prior redemption (with respect to the Bonds). (See "THE OBLIGATIONS - General" and "THE OBLIGATIONS – 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 (the "State" or "Texas"), including particularly Chapter 1331, Texas Government Code, as amended, Article XIII of the City's home rule charter (the "City Charter"), an election held on November 14, 2014 (the "Election"), and an ordinance passed by the City Council authorizing the issuance of Bonds (the "Bond Ordinance").

The Certificates are authorized and issued pursuant to the City Charter, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council authorizing the issuance of Certificates (the "Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances").

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

The Certificates when issued, will be direct obligations of the City, payable as to principal and interest from a combination of (i) an ad valorem tax levied annually, within the limits prescribed by law, against all taxable property in the City and (ii) a pledge of limited surplus revenues ($1,000) of the City's Water and Wastewater System, as provided in the Certificate Ordinance.

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

The Certificates are not subject to redemption prior to maturity.

TAX EXEMPTION............................ In the opinion of Bond Counsel, under existing law, the interest on the Obligations will be excludable from gross income for federal income tax purposes, and the Obligations are not "private activity bonds." See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

USE OF PROCEEDS.......................... The proceeds from the sale of the Bonds are being used to provide funds for permanent public improvements, to wit: (i) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the city, including street lighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith (ii) acquiring, developing, renovating and improving parks and open spaces for park and recreation purposes in and for the City; (iii) designing, constructing, improving, renovating and expanding, equipping and furnishing libraries and related facilities, including the acquisition of land therefor (iv) paying the costs of issuance of the Bonds.

The proceeds from the sale of the Certificates are being used to provide funds for (i) the acquisition of City information technology infrastructure and equipment; (ii) designing, developing, constructing, improving and renovating City buildings and facilities, including City Hall facilities, ((i) and (ii), the "Project"); and (iii) to pay for professional services of attorneys, financial advisors and other professionals in connection with the issuance of the Certificates.

RATINGS... The Obligations are rated "Aa1" by Moody's Investors Service, Inc., "AAA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and "AAA" by Fitch Ratings. The City's presently outstanding tax supported debt and outstanding certificates of obligation have underlying ratings of "Aa1" by Moody's, "AAA" by S&P and "AAA" by Fitch (see "OTHER RELEVANT INFORMATION – Ratings").

BOOK-ENTRY-ONLY SYSTEM... The definitive Obligations 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 Obligations may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations 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 Obligations (see "THE OBLIGATIONS - 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.

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CITY OF ARLINGTON

CITY OFFICIALS, STAFF, AND CONSULTANTS

Elected Officials

City Council	Length of Service	Term Expires	Occupation
Jeff Williams Mayor	3 years	May, 2019	Engineer
Sheri Capehart Mayor Pro Tem	18 years [(1)]	May, 2018	Computer Security Analyst, Retired
Michael Glaspie Deputy Mayor Pro Tem	6 years	May, 2019	Church Minister
Victoria Farrar-Myers Council Member	2 years	May, 2018	Professor
Charlie Parker Council Member	6 years	May, 2018	Community Volunteer
Robert Shepard Council Member	10 years	May, 2018	Attorney
Roxanne Thalman Council Member	1 year	May, 2019	IT Consultant
Kathryn Wilemon Council Member	15 years	May, 2019	Community Volunteer
Lana Wolff Council Member	15 years	May, 2019	Community Volunteer

(1) Includes service as Council member from May 1999 to May 2003.

Appointed Officials

Name	Position	Years of Employment with City
Trey Yelverton	City Manager	25
Gilbert Perales	Deputy City Manager	11
Jennifer Wichmann	Interim Deputy City Manager [(1)]	14
Jim Parajon	Deputy City Manager	12
Mike Finley	Director of Finance	22
Teris Solis	City Attorney	27
Martha Garcia	Acting City Secretary	10

(1) The City is currently looking for a permanent replacement to fill a Deputy City Manager position.

ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors.. Grant Thornton L.L.P., Dallas, Texas

Bond Counsel..Bracewell LLP, Dallas, Texas

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

Disclosure Counsel ....West & Associates, L.L.P., Dallas, Texas

For additional information regarding the City, please contact:

Mr. Mike Finley City of Arlington 101 W. Abram Street, 3rd Floor Arlington, Texas (817) 459-6100	Mr. Dave Gordon 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 pages, 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, salesman, or other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell and is not to be used in an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth in this Official Statement has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a promise or guaranty by, the City or the Financial Advisor. The information and expressions of opinion contained herein 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 since the date hereof. The delivery of this Official Statement at any time does not imply that the information herein is correct as to any time subsequent to its date. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City, nor its Financial Advisor, make any representation regarding the information contained in this Official Statement regarding The Depository Trust Company, or its book-entry-only system, as such information has been furnished by the Depository Trust Company.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OF QUALIFICATION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

The cover pages contain 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.

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.

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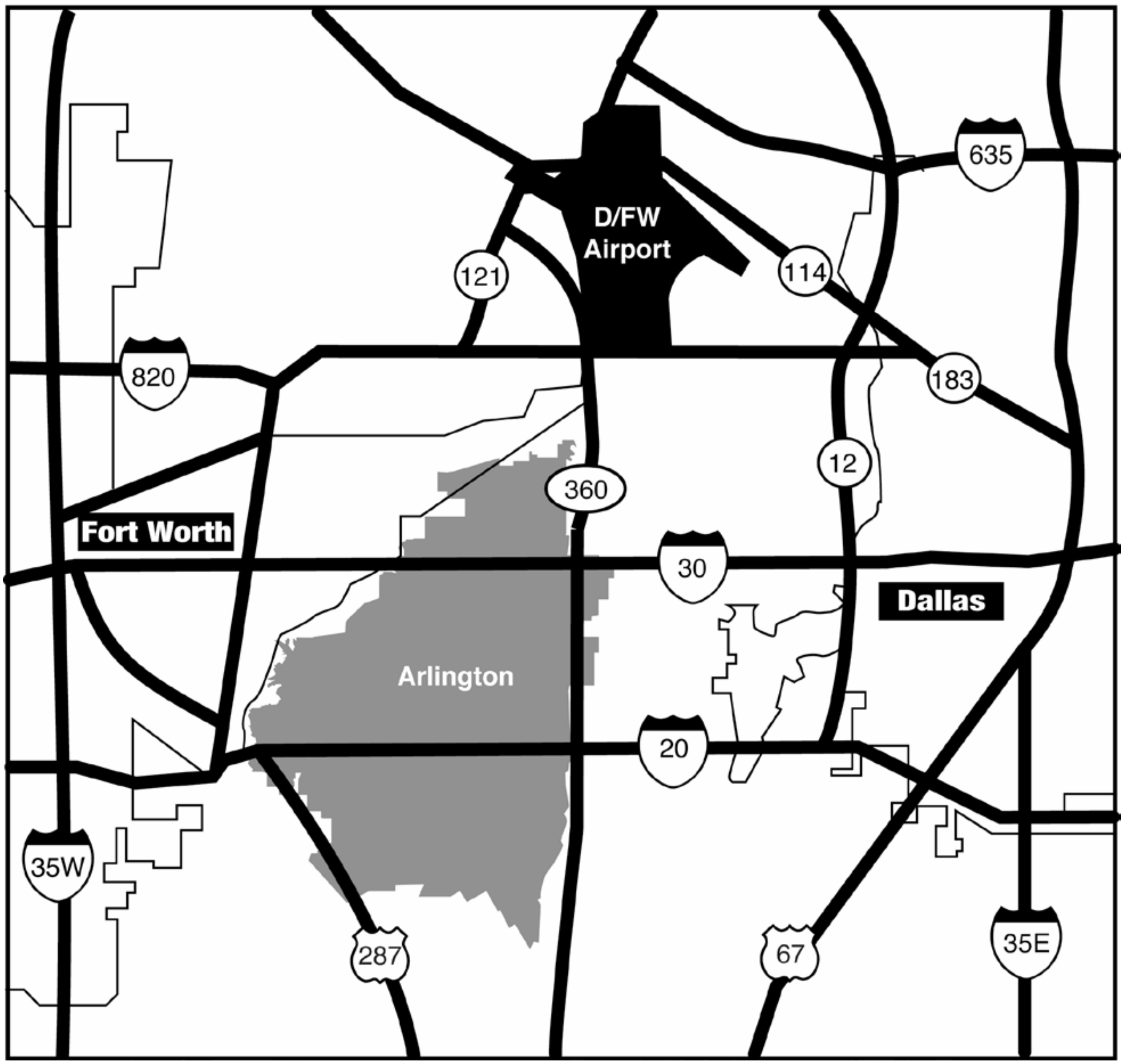
TABLE OF CONTENTS

The cover pages hereof, this page, the appendices included herein, the financial statements and any addenda, supplement or amendment hereto, are part of this Official Statement.

Dallas/Fort Worth/Arlington Metropolitan Area



CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)

$54,200,000
Permanent Improvement Bonds, Series 2018

and

$5,060,000
Combination Tax and Revenue Certificates of Obligation, Series 2018

INTRODUCTION

This Official Statement, which includes the cover pages and Appendices hereto, provides certain information regarding the issuance of City of Arlington, Texas' (the "City") $54,200,000 Permanent Improvement Bonds, Series 2018 (the "Bonds") and $5,060,000 Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates" and together with the Bonds, the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinances (defined below)

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "FORWARD-LOOKING STATEMENTS").

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Estrada Hinojosa & Company, Inc., Dallas, Texas.

Description of the City

The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's home rule charter (the "City Charter"). The City was incorporated in 1884 and first adopted the City Charter in 1920.

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 99.5 square miles, had a 2017 estimated population of 382,230. The City operates as a home-rule City under a 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 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, its storm water system and its sanitary landfill operation (currently outsourced) as self-supporting enterprise funds.

THE OBLIGATIONS

Authority for Issuance

The Bonds are authorized and issued pursuant to authority granted by the Constitution and the general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, Article XIII of the City Charter, and at an election held on November 14, 2014 (the "Election"), and an ordinance passed by the City Council authorizing the issuance of Bonds (the "Bond Ordinance").

The Certificates are authorized and issued pursuant to the City Charter of the City, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council authorizing the issuance of Certificates (the "Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances").

General

The $54,200,000 City of Arlington, Texas, Permanent Improvement Bonds, Series 2018 (the "Bonds"), will be dated May 15, 2018, and will mature on the dates set forth on the cover of this Official Statement. Interest will accrue from the Date of Delivery and will be paid on February 15, 2019, and on each August 15 and February 15 thereafter until the earlier of maturity or prior redemption.

$5,060,000 City of Arlington, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates") will be dated May 15, 2018, and will mature on the dates set forth on page iii of this Official Statement. Interest will accrue from the Date of Delivery and will be paid on February 15, 2019, and on each August 15 and February 15 thereafter until maturity.

Security

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

The Certificates when issued, will be direct obligations of the City, payable as to principal and interest from a combination of (i) an ad valorem tax levied annually, within the limits prescribed by law, against all taxable property in the City and (ii) a pledge of limited surplus revenues ($1,000) of the City's Water and Wastewater System, as provided in the Certificate Ordinance.

Tax Rate Limitations

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 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 permanent public improvements, to wit: (i) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the city, including street lighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith (ii) acquiring, developing, renovating and improving parks and open spaces for park and recreation purposes in and for the City; (iii) designing, constructing, improving, renovating and expanding, equipping and furnishing libraries and related facilities, including the acquisition of land therefor (iv) paying the costs of issuance of the Bonds.

The proceeds from the sale of the Certificates are being used to provide funds for (i) the acquisition of City information technology infrastructure and equipment; (ii) designing, developing, constructing, improving and renovating City buildings and facilities, including City Hall facilities, ((i) and (ii), the "Project"); and (iii) to pay for professional services of attorneys, financial advisors and other professionals in connection with the issuance of the Certificates.

Sources and Uses

The sources and uses of funds for the Bonds are approximately as follows:

Sources:		
Par amount of the Bonds	$	54,200,000.00
Net Premium		2,621,544.10
Total Sources of Funds	$	56,821,544.10
Uses:		
Deposit to Construction Fund	$	56,578,000.00
Cost of Issuance		243,544.10
Total Uses of Funds	$	56,821,544.10

The sources and uses of funds for the Certificates are approximately as follows:

Sources:		
Par amount of the Certificates	$	5,060,000.00
Net Premium		173,191.25
Total Sources of Funds	$	5,233,191.25
Uses:		
Deposit to Construction Fund	$	5,175,000.00
Cost of Issuance		58,191.25
Total Uses of Funds	$	5,233,191.25

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 Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Payments of principal and interest on the Obligations will be payable by 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 Obligations, as described herein under "BOOK-ENTRY-ONLY SYSTEM."

The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar (see "Registration, Transfer, Exchange – Successor Paying Agent/Registrar" herein).

In the event use of the Book-Entry-Only System should be discontinued, interest on the Obligations shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner.

Principal of the Obligations 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 Obligations 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 "Registration, Transfer, Exchange – 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 Obligations 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 payment date So long as Cede & Co. is the registered owner of the Obligations, principal and interest on the Obligations will be made as described in "THE OBLIGATIONS - Book-Entry-Only System".

Amendments

The City may amend the Ordinances 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 Obligations then outstanding, as applicable, amend, add to, or rescind any of the provisions of the respective Ordinances, except that, without the consent of the registered owners of all of the Obligations, 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 Obligations, as applicable, over any other Obligations 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, 2027, prior to their scheduled maturities, in whole or in part, on August 15, 2026, or on any date thereafter, at a price of 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 Bonds (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.

The Certificates are not subject to redemption prior to their stated maturity.

Notice of Redemption

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

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any bonds subject to conditional redemption 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 Ordinances 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 Ordinances provide that the City may discharge its obligations to the registered owners of any or all of the Obligations to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Obligations 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 Obligations; provided that such deposits may be invested and reinvested in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United State 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 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 on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds to refund the obligations, that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Obligations. If any such Obligations are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

Under current State law, after such deposit as described above, the Obligations 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 Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations 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 Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations 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 Obligations. Because the Ordinances do 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 Ordinances authorizing the issuance of the Obligations establish the following Events of Default with respect to the Obligations: (i) failure to make payment of principal of or interest on any of the Obligations when due and payable; or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinances which materially and adversely affects the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City. Under State law, there is no right to the acceleration of maturity of the Obligations upon an event of default under the Ordinances. Although a registered Owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of or interest on any such Obligations, 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 Obligations as they become 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. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinances would be successful.

The Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Obligations, the City is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing the Obligations.

The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, 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 or revenues, the pledge of ad valorem 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 Obligationholders 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 opinions of Bond Counsel will note that the rights of holders of the Obligations 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.

Registration, Transfer and Exchange

Registration and Payment. The Obligations will be initially issuable only in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Obligations. Principal and semiannual interest on the Obligations 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 Obligations, then the term “Owner” shall refer solely to DTC. In the event that DTC is no longer the securities depository for the Obligations, the term “Owner” shall refer to a successor securities depository or the Beneficial Owners of the Obligations 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 Obligations and a successor securities depository is not appointed by the City printed certificates for the Obligations will be delivered to the owners thereof, and thereafter, the Obligations 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 Obligations or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation or Obligations will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned Obligations in accordance with the provisions of the respective Ordinance. Such new Obligation 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 Obligation 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 Obligations 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 Obligations 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 an Obligation 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 each 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 Obligations. A successor Paying Agent/Registrar, if any, shall be determined by the City. Upon a change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Obligations. 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 Obligations. The Obligations 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 Obligations, 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 a Standard & Poor’s rating of AA+. 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 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations are discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations 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 for the Bonds 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 Obligations 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations 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 Obligations 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, Obligation 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 Obligations 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 Obligations, 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 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 Obligations is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Obligations is discontinued by the City, printed certificates will be issued to the respective holders of the Obligations, as the case may be, and the respective Obligations will be subject to transfer, exchange, and registration provisions as set forth in the Ordinances, 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), as amended, the Obligations (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 Obligations 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), as amended, the Obligations 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 Obligations 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 Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations 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) interest-bearing banking deposits that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National credit Union Share Insurance Fund or its successor or (B) are invested through (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the City adopts or (ii) a depository institution with a main office or branch office in this state that the City selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the City's account; and (b) the full amount of the principal and accrued interest of the banking deposits is insurance by the United States or an instrumentality of the United States; and (c) the City appoints as the City's custodian of the banking deposits issued for the City's account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2256.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (8) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State, 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 Obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or a) where the funds are invested by an investing entity through: (i) a broker that has its main office or a branch office in this State and is selected from a list adopted by the City; or (ii) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity; (b) where the broker or the depository institution selected by the investing entity under (a) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (a), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the City, (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City with a third party selected and approved by the City and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (10) 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, (11) 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, (12) 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, (13) 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 (14) 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.

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, the ending market value and fully accrued interest during the reporting period 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. For more discussion see APPENDIX B – Audited Basic Financial Statements of the City of Arlington Year Ended September 30, 2017 - Basic Financial Statements – Notes to the Financial Statements.

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.

Table 1 – Current Investments

As of March 31, 2018 the following percentages of the City's operating funds were invested in the following categories of investments:

Type of Investment	% Invested
Federal Agencies	80.43%
Statewide Local Government Investment Pools [(1)]	10.07%
Municipals	5.85%
Certificates of Deposit	3.65%
Totals	100.00%

Source: City of Arlington, Finance Department.
(1) Currently in TexStar, TexPool, and Texas Daily.

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 December 31, 2017, the weighted average maturity of the City's operating portfolio was 418 days and the market value of the operating portfolio was 100 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	The Bonds	Unissued
2014 Fire	$ 9,780	$ -	$ -	$ 9,780
2014 Library	6,090	5,740	350	-
2014 Parks and Recreation	60,000	29,241	27,950	2,809
2014 Streets	160,130	51,690	28,278	80,162
2017 Active Adult Center	45,000	-	-	45,000
Total	**$ 281,000**	**$ 86,671**	**$ 56,578**	**$ 137,751**

Source: City of Arlington Finance Department.

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

				Ratio of Tax-Supported Debt	
Fiscal Year	Estimated Population [(1)]	Estimated Taxable Valuation [(2)]	Tax - Supported Principal Year Ended September 30 [(3)]	Per Capita	To Assessed Valuation
2009	370,450	$ 18,246,819,671	$ 305,300,000	$ 824	1.67%
2010	365,438	18,251,104,674	341,090,000	933	1.87%
2011	365,530	17,179,112,308	329,635,000	902	1.92%
2012	365,860	17,323,444,005	320,810,000	877	1.85%
2013	365,930	17,677,891,333	312,040,000	853	1.77%
2014	369,508	18,088,406,989	325,315,000	880	1.80%
2015	379,370	18,905,765,829	323,590,000	853	1.71%
2016	380,740	19,601,363,251	354,185,000	930	1.81%
2017	382,230	21,379,080,714	382,735,000	1,001	1.79%
2018	383,726	23,503,192,007	408,365,000 [(4)]	1,064	1.74%

Source: City of Arlington Finance Department.

(1) Population estimates are based on percent of occupancy in available residences and U.S. Census Bureau data. Source of 2017 population figure is the North Central Texas Council of Governments.

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

(3) Includes 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.

(4) Includes the Obligations.

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	Existing Debt Service		The Bonds		The Certificates		Less: Self-Supporting Debt [1]		Total Debt Service Requirements	% of Principal Retired	Fiscal Year Ended 9/30
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest			
2018	$ 33,630,000	$ 14,199,303	$ -	$ -	$ -	$ -	$ 1,230,000	$ 1,176,578	$ 45,422,725		2018
2019	32,135,000	12,571,020	2,710,000	2,561,402	510,000	171,363	-	-	50,658,785		2019
2020	29,255,000	11,468,038	2,710,000	2,018,950	510,000	133,938	-	-	46,095,925		2020
2021	27,415,000	10,409,833	2,710,000	1,883,450	505,000	122,463	-	-	43,045,745		2021
2022	26,165,000	9,345,031	2,710,000	1,747,950	505,000	111,100	-	-	40,584,081	36.27%	2022
2023	24,945,000	8,488,386	2,710,000	1,612,450	505,000	99,738	-	-	38,360,574		2023
2024	23,870,000	7,482,236	2,710,000	1,476,950	505,000	87,113	-	-	36,131,299		2024
2025	22,795,000	6,519,471	2,710,000	1,341,450	505,000	74,488	-	-	33,945,409		2025
2026	22,880,000	5,607,254	2,710,000	1,205,950	505,000	60,600	-	-	32,968,804		2026
2027	20,970,000	4,781,826	2,710,000	1,070,450	505,000	40,400	-	-	30,077,676	65.64%	2027
2028	19,770,000	3,916,451	2,710,000	962,050	505,000	20,200	-	-	27,883,701		2028
2029	17,625,000	3,252,035	2,710,000	884,815	-	-	-	-	24,471,850		2029
2030	15,755,000	2,692,950	2,710,000	804,870	-	-	-	-	21,962,820		2030
2031	14,755,000	2,155,344	2,710,000	723,570	-	-	-	-	20,343,914		2031
2032	13,835,000	1,671,100	2,710,000	639,560	-	-	-	-	18,855,660	87.65%	2032
2033	12,335,000	1,207,050	2,710,000	554,195	-	-	-	-	16,806,245		2033
2034	9,205,000	790,250	2,710,000	466,120	-	-	-	-	13,171,370		2034
2035	7,040,000	484,450	2,710,000	375,335	-	-	-	-	10,609,785		2035
2036	5,435,000	261,600	2,710,000	283,195	-	-	-	-	8,689,795		2036
2037	2,920,000	94,900	2,710,000	189,700	-	-	-	-	5,914,600	99.37%	2037
2038	-	-	2,710,000	94,850	-	-	-	-	2,804,850	100.00%	2038
	$ 382,735,000	$ 107,398,528	$ 54,200,000	$ 20,897,262	$ 5,060,000	$ 921,401	$ 1,230,000	$ 1,176,578	$ 568,805,613		

[1] Self-Supporting debt includes the Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2008B and a portion of the Permanent Improvement Refunding Bonds, Series 2016. Historically the City utilized other revenues, such as: hotel occupancy tax, water sales, park revenue, and airport revenues to support certain outstanding debt obligations. The City has chosen to use these various reveneus for other purposes.

Table 5 - Computation of Self-Supporting Debt [1]

Tax Incremental Reinvestment Zone 5 (TIRZ 5) [2]		
Revenue Available for Debt Service from TIRZ 5, FY 2017	$	1,550,810
Debt Service Requirements 2008B CO and a portion of PIRB 2016 allocated to TIRZ 5, FY 2018		2,406,578
Percentage of TIRZ 5 Obligations Self-Supporting		64%

(1) If funds are not sufficient for any of the below debt service payments, the City will be obligated to assess an ad valorem tax to pay the difference.
(2) 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.

Historically the City utilized other revenues, such as: hotel occupancy tax, water sales, park revenue, and airport revenues, to support certain outstanding debt obligations. The City has chosen to use these various revenues for other purposes.

Table 6 - Tax Adequacy [1]

The following analysis assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2018 Net Assessed Valuation.

Tax Adequacy		
Average Annual Requirement (2018 - 2038) ……………..…………….	$	27,085,982
A tax rate of $0.1176 per $100 assessed valuation produces ……….		27,085,982
Average Annual Requirement (10 year) (2018 - 2027) …………………	$	39,729,102
A tax rate of $0.1725 per $100 assessed valuation produces ……….		39,729,102
Maximinum Annual Requirement (2019) ………………………………	$	50,658,785
A tax rate of $0.2199 per $100 assessed valuation produces ……….		50,658,785

(1) Amounts do not include self-supporting debt. Includes the Obligations.

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 6/7/2018 [1]	Percent	Amount Overlapping
Arlington ISD	$ 790,505,769	77.43%	$ 612,088,617
Ft. Worth ISD	989,315,000	0.37%	3,660,466
Hurst-Euless-Bedford ISD	236,789,890	2.50%	5,919,747
Kennedale ISD	34,285,025	55.95%	19,182,471
Mansfield ISD	750,175,000	23.55%	176,666,213
Tarrant Co	321,795,000	13.86%	44,600,787
Tarrant Co College Dist	-	13.86%	-
Tarrant Co Hosp Dist	-	13.86%	-
Viridian Municipal Management District	71,640,000	100.00%	71,640,000
Total Net Overlapping Debt			$ 933,758,300
Arlington, City of	441,995,000 [2]	100.00%	$ 441,995,000
Total Direct and Overlapping Debt			$1,375,753,300
Total Direct and Overlapping Debt % of AV			5.76%
Total Direct and Overlapping Debt Per Capita			$ 3,584

(1) Source: Municipal Advisory Council. Net debt outstanding per representative of each jurisdiction.
(2) Includes the Obligations and includes 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 enabled by recent bond election results. 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 2018 will be approximately $64,334,595. The projects include funds for fire improvements, library 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 (defined herein), 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 year ended April 30, 1966 and then annually from 1977 to 2003 and 2005 to 2016. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2017.

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:

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. Venue Fund, a capital project fund, accounts for the planning, acquisition, establishment, development, and construction of the Dallas Cowboys Complex Development Project and the Texas Rangers 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 Water and Sewer Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Water and Sewer Fund. 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 and Sewer 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. The Storm Water Utility 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.

GENERAL FUND REVENUES AND EXPENDITURES

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

CERTAIN OPERATIONS OF THE GENERAL FUND

The General Fund 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 2013 to 2017 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, 2017, the General Fund had revenues more than expenditures and transfers by $371,000 or 0.17% percent of General Fund revenues, leaving a General Fund balance at September 30, 2017, of $62,849,000. The following table presents a comparison of the City's General Fund balance for fiscal years 2013 to 2017.

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

	Fiscal Years Ended September 30,				
	2017	**2016**	**2015**	**2014**	**2013**
Beginning General Fund Balance	$ 62,478	$ 58,023	$ 56,191	$ 56,740	$ 63,497
Revenues					
Taxes	153,463	143,564	136,722	131,794	131,069
Franchise Fees	24,859	25,435	26,477	26,970	25,550
Service Charges	5,680	6,320	5,359	5,345	5,100
Interest	1,825	1,705	1,754	1,842	1,909
All Other	32,815	81,601	31,269	31,805	30,562
Total Revenues	$ 218,642	$ 258,625	$ 201,581	$ 197,756	$ 194,190
Expenditures					
Total Expenditures	$ 227,375	$ 216,279	$ 208,798	$ 206,056	$ 205,802
Net Expenditures Over (Under) Expenditures	(8,733)	42,346	(7,217)	(8,300)	(11,612)
Other Financing Sources					
Issuance of Capital Leases					
Operating Transfers	9,104	(37,890)	9,049	7,751	4,855
Ending General Fund Balance	$ 62,849	$ 62,479	$ 58,023	$ 56,191	$ 56,740
General Fund Balance as a Percent of General Fund Expenditures	27.64%	28.89%	27.79%	27.27%	27.57%

Source: Audited Financial Statements.

The following table shows the City's estimated revenues and budgeted expenditures for fiscal year 2018, as reported in the adopted Budget.

Table 8 - DEBT SERVICE FUND BUDGET
Fiscal Year 2018

Beginning Balance [1]	$ 1,668,448
Property Tax Revenue	46,148,196
Interest Revenue	229,979
Premium on Bond Issuance	600,000
Transfers In [2]	1,986,125
Total Available for Debt Service	50,632,748
Debt Service Expenditures	(48,484,303)
Estimated Ending Fund Balance	$ 2,148,445

Source: City of Arlington Finance Department
(1) Actual beginning fund balance for fiscal year 2017 - 2018 is $2,118,210.
(2) Includes transfers to the Debt Service Fund from TIRZ 5.

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 its City Charter that adopts these provisions of the Texas Constitution. For fiscal year 2018, the Council has levied a tax rate equal to $0.6398 per $100 assessed valuation of which $0.1989 was allocated to pay debt service on outstanding tax-supported obligations 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 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 (defined herein), 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”). In addition to residential homestead exemptions, additional exemptions for elderly and disabled homesteads, exemptions applicable to the City relate to 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. Under Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Additionally, the governing body of a political subdivision may grant an exemption of up to 20% of the market value of all residential homesteads, with a minimum exemption of $5,000.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual’s spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. The Council currently exempts up to $60,000 of the appraised value of such residential homesteads. The FY 2018 tax rolls reflect the Council granting persons 65 years of age and older, disabled persons and disabled veterans exemptions totaling $1,176,668,421.

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% in FY 2008 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% residential homestead exemptions on the FY 2018 tax roll, which totaled $2,183,301,482 or 19 percent of the FY 2017 taxable assessed valuation. Senate Joint Resolution 1 ("SJRl"), passed during the 84th Texas Legislature, authorized a constitutional amendment to allow the Legislature to prohibit a municipality that adopts an optional homestead exemption from reducing or repealing the amount of the exemption. SJRl was approved by the voters in the November 2015 Constitutional election, and Senate Bill 1, also passed during the 84th Texas Legislature, prohibits municipalities from reducing or repealing the amount of their optional homestead exemption that was in place for the 2014 tax year for a period running through December 31, 2019.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children. Notwithstanding the foregoing, a disabled veteran (and surviving spouse) who receives from the United States Department of Veterans Affairs or its successor a rating of 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran’s residence homestead.

A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran’s disability, if the residence was donated at no cost to the veteran by a charitable organization.

The surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse’s residences homestead, if the surviving spouse has not remarried since the service member’s death and said property was the service member’s residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. Effective January 1, 2018, this exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also effective January 1, 2018, the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the first responder’s death, and said property was the first responder’s residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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. $47,619,556 of value was reduced from the FY 2017-2018 tax rolls in accordance with State law to reflect value of agricultural land based upon production rather than market value.

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.

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 2018 tax roll reveals an exempt value of $8,344,115 due to scenic deferrals.

Article VIII, Section 1-j provides for “freeport property” to be exempted from ad valorem taxation. 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 2017-2018 tax roll is $1,415,565,237 with $608,808,888 actually exempt. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public funds for economic development purposes; however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual’s spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded. The City can make no representations or predictions concerning the impact such tax limitation would have on the City’s tax rate, financial condition or ability to make debt service payments

Chapter 311 of the Texas Tax Code allows the City Council to enter into tax abatement agreements with property owners within these zones. The abatement value loss on the FY 2018 tax roll is $406,633,753.

Tax Increment Financing Districts

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones (“TIFs”), 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 year value of taxable real property in the TIF is known as the "Incremental Value," and during the existence of the TIFs, a portion of the 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 currently has four active TIFs.

The City Council adopted an ordinance on November 3, 1998, establishing a TIF (the “TIF Zone #1”) encompassing approximately 533 acres in the City’s downtown area. TIF Zone #1 took effect on January 1, 1999 and will terminate on December 31, 2018. The City Council can terminate TIF Zone #1at an earlier date by subsequent ordinance. The taxable value for the TIF for the fiscal year ended September 30, 2017 was approximately $111,834,269 more than its base year value.

The City Council adopted an ordinance on November 8, 2005, establishing a TIF (the “TIF Zone #4”) encompassing approximately 320 acres in the City’s south central area. TIF Zone #4 took effect on January 1, 2005 and will terminate on December 31, 2025. The taxable value for the TIF Zone #4 for the fiscal year ended September 30, 2017 was approximately $212,418,519 more than its base year value.

The City Council adopted an ordinance on December 19, 2006, establishing a TIF (the TIF Zone #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 Zone #5 Entertainment District took effect on January 1, 2007 and will terminate on December 31, 2036. The taxable value for the TIF for the fiscal year ended September 30, 2017 was approximately $197,319,937 more than its base year value.

The City Council adopted an ordinance on December 18, 2007, establishing a tax increment financing district (the "TIF Zone #6") encompassing approximately 2,000 acres in the northeast quadrant of the City. The TIF District took effect on January 1, 2007. The TIF Zone #6 Project and Finance Plan was amended and restated in FY2017 to extend the term of the TIF from 30 years to 35 years. The TIF is to expire on December 31, 2041 or until the City has contributed $230,000,000 in City tax increment, whichever occurs first, and will terminate on December 31, 2036. The taxable value for the TIF for the fiscal year ended September 30, 2017 was approximately $267,608,660 more than its base year value.

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 (the "Appraisal District"). Under the 1981 amendment to the Property Tax Code, the City is now entitled to vote, in the proportion to its taxes levied in Tarrant County, in selecting the governing board of appraisal district. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law 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 2017 appraisal roll was prepared and certified by the Tarrant Appraisal District's Chief Appraiser and Appraisal Review Board. Such appraisal roll is used by the City in establishing its tax rate. The Council is responsible for setting the rate, and 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 of the subject year (or when billed) and become delinquent after January 31 of the following year, except for a split payment option. Under the split payment option, 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. Ad valorem taxes for the City are 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.

Tax Limitation Election

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

The City has 63,382 residential homestead properties in FY 2017-2018 and 18,681 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.

Table 9 – Tax Rate Distribution and Collection Ratios

		Tax Rate				% Collections	
Fiscal Year	**Estimated Net Taxable Valuation** [1]	**General Fund**	**Debt Service Fund Rate**	**Total Tax Rate**	**Tax Levy**	**Current Year**	**Prior Years**[2]
2014	$ 18,088,406,988	$ 0.4423	$ 0.2057	$ 0.6480	$ 117,212,877	97.66	98.57
2015	18,905,765,829	0.4353	0.2127	0.6480	122,509,363	97.64	98.51
2016	19,601,363,252	0.4460	0.2020	0.6480	127,016,834	97.43	98.47
2017	21,379,080,714	0.4538	0.1910	0.6448	137,852,312	96.61	97.63
2018	23,503,192,007	0.4409	0.1989	0.6398	150,373,422	94.58 [3]	85.52 [3]

Source: City of Arlington Finance Department
(1) Net Taxable Valuation is the certified roll as of September of each year including minimum estimated value of property under protest.
(2) Prior year's collections include current year collections, prior year delinquent collections and all penalty and interest collections.
(3) Collections as of March, 2018.

Table 10 - Tax Base Distribution
Fiscal Years 2013 to 2017

	2017	**2016**	**2015**	**2014**	**2013**
Residential	62.8%	60.4%	59.3%	58.5%	58.3%
Commercial, Industrial, Retail	34.9%	35.8%	36.9%	38.0%	37.6%
Mineral	0.6%	1.9%	1.9%	1.5%	2.1%
Undeveloped	1.7%	1.8%	1.9%	2.0%	2.0%

Source: City of Arlington Finance Department

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Table 11 - Top Ten Taxpayers [(1)]

Taxpayer	Type of Business	FY 2018
General Motors Corporation	Automobile Assembly	$ 310,924,495
Arlington Highlands LLP	Retail	180,490,507
Oncor Electric Delivery Co.	Public Utility	148,906,369
Parks at Arlington	Retail	145,716,807
Six Flags Fund	Amusement Park	96,825,385
LSREF3 Bravo (Dallas), LLC	Real Estate Holdings	87,730,000
Lincoln Square Dunhill	Real Estate Holdings	70,606,611
Viridian Holdings LP	Real Estate Holdings	66,235,937
Columbia Medical Center	Medical Center	64,327,406
Wal-Mart Real Estate Bus, LLC	Retail	64,276,061
Total		**$ 1,236,039,578**
Top ten taxpayers as % of total tax rolls		5.26%
Total tax roll		$ 23,503,192,007

(1) Source: Tarrant Appraisal District.

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. It was reapproved in May 2006, May 2010 and May 2014.

On November 2, 2004, an election to adopt an additional one-half cent sales and use tax for the Dallas Cowboys Complex Development 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. On November 6, 2016, an election was held to extend the one-half cent sales tax previously collected for the financing of the Dallas Cowboys Complex Development Project to be used to finance a new Rangers Baseball Complex, as permitted by Chapter 334 of the Texas Local Government Code. The election authorizing the extension of the one-half cent sales and use tax to finance the Rangers Baseball Complex in addition to the Dallas Cowboys Complex Development Project was approved by voters. 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 [(1)]	Ad Valorem Tax Levy	Sales Tax as a % of Tax Levy	Population Estimate [(2)]	Per Capita Sales Tax Collection
2013	$ 54,198,622	$ 114,551,118	47%	365,930	$ 148
2014	53,412,259	117,212,877	46%	369,508	145
2015	56,351,761	122,509,363	46%	369,592	152
2016	58,895,721	127,016,834	46%	380,740	155
2017	60,447,625	138,536,443	44%	382,230	158

(1) Receipts reflect the City's 1% sales tax.
(2) City estimate. Source: of Arlington Finance Department.

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PENSION FUND

Texas Municipal Retirement System

A. 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 872 administered by TMRS, an agent, multiple-employer public employee retirement system. TMRS is an agency created by the State and administered in accordance with Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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.

Initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees, which are also referred to as cost of living adjustments (COLAS). Currently, that amount is equal to 50% of the change in the consumer price index (CPI). The amount of the COLA percentage can only be changed by a City-adopted ordinance.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,640
Inactive employees entitled to but not yet receiving benefits	1,070
Active Employees	2,462
	5,172

C. Contributions

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the City matching percentage is 200%, both as adopted by the governing body of the City. Under the TMRS Act, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the 2017 fiscal year. The contribution rates for the City of Arlington were 15.08% and 15.73% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $25,821,067 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return (Arithmetic)**
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

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Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2015	$ 1,086,413,400	$ 919,641,045	$ 166,772,355
Changes for the year:			
Service Cost	26,189,763	-	26,189,763
Interest	72,528,701	-	72,528,701
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,387,760	-	1,387,760
Changes of assumptions	-	-	-
Contributions-employer	-	23,983,655	(23,983,655)
Contributions-employee	-	11,245,390	(11,245,390)
Net investment income	-	62,140,092	(62,140,092)
Benefit payments, including refunds			
of employee contributions	(50,018,009)	(50,018,009)	-
Administrative expense	-	(701,918)	701,918
Other changes	-	(37,818)	37,818
Net changes	50,088,215	46,611,392	3,476,823
Balance at 12/31/16	$ 1,136,501,615	$ 966,252,437	$ 170,249,178

Plan fiduciary net position as a percentage of the TPL	85.02%
Covered-employee payroll	$160,574,881
NPL as a percentage of covered employee payroll	106.02%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability	$330,462,881	$170,249,178	$38,875,543

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of $39,651,318.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	**Deferred Inflow of Resources**
Differences between expected and actual economic experience	$ -	$9,041,407
Changes in actuarial assumptions	5,764,015	-
Difference between projected and actual investment earnings	44,060,143	-
Contributions subsequent to the measurement date	19,968,319	-
Total	$69,792,477	$9,041,407

There is $19,968,319 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2017	$ 13,514,279
2018	13,665,380
2019	13,358,755
2020	244,337
2021	-
Thereafter	-
Total	$ 40,782,751

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Part-Time, Seasonal and Temporary Employees Deferred Income Plan (to qualify that financial statements below speak to the PSTDIP)

The Part-Time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) provides a retirement benefit for those employees not eligible to participate in the Texas Municipal Retirement System. Its financial statements are presented below.

City of Arlington, Texas
Part-time, Seasonal and Temporary
Employees Deferred Income Plan

Statement of Fiduciary Net Position
June 30, 2017

Assets		
Cash and deposits	$	98,308
Receivables		40,659
Accrued Interest		-
Investments		
Mutual funds - bonds		2,100,103
Mutual funds - equities		602,799
Total investments		2,702,902
Total assets	$	2,841,869
Liabilities		
Accrued expenses	$	3,711
Net position restricted for pensions	$	2,838,158

Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2017

Additions		
Contributions:		
Employer	$	60,813
Employees		101,289
Total contributions		162,102
Net investment income		
Interest and dividends		11,910
Net appreciation in fair value of investments		118,433
Total investments		130,343
Total additions		292,445
Deductions		
Benefit payments		137,960
Administrative expenses		44,296
Total deductions		182,256
Net increase in net position		110,189
Net position restricted for pensions		
Beginning of year		2,727,969
End of year	$	2,838,158

Plan administration. The City's Retirement Committee administers the Part-time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) – a single-employer defined benefit pension plan that provides benefits for all part-time, seasonal and temporary employees. Management of the PSTDIP is vested in the City's Retirement Committee consists of an odd number of persons, but not less than three, that are determined and appointed by the City acting through City Council. The Retirement Committee includes the Director of Human Resources appointed as Chair, the Chief Financial Officer, and a representative of the City Manager's Office. The Retirement Committee meets on a quarterly basis and has final approval for all administrative actions.

Plan membership. As of July 1, 2016, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	3,504
Active plan members	779
	4,298

Benefits. PSTDIP provides retirement, disability and death benefits for part-time, seasonal and temporary employees. Monthly retirement benefits for plan members are calculated as the lesser of a) a life annuity with an actuarial equivalent value equal to 2.5 times employee contributions with interest, or b) average compensation times percentage of average pay times credited service not in excess of 30. Average compensation is determined by dividing the sum of monthly compensation by the months of credited service earned prior to termination. Percentage of average pay ranges from 1.5 percent to 2.0 percent based on number of months of credited service. A plan member is eligible to retire upon attaining age 65. If an employee is terminated by reason of total and permanent disability, the employee will be eligible for a life only annuity in an amount actuarially equivalent to a lump sum payment equal to 2.5 times employee contributions with interest. With the approval of the Retirement Committee, the Disability Retirement Pension shall be paid as a lump sum in lieu of a life annuity. Death benefits are the same as for disability.

Contributions. The Retirement Committee establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2016, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 2.6 percent of annual payroll.

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	$ 22,419	$ 22,419	$ -	$ 2,590,679	0.7%
2016	53,802	53,802	-	3,352,500	1.6%
2017	81,875	60,813	21,062	3,376,300	1.8%

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Committee. It is the policy of the Retirement Committee to pursue an investment strategy with the primary focus on current income generation and capital preservation while allowing for modest consideration for capital growth. The majority of assets are to be held in fixed income securities or other income producing investments with moderate levels of principal volatility. The following was the Committee's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Equity	20%
Fixed-Income	77%
Cash (or equivalents)	3%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 4.03 percent. For all assets, a total return is calculated (including market value appreciation or depreciation, plus interest and dividends). The monthly rates of return are then geometrically linked.

Net Pension Asset of the City

The components of the net pension asset of the City at June 30, 2017 were as follows:

Total pension liability	$ 2,627,093
Plan fiduciary net position	(2,838,158)
City's net pension asset	$ (211,065)
Plan fiduciary net position as a percentage of the total pension liability	108.0%

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 6/30/2016	$ 2,527,272	$ 2,727,969	$ (200,697)
Changes for the year:			
Service Cost	187,047	-	187,047
Interest	127,591	-	127,591
Change of benefit terms	-	-	-
Difference between expected and actual experience	(76,857)	-	(76,857)
Changes of assumptions	-	-	-
Contributions-employer	-	60,813	(60,813)
Contributions-employee	-	101,289	(101,289)
Net investment income	-	130,343	(130,343)
Benefit payments, including refunds			
of employee contributions	(137,960)	(137,960)	-
Administrative expense	-	(44,296)	44,296
Other changes	-	-	-
Net changes	99,821	110,189	(10,368)
Balance at 6/30/17	$ 2,627,093	$ 2,838,158	$ (211,065)

Plan fiduciary net position as a percentage of the total pension liability	108.0%
Covered-employee payroll	$3,376,300
Net pension liability as a percentage of covered employee payroll	(6.3%)

Actuarial Assumption. The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.0 percent
Investment rate of return	5.0 percent

Mortality rates were based on the RP-2000 Combined Tables with Blue Collar Adjustment, Projected with Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see Investment Policy above) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Cash & Cash Equivalents	0.00%
Fixed Income	.62%
Domestic Large Cap Equity	5.22%
Domestic Mid Cap Equity	5.79%
Domestic Small Cap Equity	6.05%
International Developed Equity	4.97%
International Emerging Equity	6.46%

Discount rate. A single discount rate of 5.0 percent was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 5.0 percent and a municipal bond rate of 3.56 percent (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2017). The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position and the future contributions were sufficient to finance the future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension asset of the City, calculated using the discount rate of 5.0 percent, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (4.0 percent) or 1 percentage point higher (6.0 percent) than the current rate:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
City's net pension asset	$51,872	$(211,065)	$(426,429)

The actuarial assumptions used in the July 1, 2017 actuarial valuation included were (a) 5.0 percent investment return, (b) 2.5 percent inflation rate adjustment, and (c) 3.0 percent salary increases. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. Because the assets of the plan exceed the actuarial liability, amortization of the unfunded liability is discontinued and the contribution required for the plan was developed under the aggregate cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities; the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

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, 2017, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $195,481,000.

The City's total payroll during fiscal 2017 was $172,946,000. The current year contribution was calculated based on a covered payroll of $118,762,000, resulting in a required and actual employer contribution of $3,191,000 and actual employee contributions of $8,142,000. The employer contribution represents 2.69 percent of the covered payroll. The employee contribution represents approximately 6.85 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2017. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

The Thrift Savings Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 2017. (amounts in thousands):

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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-like investments 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, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits: 12

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

Contributions. The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City's contribution is determined through an actuarial valuation. For the year ended September 30, 2017, the City contributed $68,000 to the plan. Administrative costs of DIP are financed through investment earnings.

Funded Status and Funding Progress

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

As of July 1, 2017, the most recent actuarial valuation date, the plan was 91.2 percent funded. The actuarial accrued liability for benefits was $1,450,275, and the actuarial value of assets was $1,322,267, resulting in an unfunded actuarial accrued liability (UAAL) of $128,008.

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.

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

Valuation date	7/1/2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization
Remaining amortization period	5 years (closed)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.0 percent
Inflation rate	2.5 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	$ 35
Interest on net OPEB asset	(21)
Adjustment to annual required contribution	79
Annual OPEB cost (expense)	93
Contributions made	(68)
Decrease in net OPEB asset	25
Net OPEB asset - beginning of year	(411)
Net OPEB asset - end of year	$ (386)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2017 and the seven preceding years are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contribution	Net OPEB Obligation (Asset)
9/30/17	$93,000	73.10%	$ (386,000)
9/30/16	113,000	57.50%	(411,000)
9/30/15	117,000	55.60%	(459,000)
9/30/14	119,000	94.10%	(511,000)
9/30/13	120,000	206.70%	(518,000)
9/30/12	283,000	126.10%	(390,000)
9/30/11	249,000	149.80%	(316,000)
9/30/10	305,000	127.21%	(192,000)

In September of 2012, the City amended the Disability Income Plan to limit benefit eligibility to:

a. Former employees who were receiving disability income from the trust as of September 18, 2012, and
b. Former employees who, as of September 18, 2012, were receiving benefits from the City's Long Term Disability (LTD) plan and were in active service prior to January 1, 1993.

Because the amendment closed the plan to any future disabled employees, there is no longer any liability attributable to the City's active employees.

DIP does not issue separate GAAP financial reports. Its financial statements are presented below as of September 30, 2016 (in thousands):

Net Position

Assets		
Investments	$	1,317
Total assets		1,317
Net position, held in trust for		
Other postemployment benefits	$	1,317

Changes in Net Position

Additions		
Employer contributions	$	68
Net appreciation in fair value		
of investments		-
Other additions		60
Total additions	$	128
Deductions		
Benefits		(122)
Plan administration		(18)
Total deductions		(140)
Increase in net position		(12)
Net position, October 1, 2016		1,329
Net position, September 30, 2016	$	1,317

Retiree Health Insurance

The City administers a single-employer self-funded health care plan. The plan provides post-retirement health care benefits to eligible retirees and their dependents.

To be eligible for retiree health insurance, an employee must be eligible to retire from the City based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer based coverage terminates. As of July 1, 2017, there were 1,009 retired employees who met this requirement.

An employee may retire from the City based on one of the following circumstances: (1) the employee becomes eligible and elects to retire under the Texas Municipal Retirement System (TMRS) after either 20 years of service credit at any age, or after a minimum of five years of service at age 60; (2) the employee becomes eligible and elects to retire under the provisions of TMRS relating to disability retirement.

A Retiree may be eligible for insurance benefits that include: medical, dental, and vision benefits, regardless of the number of years worked for the City. However, to be eligible for a contribution from the City toward medical insurance, the Retiree must meet all of the following requirements:

- Be a minimum of age 50 and have a minimum of 10 years of full-time service with the City and age plus years of service with the City must equal at least 70.
- Elect to receive their TMRS pension at the time of separation from the City.
- Be hired/re-hired OR transferred to a Full-time status prior to January 1, 2006.

Retiree Health Insurance City Contributions

The City's contribution toward Retiree health insurance premiums is based upon five criteria: Date of Hire, Re-hire, or Full-time Status; Years of Full-time Service with the City; Age; Election of TMRS Pension; and Date of Retirement.

1. Retirees who were hired/re-hired or transferred into a full-time status prior to 1/1/2006 have a City contribution based on their years of eligible service with the City. Retirees who were hired/re-hired or transferred into a full-time status after 1/1/2006 have no City contribution; however they may elect to pay the full cost and remain on the City's health plan.
2. Retirees who are TMRS eligible and elect a pension, are a minimum of age 50 and have 10 years of full-time service with the City are eligible for a City contribution if hired, re-hired, or transferred into a full-time status prior to 1/1/2006.
3. Retirees who are TMRS eligible, have elected a pension but have less than 10 years of full-time service with the City are not eligible for the City contribution, but may elect insurance benefits and pay the full premium.
4. Retirees who retired prior to 1/1/2008 have a City contribution toward their dependent's health coverage. Retirees who are retiring after 1/1/2008 do not have a contribution toward their dependent's health care.
5. Effective January 1, 2014, the City's retiree contribution was changed to a flat rate based on date of retirement. The contribution for retirees over the age of 65 has $50 of the contribution designated for Medicare pharmacy coverage.

Funding Policy. The City Council through the budget process 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	$ 7,928
Interest on net OPEB Obligation	1,493
Adjustment to annual required contribution	(2,117)
Annual OPEB cost (expense)	7,304
Contributions made	(6,118)
Increase in net OPEB obligation	1,186
Net OPEB obligation – beginning of year	37,334
Net OPEB obligation – end of year	$ 38,520

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the seven preceding years are as follows (dollar amounts in thousands):

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contribution	Net OPEB Obligation
9/30/2017	$ 7,304	83.76%	$ 38,520
9/30/2016	7,338	90.27%	37,334
9/30/2015	7,998	62.50%	36,620
9/30/2014	8,366	59.31%	33,633
9/30/2013	8,723	65.31%	30,229
9/30/2012	12,133	46.66%	27,203
9/30/2011	8,379	56.14%	20,731
9/30/2010	8,398	31.80%	17,056

Funded Status and Funding Progress. As of July 1, 2017, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $109.2 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $109.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $150.6 million, and the ratio of the UAAL to the covered payroll was 72.5 percent.

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

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

Valuation date	7/1/2017
Investment rate of return	4% per annum, net of expenses
Actuarial cost method	Individual Entry Age Normal Cost Methoc
Amortization method	Level dollar, open
Remaining amortization period	30 years
Healthcare Cost trend rate - medical	7.50% initial (2016)
	4.25% ultimate (2032)
Inflation Rate	2.50%

Supplemental Death Benefits Plan

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

Funding Policy. Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently .15 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 position available for OPEB. The City's contributions to SDBF for the years ended September 30, 2017, 2016, and 2015, were $251,051, $247,020, and $230,122, respectively, which equaled the required contributions each year.

ASSETS		
Investments		195,471
Total Assets	$	195,471
LIABILITIES		
Accounts Payable		12
Retired City Mgr 401(k) plan payable		66
Total Liabilities	$	78
NET POSITION		
Held in trust for pension benefits		195,405
Assigned pension trust		76
Total Net Position		195,481

Changes in Net Position
Thrift Savings Plan

ADDITIONS	
Employer contributions	$ 3,191
Employee contributions	8,142
Net appreciation in fair value of investments	26,523
Other additions	100
	37,956
DEDUCTIONS	
Benefits	16,811
Plan administration	112
Other deductions	85
	17,008
Increase in Net Position	20,948
Net Position, October 1	174,533
Net position, September 30	$ 195,481

City contributions for the above plans for the year ended September 30, 2017, are as follows (amounts in thousands):

TMRS	$25,821
THRIFT	8,142
PTDIT	63
	$34,024

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, 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 shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information described in Tables 1 through 12, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles the accounting principles described in Exhibit B hereto or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

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 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.

Disclosure Event Notices

The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Obligations: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Obligations, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City(1); (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

The City shall also provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, notice of a failure by the City to provide required annual financial information and notices of material events. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

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(1) For the purposes of the event identified in (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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 Obligations 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 Obligations 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 Obligations 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 Obligations 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 Obligations. 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

In 2013, the City did not timely file notice of the upgrading of its underlying, unenhanced credit rating with respect to its water and wastewater system revenue bonds and general obligation bonds by S&P. The City filed event notices with respect to the upgrades on May 28, 2014. Also for fiscal year 2013, the City filed its required quantitative financial information and operating data, including the City's September 30, 2013 audited financial statements (the "2013 Audit"), with the Municipal Advisory Council of Texas by the required date but due to an administrative error, the 2013 Audit was not timely filed with EMMA. After noticing the error, the City filed the 2013 Audit with EMMA on May 22, 2014, and an event notice with respect to the oversight on June 10, 2014. Additionally, the City did not timely file a notice of defeasance upon the issuance of the City's Water and Wastewater System Revenue Refunding Bonds Series 2013B, which defeased portions of the City's Water and Wastewater System Revenue Refunding Bonds, Series 2003 and Water and Wastewater System Revenue Bonds, Series 2004 (the "Defeasance"). The City filed an event notice with respect to the Defeasance on May 8, 2017. The City has implemented procedures to ensure that event notices are timely filed in the future.

ADDITIONAL INFORMATION

For additional information regarding this document please contact Mr. Mike Finley, Director of Finance, City of Arlington, Texas, at (817) 459-6100.

TAX MATTERS

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Obligations is excludable from gross income for federal income tax purposes, and (ii) the Obligations are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and as such, interest on the Obligations is not subject to the alternative minimum tax on individuals.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinances pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Obligations for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinances or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Obligations could become includable in gross income from the date of delivery of the Obligations, regardless of the date on which the event causing such inclusion occurs.

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 Obligations.

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 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 Obligations. 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 Obligations could adversely affect the value and liquidity of the Obligations regardless of the outcome of the audit.

Additional Federal Income Tax Consequences

Collateral Tax Consequences

Prospective purchasers of the Obligations 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, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit, 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 Obligations. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Obligations 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 Obligations, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium Obligations

The issue price of all or a portion of the Obligations may exceed the stated redemption price payable at maturity of such Obligations. Such Obligations (the "Premium Obligations") 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 Obligation.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Obligations 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 Obligations 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 Obligations.

Tax Legislative Changes

Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Obligations, was signed into law on December 22, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Obligations from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Obligations. Prospective purchasers of the Obligations should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

OTHER RELEVANT INFORMATION

Ratings

The Obligations are rated "Aa1" by Moody's Investors Service, Inc., "AAA" by S&P and "AAA" by Fitch Ratings. The City's presently outstanding tax supported debt of the City has underlying ratings of "Aa1" by Moody's, "AAA" by S&P and "AAA" 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 Obligations.

Litigation

The City is currently involved in several lawsuits in which some liability is possible. The potential liability as of February 2018 cannot be determined.

The City is currently involved with a personal injury lawsuit in which the plaintiff alleges she was injured when she partially fell into a manhole with an undersized cover. In addition to asserting her own damages, the plaintiff's husband and children, and step-children are asserting bystander claims and loss of consortium claims. This case is set for jury trial on July 30, 2018. The City's maximum liability for damages is capped at $500,000.00 by the Texas Tort Claims Act.

The City is currently involved with in an employment lawsuit regarding the termination of employment of a former Arlington police officer. The trial court previously ruled that the employee was subject to back pay award of $164,471. However, that case was appealed, and the matter was ultimately remanded for a new arbitration by the trial court. Both sides have filed a second appeal regarding the decision requiring a new arbitration. In the event of a court ruling against the City, it is possible, although unlikely, that the City could be required to pay back pay from January 21, 2011 to the time of a final court ruling.

The City is currently involved with litigation with an individual who was held in the Arlington Municipal Jail. The individual was held after attempting to run over an Arlington police officer. The police officer shot the individual in the leg. In addition to claiming excessive use of force, the individual asserts that he did not receive proper medical care. The case has currently been stayed by the federal court pending resolution of the appeal of the individual's state law criminal conviction.

As of February 18, 2018, there are twenty-five lawsuits pending against the City. Four of those lawsuits are brought in the Justice Courts with maximum damage caps of $10,000 each. Seven additional cases assert state law tort claims which are subject to the Texas Tort Claims Act (TTCA). The TTCA limits liability for money damages to $250,000 for each person and $500,000 for each single occurrence for bodily injury and death. Further, the TTCA limits liability for property damage to $100,000.00 for each single occurrence. See Texas Civil Practice and Remedies Code, Section 101.023(c). One of the state court lawsuits is subject to full indemnity by a third party pursuant to a contractual agreement.

Various other claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of Arlington's Self Insurance & Risk Management Program limitations (see Note 13 of the City's audited basic financial statements in Appendix B hereto) of insurance coverage, if any, on all claims will not have a material adverse effect on the City's financial position as a whole.

Legal Matters

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Obligations and to the effect that the Obligations are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law and the Obligations are not private activity bonds, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Obligations will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry- Only System.

Registration and Qualification

The sale of the Obligations has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon exemptions provided therein; the Obligations have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been registered or qualified under the securities act of any jurisdiction. The City assumes no responsibility for registration or qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations 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 Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemptions from securities registration or qualification provisions.

Initial Purchaser of the Bonds

After requesting competitive bids for the Bonds, the City accepted the bid of Raymond James (the "Bonds Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of the Official Statement plus a cash premium of $2,621,544.10. The Bonds Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Bonds Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Bonds Initial Purchaser.

Initial Purchaser of the Certificates

After requesting competitive bids for the Certificates, the City accepted the bid of Citigroup Global Markets Inc. (the "Certificates Initial Purchaser") to purchase the Certificates at the interest rates shown on page (iii) of the Official Statement plus a cash premium of $173,191.25. The Certificates Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Certificates Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Certificates Initial Purchaser.

Financial Advisor

Estrada Hinojosa & Company, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Estrada Hinojosa & Company, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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.

Certification of the Official Statement

At the time of payment for and delivery of the Obligations, the Purchasers of the Obligations will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in this Official Statement and any addenda, supplement or amendment thereto, for its Obligations, on the date of such Official Statement, on the date of sale of said Obligations and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities other than the City and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2017, the date of the last audited financial statements of the City appearing in the Official Statement.

Miscellaneous

The financial data 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 Ordinances authorizing the issuance of the Obligations also approve 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 Obligations by the Initial Purchasers.

/s/ Jeff Williams
Mayor
City of Arlington, Texas

ATTEST:
/s/ Martha Garcia
Acting City Secretary
City of Arlington, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY OF ARLINGTON

The City

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 boundaries is approximately 99.5 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 both a Mayor Pro Tem and a Deputy 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. Ordinance, 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

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

Year	Arlington	Annual Rate of Change	United States	Annual Rate of Change
1980	160,113	7.66%	226,545,805	1.15%
1990	261,721	6.35%	248,765,170	0.98%
2000	332,969	2.72%	281,421,906	1.31%
2010	365,438	0.98%	308,745,538	0.97%
2011	365,530	0.03%	312,759,230	1.30%
2012	365,860	0.09%	314,395,013	0.52%
2013	365,930	0.02%	316,128,839	0.55%
2014	369,508	0.98%	318,857,056	0.86%
2015	379,370	2.67%	321,418,820	0.80%
2016	380,740	0.36%	323,127,513	0.53%
2017	382,230	0.39%	326,385,143	1.01%

Source: U.S. Census and North Central Texas Council of Governments.

Employment

Employment date for the City, Texas, and the United States is shown below.

Unemployment Rate
Annual Average Rates
2014 to 2018

	January 2018	January 2017	January 2016	January 2015	January 2014
Arlington	3.6%	4.2%	3.9%	4.5%	6.0%
Texas	4.2%	5.0%	4.5%	4.7%	5.7%
United States	4.5%	5.1%	5.3%	6.1%	7.0%

Source: Texas Workforce Commission

Arlington Major Employers [1]

Employer	Type of Business	Number of employees
Arlington Independent School District	Public Education	8,200
University of Texas at Arlington	Higher Education	5,300
General Motors	Automobile Assembly	4,484
Texas Health Resources	Medical	4,063
Six Flags Over Texas	Amusement Park	3,800
The Parks Mall at Arlington	Retail	3,500
GM Financial	Automobile Financing	3,300
City of Arlington	Municipality	2,509
J.P. Morgan Chase	Banking Services	1,965
Texas Rangers Baseball Club	Major League Baseball	1,881
Total		**39,002**

[1] Arlington Chamber of Commerce. Includes part-time and peak seasonal employees.

Building Permits

	2017		2016		2015	
	Permits	Declared Value	Permits	Declared Value	Permits	Declared Value
New Single Family	524	$ 89,162,382	377	$ 67,997,363	470	$ 103,650,955
New Multifamily	3	35,824,000	2	34,378,989	13	34,032,660
New Commercial	97	142,276,696	141	231,298,862	150	150,415,719
Other (Residential and Commercial)	7,185	441,251,810	5,092	176,368,316	4,751	72,852,109
Grand Total	7,809	$ 708,514,888	5,612	$ 510,043,530	5,384	$ 360,951,443

Source: City of Arlington Building Inspections Division

APPENDIX B

AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF ARLINGTON FISCAL YEAR 2017

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arlington Housing Authority, the Arlington Convention and Visitors Bureau, Inc., or the Arlington Tourism Public Improvement District (the "component units"), discretely presented component units, which statements reflect 10%, 9%, and 73% of assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those 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 those component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Arlington Convention and Visitors Bureau, Inc. and the Arlington Tourism Public Improvement District were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 18, the Budgetary Comparison Schedule – General Fund, the Schedule of Changes in the City's Net Pension Liability and Related Ratios – TMRS, the Schedule of the City's Contributions – TMRS, the Schedule of Changes in the City's Net Pension Liability and Related Ratios – Part-Time Deferred Income Trust Plan, the Schedule of the City's Contributions – Part-Time Deferred Income Trust Plan, the Schedule of Funding Progress – Disability Income Plan, and the Schedule of Funding Progress – Postemployment Healthcare Plan on pages 83 through 89, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton

Supplementary information

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

Other information

The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 6, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Grant Thornton LLP

Dallas, Texas
March 6, 2018

ARLINGTON℠

THE AMERICAN DREAM CITY

CITY OF ARLINGTON, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2017 (Unaudited)

As management of the City of Arlington (City), we offer readers of the City's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found beginning on page vii of this report.

FINANCIAL HIGHLIGHTS

- The net position of the City at the close of the most recent fiscal year was $2B. This number must be viewed in the context that the vast majority of the City's net position of $1.8B (89%) is the net investment in capital assets and that most capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. Of the City's total net position, $49M (3%) is restricted for debt service and use of impact fees. The remaining $172M is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased $22.6M during the current period primarily due to increased revenues in excess of expenses in the City's business-type activities, as well as an overall increase in the net investment in capital assets compared to the prior period.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $326.4M, a **decrease** of $9.4M in comparison with the prior year. Within this total, $200M is restricted for specific legal requirements and $126M has been committed or assigned to specific types of expenditures. The remaining $30k is unassigned fund balance in the general fund and can be used for any lawful purpose.
- The 2017 General Fund assigned fund balance was $61.6M with $.03M unassigned, an overall slight **increase** in the aggregate from prior year. In 2016, the comparable balances were $60.9M and $.48M. Fund balance assignment changes in the General Fund include increases in encumbrances, working capital, and subsequent years' expenses of $.28M, $.34M, and $.30M respectively. Decreases in park performance and unassigned fund balance of $.08M and $.45M were also noted.
- The City's total outstanding long-term debt of $719.8M **increased** $23.2M during the year. Debt issues in 2017 include $58.4M in Permanent Improvement Bonds and $18.2M in Permanent Improvement Refunding bonds, $6.1M in Combination Tax and Revenue Certificate of Obligation Bonds, $110.2M in Senior Lien Special Tax Revenue Refunding Bonds, $40.3M in Water and Wastewater System Revenue bonds, $9M in Municipal Drainage Utility System Revenue Bonds, and $4.78M bonds related to the Texas Water Development Board (TWDB) Clean and Drinking Water Programs. Bond principal payments for 2017 total $224M on existing obligations with an additional $128.4M in principal refunded. Exclusive of special venue debt, City of Arlington debt is allocated 63% for general government, with the remaining 37% to water, wastewater, and storm water activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This is the portion of the CAFR on which the auditors express an opinion. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with broad overview the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 unused compensated absences).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). In the aforementioned statements, the City's business is divided into three types of activities:

- Governmental Activities – Functions of the City that are principally supported by taxes and intergovernmental revenues are reported here including general government, public safety, public works, public health, parks and recreation, public welfare, convention and event services and interest and fiscal charges. Property taxes, sales taxes, and franchise fees provide the majority of funding for these activities, with the addition of charges for services, grants and contributions.

- Business-type Activities – Functions that are intended to recover all or a significant portion of their costs through user fees and charges are reported here. The City's water and sewer system and storm water utilities are reported here.

- Component Units – For fiscal year 2017, the City includes seven discretely presented component units in its report – Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB), Arlington Housing Finance Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Economic Development Corporation (no activity), the Arlington Convention Center Development Corporation (ACCDC) and Arlington Tourism Public Improvement District (ATPID).

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds
Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found beginning on page 24 of this report.

Proprietary Funds
The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and storm water utilities operations. The City uses its internal service funds to account for its fleet services, knowledge services, and self-insurance functions. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer and Storm Water Utilities funds. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in the Comprehensive Annual Financial Report.

The basic proprietary fund financial statements can be found beginning on page 28 of this report.

Fiduciary Funds
Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. 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 Position and Changes in Fiduciary Net Position.

The fiduciary fund financial statements can be found beginning on page 32 of this report.

NOTES TO THE FINANCIAL STATEMENTS
The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 35 of this report.

OTHER INFORMATION
In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 83 of this report. Page 83 shows the budgetary comparison schedule and pages 84 – 89 detail the pension and OPEB schedules.

Government-wide Overall Financial Analysis
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position was $2B as of September 30, 2017. The largest portion of the City's net position $1.8B (89%) reflects its investments in capital assets (e.g. land, building, equipment, improvements, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and

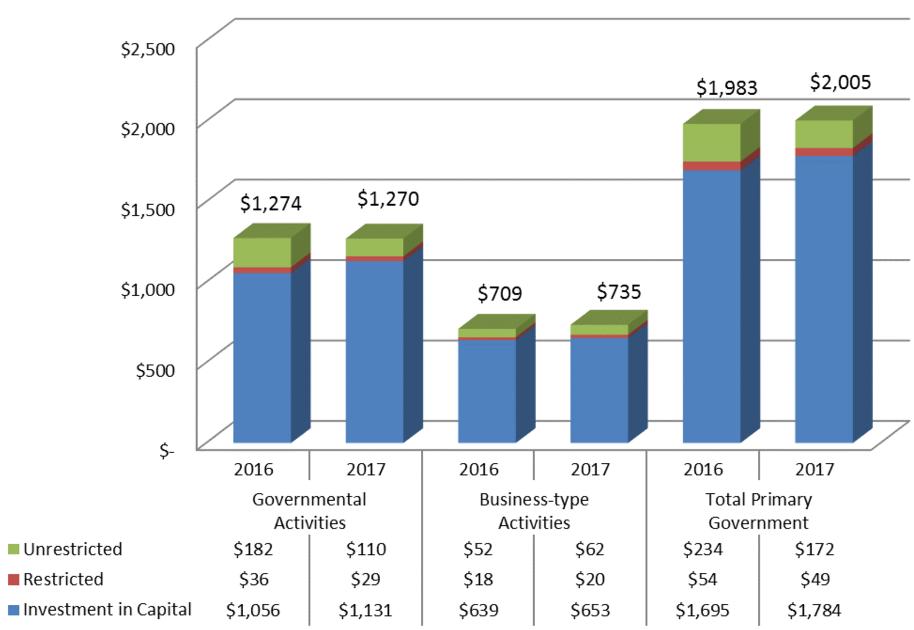
with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future.

CITY OF ARLINGTON'S NET POSITION
(Amounts Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Current and other assets	$424	$426	$174	$214	$598	$640
Capital assets	1,576	1,603	751	781	2,327	2,384
Total Assets	2,000	2,029	925	995	2,925	3,024
Deferred Outflows of Resources	90	80	7	6	97	86
Long-term liabilities	775	802	206	249	981	1051
Other liabilities	27	27	16	16	43	43
Total Liabilities	802	829	222	265	1024	1094
Deferred inflows of resources	14	10	1	1	15	11
Net position:						
Net investment in capital assets	1,056	1,131	639	653	1,695	1,784
Restricted	36	29	18	20	54	49
Unrestricted	182	110	52	62	234	172
Total Net Position	$1,274	$1,270	$709	$735	$1,983	$2,005

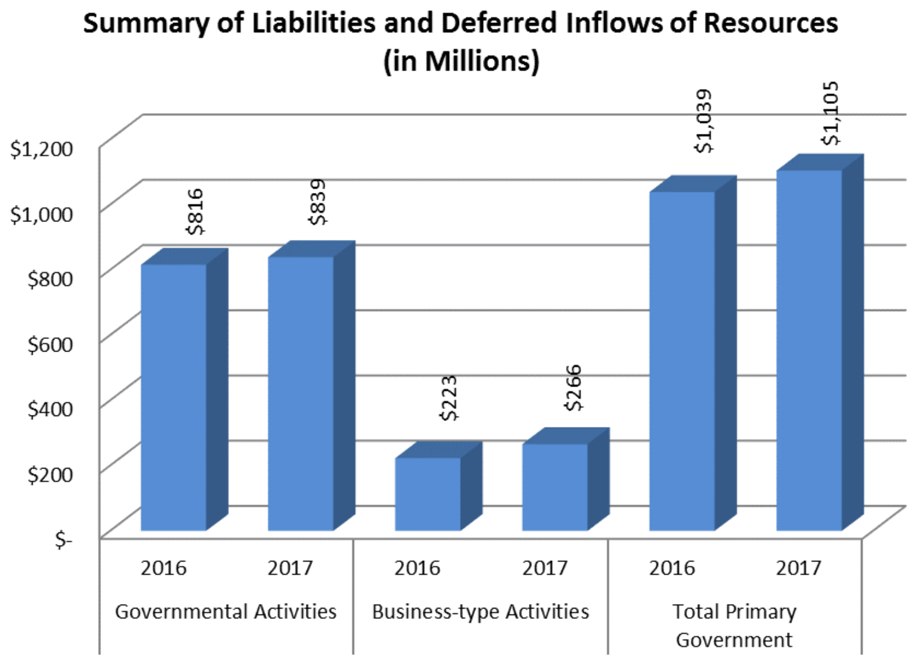
Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Position (in Millions)



An additional portion of the City's net position of $49M (3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of $172M (8%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business activities. The same situation held true for the prior year.



Liabilities and deferred inflows of resources increased from $1.04B to $1.11B for the total government, an increase of 6%. The increase is related to the additional amount of outstanding debt and increased liabilities related to the net pension liability and landfill closure accrued liabilities.

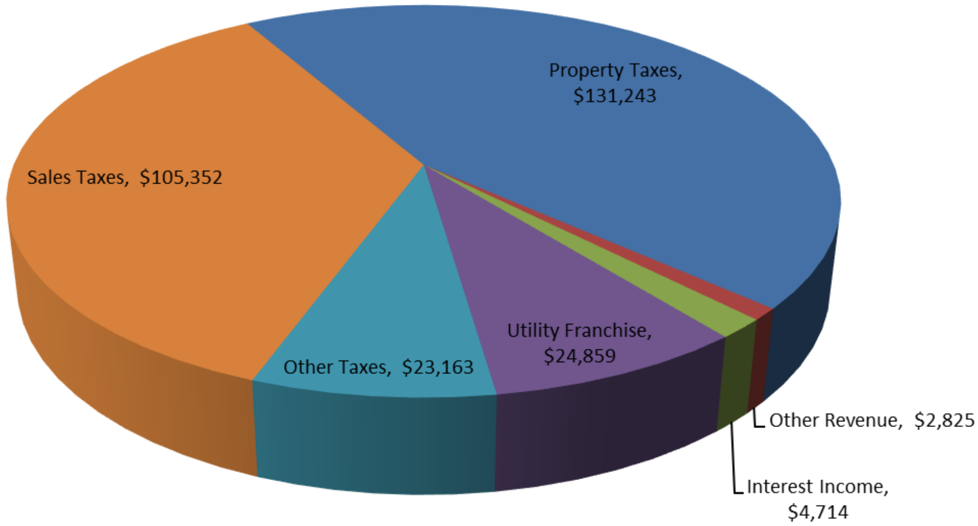
Governmental Activities

The City's general revenues increased compared to the prior year, increasing overall by 4.4%. Sales and property tax revenue accounted for the majority of the increase this year compared to last.

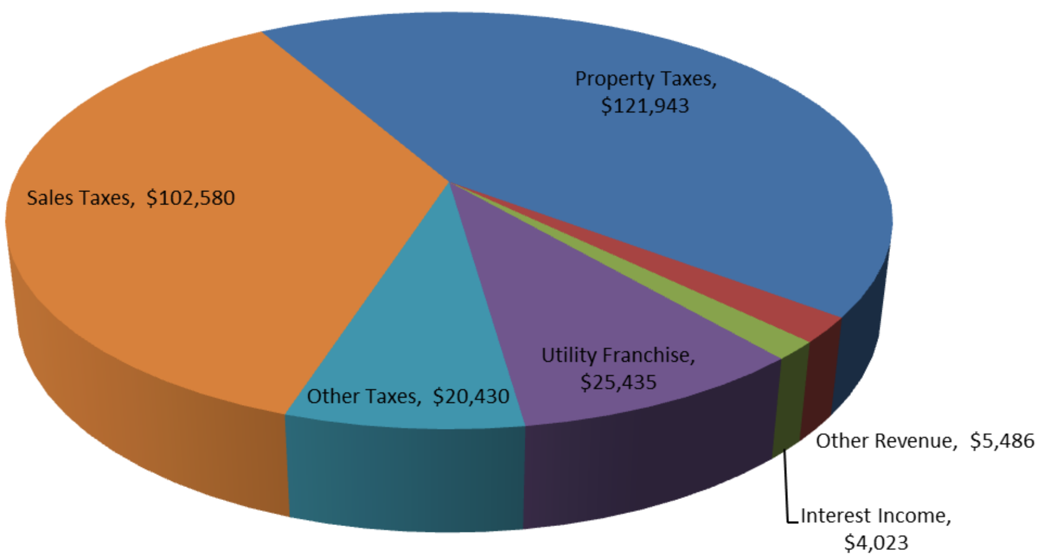
Property tax collections were up from the prior year by about $9.3M and Arlington once again saw growth in assessed valuation. The residential property values increased by 11.5% and commercial property values increased by 10.4% compared to the prior year. The City anticipates property values to increase with continued state of economic conditions. The property tax rate for 2017 was set at $0.6398 per $100 assessed valuation; decreasing from $0.64480 in the prior year.

Sales tax revenue increased by $2.8M, up 2.7% from the prior year. Consumer confidence continued to strengthen during the year, as demonstrated by increased revenues. Strong sales tax collections in 2017 indicate that Arlington is a thriving community. Utility franchise fee collections decreased 2.26% in 2017, primarily due to decreased revenue for cable, electrical and gas utilities.

2017 General Revenue
(in thousands)



2016 General Revenue
(in thousands)



Governmental activities decreased the City's net position by $3.7M, and business-type activities increased net position by $26.2M, for a total overall increase of $22.6M. Changes from 2016 to 2017 are shown in Table 2 below.

Table 2
City of Arlington's Changes in Net Position
(Amounts expressed in thousands)

	Governmental Activities 2016	Governmental Activities 2017	Business-type Activities 2016	Business-type Activities 2017	Total 2016	Total 2017
Revenues						
Program Revenues:						
Charges for services	$ 58,809	$ 59,115	$ 144,661	$ 153,018	$ 203,470	$ 212,133
Operating grants and contributions	62,107	14,754	-	-	62,107	14,754
Capital grants and contributions	5,814	9,442	1,820	3,552	7,634	12,994
General Revenues:						
Taxes	244,953	259,758	-	-	244,953	259,758
Utility franchise fees	25,435	24,859	-	-	25,435	24,859
Interest income	4,023	4,714	652	1,098	4,675	5,812
Other	5,486	2,825	-	(550)	5,486	2,275
Total revenues	406,627	375,467	147,133	157,118	553,760	532,585
Expenses						
General government	75,486	77,110	-	-	75,486	77,110
Public Safety	156,414	170,459	-	-	156,414	170,459
Public Works	61,115	68,036	-	-	61,115	68,036
Public Health	2,741	2,934	-	-	2,741	2,934
Parks and recreation	32,449	34,204	-	-	32,449	34,204
Public welfare	14,978	10,280	-	-	14,978	10,280
Convention and event services	8,384	13,987	-	-	8,384	13,987
Interest and fiscal charges	23,016	19,209	-	-	23,016	19,209
Water, sewer and storm water	-	-	104,437	113,745	104,437	113,745
Total expenses	374,583	396,219	104,437	113,745	479,020	509,964
Increase in net position before transfers	32,044	(20,752)	42,696	43,373	74,740	22,621
Transfers and capital contributions	16,619	17,101	(16,619)	(17,101)	-	-
Increase (decrease) in net position	48,663	(3,651)	26,077	26,272	74,740	22,621
Net Position, October 1	1,224,855	1,273,518	683,092	709,169	1,907,947	1,982,687
Net Position, September 30	$ 1,273,518	$ 1,269,867	$ 709,169	$ 735,441	$ 1,982,687	$ 2,005,308

Tax revenues were up $14.8M from 2016, largely attributable to strong sales tax revenues and property tax collections. Charges for services increased $8.7M with the majority of the increase resulting from the increase in business-type activities revenues. Operating grants and contributions decreased $47.3M compared to the prior year due to one-time revenue ($50M) received in the Innovation and Venture Capital fund in the prior year and not the current year.

Overall, expenditures increased approximately $30.9M (6.5%) from the prior year. Increases over all categories are primarily attributed to increased pension expenses. In addition, in all categories (other than interest in fiscal charges) there were salary and benefit increases ranging from 4.2% to 8.4%. Public welfare expenses decreased primarily due to decreased capital outlay compared to the prior year. Convention and event services expenses increased primarily due to payments made to the Arlington Tomorrow Foundation for operating revenues.

The revenue increase of $10M in business-type activities (Water and Wastewater/Storm Water Utility) is largely a result of an increase in water sales and sewer service revenues reported in service charges for the current year. Increases in expenses were primarily for the cost of purchasing water and sewage treatment.

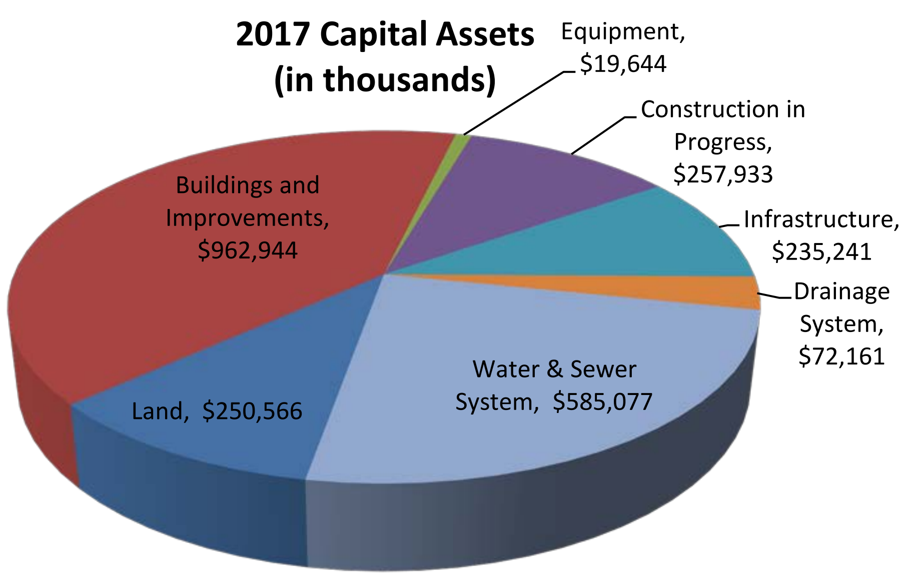
CAPITAL ASSET AND DEBT ADMINISTRATION

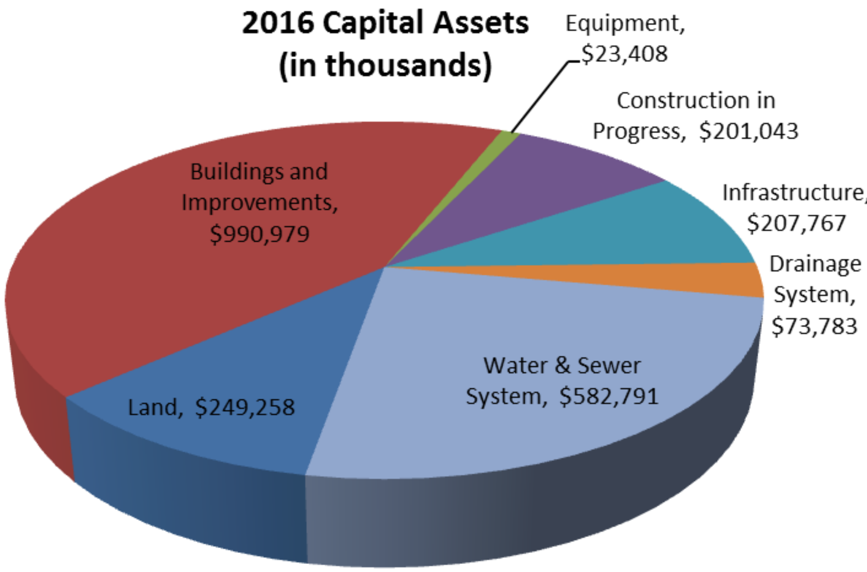
Capital Assets

At the end of the fiscal year 2017, the City had $2.4B invested in a broad range of capital assets. This amount is a slight increase from the prior fiscal year. 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)

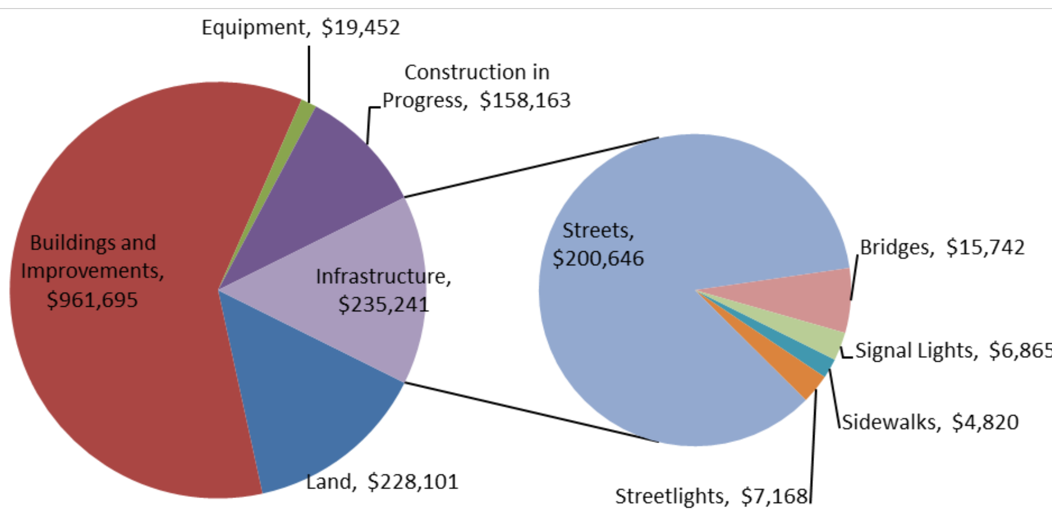
	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	$ 226,911	$ 228,101	$ 22,347	$ 22,465	$ 249,258	$ 250,566
Buildings and improvements	989,673	961,695	1,306	1,249	990,979	962,944
Machinery and equipment	22,993	19,452	415	192	23,408	19,644
Construction in progress	130,841	158,163	70,202	99,770	201,043	257,933
Infrastructure	207,767	235,241	-	-	207,767	235,241
Drainage system	-	-	73,783	72,161	73,783	72,161
Water and sewer system	-	-	582,791	585,077	582,791	585,077
Totals	$ 1,578,185	$ 1,602,652	$ 750,844	$ 780,914	$ 2,329,029	$ 2,383,566





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

2017 Capital Assets – Governmental Infrastructure Detail (in thousands)

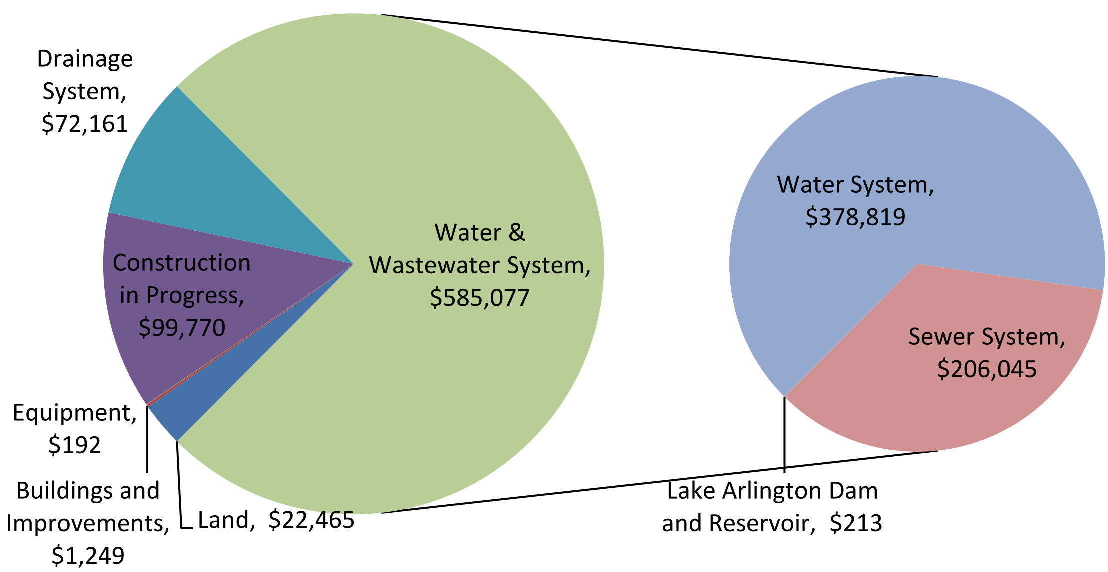


Asset		Book Value		Accumulated Depreciation		Net Value
Sidewalks	$	68,887	$	(64,067)	$	4,820
Streetlights		19,202		(12,034)		7,168
Streets		767,210		(566,564)		200,646
Bridges		43,200		(27,458)		15,742
Signal Lights		17,032		(10,167)		6,865
	$	915,531	$	(680,290)	$	235,241

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

Asset		Book Value		Accumulated Depreciation		Net Value
Lake Arlington	$	2,619	$	(2,406)	$	213
Water System		581,592		(202,773)		378,819
Sewer System		315,221		(109,176)		206,045
	$	899,432	$	(314,355)	$	585,077

2017 Capital Assets – Enterprise Infrastructure Detail (in thousands)

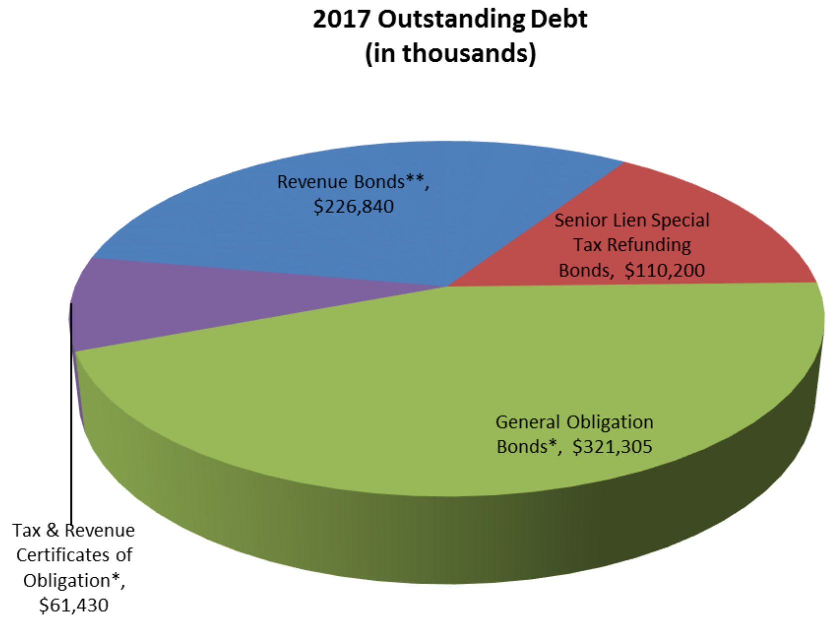


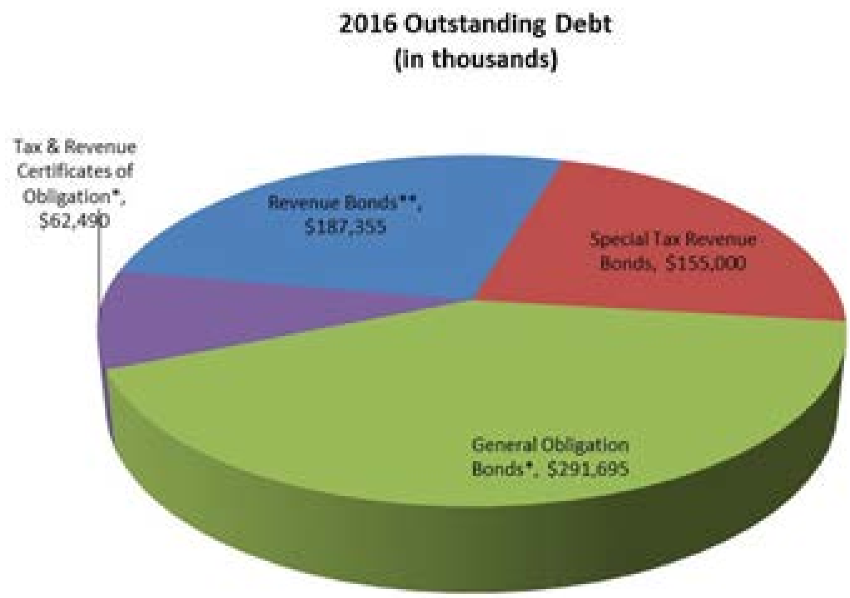
Major capital asset additions during the fiscal year include the following:

- Private developer capital contributions of $3.6M to the City's water and sewer infrastructure in connection with various residential and commercial developments
- Water and sewer system capital improvements and expansion of $34.6M
- Storm drainage system capital improvements and expansion of $19.8M
- Street construction projects capital outlay totaling $39.9M
- Improvements to parks and recreation facilities of $14.3M

Debt

At year-end, the City had $719.8M in debt, an increase of $23.3M from 2016. The City refunded $18.2M in Permanent Improvement bonds and $110.2M in Senior Lien Special Tax Revenue bonds.





**Secured by City Tax Base*

***Secured by Water and Sewer or Drainage Revenue*

Table 4
Outstanding Debt
(Amounts Expressed In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
General obligation bonds (backed by the City)	$291,695	$321,305	$ -	$ -	$291,695	$321,305
Combination tax and revenue certificates of obligation (backed by the City)	62,490	61,430	-	-	62,490	61,430
Special tax revenue bonds	155,000	110,200	-	-	155,000	110,200
Revenue bonds (backed by fee revenues)	-	-	187,355	226,840	187,355	226,840
Totals	$509,185	$492,935	$ 187,355	$226,840	$696,540	$719,775

During the current fiscal year, the City issued $58.4M in Permanent Improvement Bonds and $18.2M in Permanent Improvement Refunding bonds, $6.1M in Combination Tax and Revenue Certificate of Obligation Bonds, $110.2M in Senior Lien Special Tax Revenue Refunding Bonds, $40.3M in Water and Wastewater System Revenue bonds, $9M in Municipal Drainage Utility System Revenue Bonds, and $4.78M bonds related to the Texas Water Development Board (TWDB) Clean and Drinking Water Programs. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2017, the City's debt ratings were as follows by type and agency:

Type	Fitch	S&P	Moodys
City GO/CO - Tax Supported	AAA	AAA	Aa1
Water & Wastewater Revenue	AAA	AAA	Aa2
Storm Water Revenue		AAA	Aa2
Cowboys Complex Special Obligations	AA+	A+	A1

General bonded debt per capita increased from $965 in 2016 to $1,046 in 2017.

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 1.87%.

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 $750,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors which can vary considerably from year to year. Total estimated claims liability at September 30, 2017 was $10.9M.

THE CITY'S FUNDS

The governmental funds of the City reported a combined fund balance of $326.4M. The General Fund balance was $62.8M, an increase of $0.4M from prior year. The Debt Service fund balance decreased $7.1M, ending the year with $21.0M. The decrease was a result of the refunding and retirement of principal on existing debt. Other changes in fund balances should be noted:

- Street Capital Projects fund spending increased in fiscal year 2017, up from $34M to $40M. The $39.9M in capital outlay was offset by capital contributions and interest revenue totaling $7.0M and a debt issuance of $32.4M, resulting in a $2.4M decrease in fund balance.

- The City's water and sewer fund net position of $633.4M increased by $19.1M in the current year. The increase in net position is primarily due to increased water sales and sewer service operating revenues exceeding expenses by $31.5M.

- The Storm Water Utility fund, created in 2009 to address the City's need to manage issues associated with storm water runoff, saw an increase of $7.7M to net position in 2017; storm water fee revenues exceeded fund expenses by $8.9M, increasing net position to $105.9M at the end of the fiscal year.

GENERAL FUND BUDGET HIGHLIGHTS

During fiscal year 2017, there were no budget amendments in the General Fund.

Actual expenditures on a budgetary basis of $231.7M were less than budgeted expenditures of $259.4M. Significant savings were in IT/Tech Services and non-departmental expenditures, as well as savings in dispatch service expenditures.

Revenues on a budgetary basis were higher than the budgeted amount of $245.3M by $6.5M. Licenses and permits and utility franchise fees were higher than expected by $1.1M and $4.8M respectively. Leases, rents, and concessions were down due to non-city waste revenue and airport fees under the budgeted amount.

ECONOMIC FACTORS AND FISCAL YEAR 2018

Each year, the City Council and appointed officials consider many factors when strategizing on priorities for the next fiscal year based on needs within the community. The annual Budget and Business Plan are developed to address the City Council adopted priorities. Economic development continues to be a priority, with reinvestment in the City continuing through relocation and expansion by businesses. The City must continue its ability to evolve and adapt to change, respond to challenges, and plan for the future. General Fund property tax revenues increased to $131.2M and sales taxes were strong in 2017. Key budget priorities in 2018 are:

- Champion great neighborhoods
- Enhance regional mobility
- Invest in our economy
- Put technology to work
- Support quality education

The City's total General Fund revenues and transfers for 2018 are budgeted at $244M, and total General Fund expenditures are expected to be $244M, a net increase of $9.6M over 2017.

The General Fund's largest single revenue source is property taxes. This revenue represents 40.5% of the General Fund budget. The property tax rate for 2018 is $0.6398 per $100 valuation, the second time it has decreased since 2001. The tax rate is broken into two pieces, operations and maintenance, $0.4409 per $100 valuation, to the General Fund, and interest and sinking, $0.1989 per $100 valuation, for debt service. The General Fund property tax revenue for 2018 is estimated to be $98.6M, up $7.2M (10%) from last year's estimate.

The City's portion of the local 8 cent sales tax rate is one and three-quarter cents. The General Fund receives one cent, one-quarter cent is dedicated to the Street Maintenance Fund, and one-half cent provides for debt service for venue debt. Sales tax revenue for the General Fund for fiscal year 2018 is estimated at $62.8M, an increase of $2.5M from 2017 collections.

The City's Water and Sewer Fund accounts for nearly 30% of the City's revenue. The mission of the Water Utilities Department is to provide a continuous supply of high quality drinking water and ensure safe disposal of wastewater in a responsive, cost-effective manner while continuing to improve service to citizens and planning for future needs. The largest revenue sources for the Water and Sewer Fund is water sales and wastewater treatment budgeted at $75M and $62.4M respectively for FY 2018. The City maintains a rate structure designed to ensure that each category of service is self-supporting.

Details of the City of Arlington Fiscal Year 2018 Operating Budget can be accessed on the City's website: http://www.arlington-tx.gov/budget/.

CONTACTING THE FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's fiscal accountability. If you have questions about this report or need additional information, contact Amy Trevino, Controller (amy.trevino@arlingtontx.gov), in the Finance 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.arlington-tx.gov/finance/financial-reports/.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
ASSETS				
Cash and cash-like investments	$ 333,224	$ 51,063	$ 384,287	$ 16,343
Investments	-	-	-	60,514
Land Held for Resale	7,653	-	7,653	-
Receivables (net of allowance for uncollectibles):				
Taxes	7,254	-	7,254	-
Sales taxes	15,725	-	15,725	-
Trade accounts	3	10,918	10,921	-
Franchise fees	6,056	-	6,056	-
Unbilled trade accounts	-	8,465	8,465	-
Loan receivable	-	1,833	1,833	-
Special assessments	124	-	124	-
Accrued interest	1,307	-	1,307	296
Ballpark lease	10,166	-	10,166	-
Settlement agreement	5,091	-	5,091	-
Other	6,416	36	6,452	719
Internal balances	3,813	(3,813)	-	-
Due from other governments	5,373	-	5,373	-
Inventory of supplies	1,478	1,330	2,808	-
Prepaid expenses	42	-	42	105
Net other post employment benefit asset	386	-	386	-
Restricted assets-				
Bond contingency-				
Investments	-	20,590	20,590	-
Capital construction-				
Investments	-	110,007	110,007	-
Escrow	-	7,780	7,780	-
Meter deposits-				
Investments	-	5,659	5,659	-
Closure/Post-closure trust fund				
Investments	21,941	-	21,941	-
Capital Assets-				
Land	228,101	22,465	250,566	-
Buildings and improvements	1,303,837	2,833	1,306,670	563
Water and sewer system	-	899,431	899,431	-
Machinery and equipment	112,005	11,983	123,988	1,413
Infrastructure	915,531	-	915,531	-
Drainage systems	-	114,035	114,035	-
Construction in progress	158,164	99,770	257,934	-
Accumulated depreciation	(1,114,986)	(369,603)	(1,484,589)	(1,489)
Total Assets	2,028,704	994,782	3,023,486	78,464
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	15,034	1,671	16,705	-
Deferred outflow-Contributions Pension	18,670	1,298	19,968	-
Deferred outflow-Actuarial Assumption Changes	5,390	375	5,765	-
Deferred outflow-Investment Earnings Pension	41,196	2,864	44,060	-
Total Assets and Deferred Outflows of Resources	2,108,994	1,000,990	3,109,984	78,464

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
LIABILITIES				
Accounts payable and accrued liabilities	$ 21,867	$ 5,290	$ 27,157	$ 2,295
Retainage payable	3,576	-	3,576	-
Accrued interest	1,775	-	1,775	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	1,305	1,305	-
Retainage payable	-	1,649	1,649	-
Accrued interest	-	2,095	2,095	-
Meter deposits	-	5,659	5,659	-
Non-current liabilities				
Due within one year:				
Estimated claims payable	5,863	-	5,863	-
General obligation and certificates of obligation debt	33,630	-	33,630	-
Accrued compensated absences	1,301	137	1,438	-
Revenue bonds	-	17,260	17,260	-
Capital lease obligation	1,044	-	1,044	-
Due in more than one year:				
Estimated claims payable	5,060	-	5,060	-
Net other post-employment benefit obligation	38,520	-	38,520	-
General obligation and certificates of obligation debt	369,124	-	369,124	-
Special tax revenue debt	128,229	-	128,229	-
Landfill closure accrued liabilities	21,941	-	21,941	-
Accrued compensated absences	31,113	1,944	33,057	-
Revenue bonds	-	218,556	218,556	-
Net pension liability	159,183	11,066	170,249	-
Capital lease obligation	6,800	-	6,800	-
Total Liabilities	829,026	264,961	1,093,987	2,295
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow-actuarial assumption pension	8,454	588	9,042	-
Deferred inflow - lease & settlement agreements	1,647	-	1,647	14
Total Liabilities and Deferred Inflows of Resources	839,127	265,549	1,104,676	2,309
NET POSITION				
Net investment in capital assets	1,130,555	653,455	1,784,010	487
Restricted for debt service	21,012	20,334	41,346	-
Restricted for use of impact fees	8,157	-	8,157	-
Restricted for housing assistance	-	-	-	299
Restricted for endowments	-	-	-	68,998
Unrestricted	110,143	61,652	171,795	6,371
Total Net Position	$ 1,269,867	$ 735,441	$ 2,005,308	$ 76,155

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

ARLINGTON℠
THE AMERICAN DREAM CITY

CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(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	$ 77,110	$ 24,579	$ 2,651	$ 89
Public safety	170,459	15,412	4,371	-
Public works	68,036	2,491	520	8,353
Public health	2,934	3,536	51	-
Parks and recreation	34,204	9,775	584	1,000
Public welfare	10,280	215	6,577	-
Convention and event services	13,987	3,107	-	-
Interest and fiscal charges	19,209	-	-	-
Total Governmental Activities	396,219	59,115	14,754	9,442
Business-Type Activities:				
Water and sewer	107,537	138,007	-	3,552
Storm water utility	6,208	15,011	-	-
Total Business-Type Activities	113,745	153,018	-	3,552
Total Primary Government	$ 509,964	$ 212,133	$ 14,754	$ 12,994
Component Units:				
Arlington Housing Authority	$ 27,568	$ -	$ 27,022	$ -
Arlington Convention and Visitors Bureau	6,913	6,847	400	-
Arlington Tomorrow Foundation	4,471	-	-	-
Arlington Housing Finance Corporation	-	-	-	-
Arlington Tourism Public Improvement District	879	2,253	333	-
Arlington Convention Center Development Corp	48	-	34	-
Arlington Economic Development Corp	-	-	-	-
Total Component Units	$ 39,879	$ 9,100	$ 27,789	$ -

General Revenues:
- Property taxes
- Sales taxes
- Criminal justice tax
- State liquor tax
- Bingo tax
- TIF/TIRZ
- Occupancy tax
- Franchise fees based on gross receipts
- Interest
- Net increase (decrease) in fair value of investments
- Other

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (49,791)	$ -	$ (49,791)	$ -
(150,676)	-	(150,676)	-
(56,672)	-	(56,672)	-
653	-	653	-
(22,845)	-	(22,845)	-
(3,488)	-	(3,488)	-
(10,880)	-	(10,880)	-
(19,209)	-	(19,209)	-
(312,908)	-	(312,908)	-
-	34,022	34,022	-
-	8,803	8,803	-
-	42,825	42,825	-
$ (312,908)	$ 42,825	$ (270,083)	$ -
$ -	$ -	$ -	$ (546)
-	-	-	334
-	-	-	(4,471)
-	-	-	-
-	-	-	1,707
-	-	-	(14)
-	-	-	-
$ -	$ -	$ -	$ (2,990)
131,243	-	131,243	-
105,352	-	105,352	-
367	-	367	-
1,865	-	1,865	-
82	-	82	-
9,289	-	9,289	-
11,560	-	11,560	-
24,859	-	24,859	-
4,714	1,098	5,812	5,546
(1,027)	(550)	(1,577)	5,843
3,852	-	3,852	2,458
17,101	(17,101)	-	-
309,257	(16,553)	292,704	13,847
(3,651)	26,272	22,621	10,857
1,273,518	709,169	1,982,687	65,298
$ 1,269,867	$ 735,441	$ 2,005,308	$ 76,155

CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Street Capital Projects	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash-like investments	$ 47,971	$ 15,438	$ 70,433	$ 176,074	$ 309,916
Land held for resale	-	-	-	7,653	7,653
Closure/Post-closure restricted cash	21,941	-	-	-	21,941
Receivables (net of allowance for uncollectibles)					
Taxes	3,457	317	-	3,480	7,254
Sales taxes	10,483	5,242	-	-	15,725
Franchise fees	6,056	-	-	-	6,056
Special assessments	-	-	124	-	124
Accrued interest	1,174	15	-	-	1,189
Lease and settlement agreements	15,257	-	-	-	15,257
Other	5,301	-	-	875	6,176
Due from other funds	4,222	-	-	-	4,222
Due from other governments	-	-	-	5,373	5,373
Inventory of supplies, at cost	1,243	-	-	219	1,462
Total Assets	$ 117,105	$ 21,012	$ 70,557	$ 193,674	$ 402,348
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 8,481	$ -	$ 3,781	$ 8,826	$ 21,088
Retainage payable	37	-	1,679	1,860	3,576
Unearned Revenue	2,014	-	124	1,240	3,378
Due to other funds	-	-	-	4,222	4,222
Closure/Post-closure trust fund	21,941	-	-	-	21,941
Total Liabilities	32,473	-	5,584	16,148	54,205
Deferred inflows of resources:					
Taxes	3,097	-	-	-	3,097
Landfill lease	3,429	-	-	-	3,429
Gas lease	-	-	-	-	-
Lease and settlement agreements	15,257	-	-	-	15,257
Other	-	-	-	-	-
Total Deferred Inflows of Resources	21,783	-	-	-	21,783
Fund Balances:					
Nonspendable:					
Inventory	1,243	-	-	219	1,462
Prepaids	-	-	-	-	-
Restricted for:					
Debt service	-	21,012	-	-	21,012
Capital projects	-	-	64,973	22,682	87,655
Special revenue	-	-	-	90,872	90,872
Committed to:					
Utility rate case	-	-	-	-	-
Capital projects	-	-	-	57,845	57,845
Special revenue	-	-	-	5,669	5,669
Assigned to:					
Encumbrances	8,794	-	-	-	8,794
Working capital	20,055	-	-	-	20,055
Subsequent years' expenditures	7,220	-	-	-	7,220
Compensated absences	1,299	-	-	-	1,299
Other post employment benefits	1,718	-	-	-	1,718
Future initiatives	17,151	-	-	-	17,151
Dispatch	987	-	-	-	987
Information technology	290	-	-	-	290
Business continuity	4,062	-	-	-	4,062
Park performance	-	-	-	239	239
Court security	-	-	-	-	-
Unassigned	30	-	-	-	30
Total Fund Balances	62,849	21,012	64,973	177,526	326,360
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 117,105	$ 21,012	$ 70,557	$ 193,674	$ 402,348

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

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION OF GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

Total fund balance per balance sheet			$ 326,360
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding $12,871 recorded in the internal service funds).			1,589,781
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Fund Deferred Inflows	Net Position Deferred Inflows	
Taxes	$ 3,097	$ -	
Landfill	3,429	3,429	
Grant revenue	293	(1,782)	
Ballpark lease	10,166	-	
Ballpark Settlement	5,091	-	
Unearned	3,085	-	
	25,161	1,647	23,514
Internal service funds are used by management to charge the cost of fleet services, general services, risk management, 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 position.			29,152
Long-term liabilities, including bonds payable, arbitrage and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds (excluding $9,136 recorded in the internal service funds).			
Bonds payable		$ (492,935)	
Premium general obligation debt		(39,868)	
Discount on bonds		1,820	
Deferred outflow of resources (refunding)		15,034	
Accrued interest payable		(1,775)	
Compensated absences		(32,394)	
Net other post-employment benefit obligation		(38,520)	
Net other post-employment asset		386	
TMRS:			
Net pension liability	$(159,183)		
Deferred inflow-actuarial gain	(8,454)		
Deferred outflow-investment loss	46,586		
Deferred outflow-contributions 1/1-9/30/16	18,670	(102,381)	
Estimated claims		(463)	
Capital Leases		(7,844)	
			(698,940)
Net position of governmental activities			$ 1,269,867

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	$ 153,463	$ 73,779	$ -	$ 33,411	$ 260,653
Licenses and permits	9,662	-	-	-	9,662
Utility franchise fees	24,859	-	-	-	24,859
Fines and forfeitures	10,858	-	-	-	10,858
Leases, rents and concessions	8,099	-	-	2,000	10,099
Service charges	5,680	-	-	14,572	20,252
Interest revenue	1,825	351	647	1,609	4,432
Net increase (decrease) in fair value of investments	(287)	(2)	(311)	(396)	(996)
Contributions	1,786	-	6,656	1,000	9,442
Intergovernmental revenues	2,651	-	-	12,103	14,754
Gas lease royalty	-	-	-	8,220	8,220
Gas lease other	-	-	-	1	1
Other	46	94	11	2,434	2,585
Total Revenues	218,642	74,222	7,003	74,954	374,821
EXPENDITURES					
Current-					
General government	37,616	-	-	9,329	46,945
Public safety	150,270	-	-	6,982	157,252
Public works	21,481	-	255	23,833	45,569
Public health	2,144	-	-	597	2,741
Public welfare	-	-	-	10,277	10,277
Parks and recreation	15,864	-	-	12,301	28,165
Convention and event services	-	-	-	13,640	13,640
Capital outlay	-	-	39,890	37,225	77,115
Debt service-					
Principal retirement	-	35,190	-	-	35,190
Redemption premium	-	-	-	-	-
Interest and fiscal charges	-	22,571	-	-	22,571
Total Expenditures	227,375	57,761	40,145	114,184	439,465
Excess (deficiency) of revenues over (under) expenditures	(8,733)	16,461	(33,142)	(39,230)	(64,644)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	32,473	25,967	58,440
Issuance of refunding bonds	-	128,440	-	-	128,440
Issuance of certificates of obligation	-	-	-	6,110	6,110
Refunding bond principal	-	(172,000)	-	-	(172,000)
Amount used to fund escrow account	-	(8,752)	-	-	(8,752)
Bond premium	-	21,898	2,162	1,943	26,003
Transfers in	22,346	6,841	2,600	20,193	51,980
Transfers out	(13,242)	-	(1,652)	(20,069)	(34,963)
Total Other Financing Sources and Uses	9,104	(23,573)	35,583	34,144	55,258
Net Change in Fund Balances	371	(7,112)	2,441	(5,086)	(9,386)
Fund Balances, October 1,	62,478	28,124	62,532	182,612	335,746
Fund Balances, September 30	$ 62,849	$ 21,012	$ 64,973	$ 177,526	$ 326,360

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

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

Net change in fund balance - total governmental funds		$ (9,386)
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.		79,498
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.		(51,182)
Revenues in the statement of activities that do not provide current financial recources are not reported as revenues in the funds.		205
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 position. 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	(6,110)	
Repayment of general obligation debt	217,320	
Proceeds from issuance of bonds	(204,868)	
Amortization of deferred loss on bond refunding	(310)	
Amortization of bond premium	(4,343)	
Repayment of capital lease	1,020	
		2,709
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	(3,053)	
Accrued interest expense	850	
Post-employment benefit obligation expense	(1,211)	
TMRS net pension liability	(16,237)	
Estimated salary expense	(463)	
		(20,114)
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.		(5,381)
Change in net position of governmental activities		$ (3,651)

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			
	Water and Sewer	Storm Water Utility	Total	Governmental Activities-Internal Service Funds
ASSETS				
Current Assets:				
Cash and cash-like investments	$ 24,580	$ 26,483	$ 51,063	$ 23,308
Receivables (net of allowances for uncollectibles):				
Trade accounts	9,708	1,210	10,918	3
Accrued Interest	-	-	-	118
Unbilled trade accounts	7,787	678	8,465	-
Loan receivable	1,833	-	1,833	-
Other	36	-	36	240
Prepaid Expenditures	-	-	-	42
Inventory of supplies, at cost	1,330	-	1,330	16
Subtotal	45,274	28,371	73,645	23,727
Restricted Assets:				
Bond contingency-cash and cash-like investments	14,827	-	14,827	-
Capital construction-cash and cash-like investments	58,755	-	58,755	-
Total Current Assets	118,856	28,371	147,227	23,727
Non-Current Assets:				
Restricted Assets:				
Bond contingency-				
Investments	5,071	692	5,763	-
Capital construction-				
Investments	51,252	-	51,252	-
Escrow	7,780	-	7,780	-
Meter deposit investments	5,659	-	5,659	-
Capital Assets:				
Land	7,486	14,979	22,465	-
Buildings and improvements	2,833	-	2,833	467
Water and sewer system	899,431	-	899,431	-
Machinery and equipment	11,960	23	11,983	44,761
Drainage system	-	114,035	114,035	-
Construction-in-progress	79,641	20,129	99,770	-
Accumulated depreciation	(327,714)	(41,889)	(369,603)	(32,357)
Total Capital Assets Net of Accumulated Depreciation	673,637	107,277	780,914	12,871
Total Noncurrent Assets	743,399	107,969	851,368	12,871
Total Assets	862,255	136,340	998,595	36,598
Deferred Outflows of Resources:				
Deferred charges on debt refunding	1,671	-	1,671	-
Deferred outflow - contributions pension	1,298	-	1,298	-
Deferred outflow - investment/actuarial pension	3,239	-	3,239	-
Total Assets and Deferred Outflows of Resources	$ 868,463	$ 136,340	$ 1,004,803	$ 36,598

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	**Storm Water Utility**	**Total**	
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	$ 3,616	$ 1,674	$ 5,290	$ 782
Accrued compensated absences	116	21	137	-
Revenue bonds payable from unrestricted assets	703	1,730	2,433	-
Current Liabilities Payable From Restricted Assets:				
Accounts payable and accrued liabilities	1,305	-	1,305	-
Retainage payable	1,287	362	1,649	-
Accrued interest	1,829	266	2,095	-
Estimated claims payable	-	-	-	5,400
Revenue bonds payable from restricted assets	14,827	-	14,827	-
Meter deposits	5,659	-	5,659	-
Total Current Liabilities	29,342	4,053	33,395	6,182
Noncurrent Liabilities:				
Estimated claims payable	-	-	-	5,060
Compensated absences	1,735	209	1,944	17
Revenue bonds payable from unrestricted assets	192,376	26,180	218,556	-
Net pension liability	11,066	-	11,066	-
Total Noncurrent Liabilities	205,177	26,389	231,566	5,077
Total Liabilities	234,519	30,442	264,961	11,259
Deferred Inflows of Resources:				
Deferred inflow - investment/actuarial pension	588	-	588	-
Total Liabilities and Deferred Inflows of Resources	235,107	30,442	265,549	11,259
NET POSITION				
Net investment in capital assets	574,450	79,005	653,455	12,871
Restricted for debt service	20,334	-	20,334	-
Unrestricted	38,572	26,893	65,465	12,468
Total Net Position	$ 633,356	$ 105,898	$ 739,254	$ 25,339

Reconciliation to government-wide statements of net position:	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(3,813)
Net position of business-type activities	$ 735,441

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			
	Water and Sewer	**Storm Water Utility**	**Total**	**Governmental Activities- Internal Service Funds**
Operating Revenues:				
Water sales	$ 71,151	$ -	$ 71,151	$ -
Sewer service	60,324	-	60,324	-
Storm water fee - commercial	-	6,972	6,972	-
Storm water fee - residential	-	8,039	8,039	-
Service charges	-	-	-	34,362
Sundry	6,532	-	6,532	-
Total Operating Revenues	138,007	15,011	153,018	34,362
Operating Expenses:				
Purchase of water	24,905	-	24,905	-
Purchase of sewage treatment	32,884	-	32,884	-
Salaries and wages	12,908	1,875	14,783	470
Employees' retirement	2,694	270	2,964	63
Supplies	2,051	64	2,115	2,555
Maintenance and repairs	4,021	429	4,450	252
Utilities	2,875	20	2,895	82
Claims (net of adjustments)	7	-	7	29,209
Legal and professional	198	-	198	142
Depreciation	17,711	2,329	20,040	3,873
Miscellaneous services	4,088	783	4,871	4,237
Total Operating Expenses	104,342	5,770	110,112	40,883
Operating Income (Loss)	33,665	9,241	42,906	(6,521)
Nonoperating Revenues (Expenses):				
Interest revenue	923	175	1,098	191
Net increase in the fair value of investments	(479)	(71)	(550)	(31)
Gain on sale of assets	-	-	-	281
Interest expense and fiscal charges	(2,580)	(438)	(3,018)	-
Total Nonoperating Revenues (Expenses)	(2,136)	(334)	(2,470)	441
Income (loss) before transfers and contributions	31,529	8,907	40,436	(6,080)
Contributions in aid of construction	3,552	-	3,552	-
Transfers in	975	-	975	1,084
Transfers out	(16,912)	(1,164)	(18,076)	(1,000)
Change in Net Position	19,144	7,743	26,887	(5,996)
Total Net Position, October 1	614,212	98,155	712,367	31,335
Total Net Position, September 30	$ 633,356	$ 105,898	$ 739,254	$ 25,339

Net change in net position - total proprietary funds	$ 26,887
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(615)
Change in net position of business-type activities	$ 26,272

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, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities- Enterprise Funds			
	Water and Sewer	**Storm Water Utility**	**Total**	**Governmental Activities- Internal Service Funds**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 139,005	$ 14,797	$ 153,802	$ 34,436
Cash payments to suppliers	(68,279)	(217)	(68,496)	(34,578)
Cash payments to employees	(14,431)	(2,122)	(16,553)	(543)
Net Cash Provided By (Used For) Operating Activities	56,294	12,458	68,752	(685)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	1,084
Transfers out	(15,937)	(1,164)	(17,101)	(1,000)
Net Cash Provided By (Used For) Noncapital Financing Activities	(15,937)	(1,164)	(17,101)	84
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(34,661)	(10,189)	(44,850)	(1,804)
Increase/Decrease in escrow balance	(4,651)	-	(4,651)	-
Proceeds from sales of capital assets	-	-	-	341
Proceeds from issuance of long-term debt	48,696	9,451	58,147	-
Repayment of long-term debt	(13,285)	(1,280)	(14,565)	-
Interest payment long-term debt	(6,085)	(1,154)	(7,239)	-
Net Cash Provided By (Used For) Capital Related Financing Activities	(9,986)	(3,172)	(13,158)	(1,463)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from interest earnings	1,341	175	1,516	191
Net decrease in the fair value of investments	(479)	(71)	(550)	(31)
Purchase of investments	(171,356)	(30,375)	(201,731)	-
Maturities/sales of investments	173,278	30,401	203,679	-
Net Cash Provided By (Used For) Investing Activities	2,784	130	2,914	160
Net Increase In Cash And Cash-Like Investments	33,155	8,252	41,407	(1,904)
Cash and cash-like investments, October 1	65,007	18,231	83,238	25,382
Cash and cash-like investments, September 30	$ 98,162	$ 26,483	$ 124,645	$ 23,478
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 33,665	$ 9,241	$ 42,906	$ (6,521)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	17,711	2,329	20,040	3,873
Amortization of bond premium	990	122	1,112	-
Amortization of deferred loss on bond refunding	(238)	-	(238)	-
Provision for bad debts	(23)	7	(16)	-
(Increase) decrease in-				
Receivables	996	(213)	783	74
Inventory of supplies	494	-	494	29
Prepaid expenses	2,160	-	2,160	(6)
Increase (decrease) in-				
Accounts payable and accrued liabilities	(1,353)	683	(670)	522
Net pension liability	1,352	-	1,352	-
Estimated claims payable	-	-	-	1,354
Retainage payable	52	266	318	-
Meter deposits	230	-	230	-
Accrued compensated absences	258	23	281	(10)
Total adjustments	22,629	3,217	25,846	5,836
Net Cash Provided By (Used For) Operating Activities	$ 56,294	$ 12,458	$ 68,752	$ (685)
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	3,552	-	3,552	-

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash-like investments	$ 88	$ 9,663
Investments		
Investment retired city mgr 401(k) plan	66	-
Money market fund	42,041	-
Corporate bonds	2,484	-
Fixed income mutual bond funds	17,154	-
Common stock mutual bond funds	91,991	-
Balanced mutual funds	35,378	-
Participant borrowing	5,230	-
Self directed brokerage accounts	5,302	-
Total Investments	199,646	-
Total Assets	$ 199,734	$ 9,663
LIABILITIES		
Accounts payable and accrued liabilities	$ 42	$ 9,663
Retired city mgr 401(k) plan payable	66	$ -
Total Liabilities	$ 108	$ 9,663
NET POSITION		
Restricted for pensions	$ 199,550	
Assigned pension trust	76	
Total Net Position	$ 199,626	

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds
ADDITIONS	
Employer contributions	$ 3,319
Employee contributions	8,242
Net appreciation in fair value of investments	26,650
Other additions	160
Total Additions	38,371
DEDUCTIONS	
Benefits	17,097
Plan administration	187
Other deductions	85
Total Deductions	17,369
Increase in Net Position	21,002
Net Position, October 1	178,624
Net Position, September 30	$ 199,626

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

ARLINGTON[SM]

THE AMERICAN DREAM CITY

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City’s governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City’s statement of net position 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 use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. The accrual basis of accounting and the economic resources measurement focus is utilized by proprietary fund types and the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GAAP also requires supplementary information presented as Management’s Discussion and Analysis which includes an analytical overview of the City’s financial activities. A budgetary comparison schedule is presented that compares the originally adopted and final General Fund budget with actual results, and supplementary information for pension and other post-employment benefit retirement plans are provided, as required, in the Required Supplementary Information section.

B. Reporting Entity

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

GASB Statement No. 61. The Financial Reporting Entity, defines component units as legally separate entities that meet any one of the following tests:

- The City appoints the voting majority of the board of the component unit and:
  - Is able to impose its will on the component unit and/or
  - Is in a relationship of financial benefit or burden with the component unit

- The component unit is both:
  - o fiscally dependent upon the City, and
  - o there is a financial benefit or burden.
- The financial statements of the City would be misleading if data from the component unit were omitted.

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

Arlington Housing Authority

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

Arlington Convention and Visitors Bureau, Inc.

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

Arlington Tomorrow Foundation

The Arlington Tomorrow Foundation (ATF) oversees an endowment fund with a corpus of $57.0 million created by natural gas revenues to be used for the benefit of the Arlington community. The City Council acts as the board of directors. 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 Convention Center Development Corporation

Arlington Convention Center Development Corporation (the "ACCDC") was formed to encourage and assist with planning, designing, constructing and maintaining a convention center complex, sports facility or hotel facility. The City Council serves as the board of directors. Separate ACCDC component unit financial statements are not prepared.

Arlington Economic Development Corporation

The Arlington Economic Development Corporation was formed in 2015 for the purpose of undertaking projects that contribute to the quality of life and economic growth. The board of directors is made up of the mayor, three council members, and three citizens. There was no activity in fiscal year 2017.

Arlington Tourism Public Improvement District

The Arlington Tourism Public Improvement District (ATPID) was created in fiscal year 2017 to improve convention and group hotel bookings and hotel room night consumption in the City. Funds are provided through a 2% tax applied to hotels with 75 or more rooms within the designated district within the City. A board consisting of participating ATPID hotel/motel members direct the use of all funds generated. The

City authorized the creation of the district and must approve a budget annually. The board (ATPID) has contracted with the City to collect the funds, and with ACVB to administer the programs and use the funds.

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 Position 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 is normally covered by general revenue (property and sales taxes, franchise fees, intergovernmental revenues, interest income, etc.).

Separate fund-based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Debt Service Fund and Street Capital Projects Fund. The enterprise funds are made up of the Water and Sewer Utility and Storm Water Utility funds. GAAP sets forth minimum criteria (percentage of assets, liabilities, deferrals, 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 provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. Financial statements of internal service funds are allocated between the governmental and business-type activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc.).

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

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category). 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 funds and fiduciary fund statements. Agency funds, however, report only assets and liabilities and therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers taxes and other revenue to be available if they are collected within 60 days of the end of the current fiscal period, while grants typically are received within 90 days. Expenditures are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, which are recorded only when the liability has matured, and payment is due.

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

The following major funds are reported by the City:

1. Governmental Funds:

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

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

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

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

d. Other Governmental Funds is a summarization of all of the nonmajor governmental funds, including capital project and special revenue funds.

2. Enterprise Funds:

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

3. Other Fund Types:

The City additionally reports the following fund types:

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

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

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

E. Cash, Cash-like Investments and Investments

To facilitate cash management, the operating cash of certain funds and component units is pooled into a cash management pool for the purpose of increasing income through combined investment activities. This cash and investment pool is available for use by all funds and component units except the Trust Funds and the AHA, which maintain separate investments. Each fund's portion of this pool is allocated through its cash and cash-like investment account on the balance sheet. In addition, certain other 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-like investments 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-like 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.

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.

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application* in its September 30, 2016 financial statements. The City's investments were categorized as Level 2 only and there were no Level 1 or Level 3 investments.

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.

In governmental funds, prepaid items are accounted for using the purchases method. Under this method prepaid items are treated as expenditures when purchased rather than accounted for as an asset.

G. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a services concession agreement are recorded at acquisition value. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

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

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

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

H. Capitalization of Interest

The City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2017, \$1,260,646 of interest cost, net of \$418,467 interest earned, was capitalized as capital assets in the Water and Sewer Fund as part of the costs of constructing various projects. Interest expensed (net of capitalized interest) and interest earned in fiscal 2017 for the Water and Sewer Fund amounted to approximately \$2,580,000 and \$923,000, respectively. In the Storm Water Utility Fund \$419,425 of interest cost, net of \$28,934 interest earned, was capitalized as capital assets as part of the costs of constructing various projects. Interest earned in fiscal 2017 for the Storm Water Utility Fund amounted to approximately \$175,000 and interest expensed (net of capitalized interest) was \$438,000.

I. Arbitrage Liability

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

J. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Beginning in fiscal year 2015, and in accordance with GASB 68 and 71, the City's net pension liability is now recorded on the face of the financial statements. The City elected to allocate the net pension liability among governmental and business type activities based on measurement year contribution percentages. The City elected to absorb fund allocations of less than 1.25% of total contributions to Governmental activities. Component units' contributions total 1.06% of total contributions and are not allocated separately, due to the threshold percentage. The estimated amount of net pension liability included in governmental activities for component units is \$1.80M. Detailed pension information is discussed in footnote 6.

K. Compensated Absences

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

The City's employees accumulate 1.25 days of sick leave per month with a maximum accrual of 150 days (180 for fire fighters). The full amount of accumulated sick pay up to 120 days maximum is paid if termination is through retirement or death.

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

L. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. 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.

M. Nature and Purpose of Classifications of Fund Equity

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution 11-361 dated September 27, 2011 adopting the fund balance policy, authorized the City Manager or his designee to assign fund balance to a specific purpose.

The City may fund outlays for a particular purpose from both restricted and unrestricted (the total of committed, assigned, and unassigned) fund balance. In order to calculate the amounts reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

N. Minimum Fund Balance Policy

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

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in net capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for the same purpose, it is the City's policy to consider restricted net position to be depleted before unrestricted net position is applied.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded and refunding debt. The other is deferred pension related items reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. At the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension related items and lease and settlement agreements are reported in the government wide statement of net position.

Q. New Accounting Pronouncements

During fiscal year 2017, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans.* This statement replaces GASB Statements 43 and 57. This statement addresses enhanced note disclosures and required supplementary information to improve financial reporting.

Statement No. 77, *Tax Abatement Disclosures*. This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues.

Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14.* This statement amends the blending requirements established in Statement No. 14 for the financial statement presentation of component units of all state and local governments

Statement No. 82, *Pension Issues – An Amendment of GASB statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* which is effective for the City beginning in fiscal year 2018. This statement replaces the requirements of GASB Statements 45 and 57 and establishes new accounting and financial reporting requirements for OPEB plans.

Statement No. 81, *Irrevocable Split-Interest Agreements,* which is effective for the City beginning in fiscal year 2018. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 83, *Certain Asset Retirement Obligations,* which is effective for the City beginning in fiscal year 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs), which is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources of AROs.

Statement No. 84, *Fiduciary Activities,* which is effective for the City beginning in fiscal year 2019. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Statement No. 85, *Omnibus 2017,* which is effective for the City beginning in fiscal year 2018. This statement addresses several different accounting and financial reporting issues identified by GASB during the implementation and application of certain GASB pronouncements.

Statement No. 86, *Certain Debt Extinguishment Issues,* which is effective for the City beginning in fiscal year 2018. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished, and notes to the financial statements for debt that is defeased in-substance.

Statement No. 87, *Leases,* which is effective for the City beginning in fiscal year 2019. The objective of this statement is to improve accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability and consistency of information about the leasing activities of governments.

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 basis 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 2017, 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:

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 cannot be estimated for all Special Revenue Funds and are not budgeted. Expenditures are limited to total revenues over the life of the funds. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in an annual Capital Improvements Program plan.

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

General Fund	Street Capital Projects Fund	Other Nonmajor Funds	Total
$ 8,794	$ 24,967	$ 31,744	$ 65,505

B. Excess of expenditures over appropriations

For the year ended September 30, 2017, there were no expenditures exceeding budget in the aggregate.

C. Deficit fund equity

There were no funds with a deficit fund balance in the year ended September 30, 2017.

III. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH-LIKE INVESTMENTS AND INVESTMENTS

Deposits - At September 30, 2017, the carrying amount of the City's demand deposits was $762,000 (bank balance, $4,163,000). The balance in cash on hand was $33,000 at year end.

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, obligations of other states, its agencies, counties, 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. For additional information see the City of Arlington Investment Policy at www.arlingtontx.gov. 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 does not invest in derivatives.

Cash, Cash-like investments and investments include: (amounts in thousands) Governmental Activities $355,165, Business-type Activities $187,319, and Agency and Pension Trust Funds $9,751.

As of September 30, 2017, the City had the following investments (amounts in thousands):

Cash, Cash-like Investments and Investments	Fair Value	Weighted Avg Maturity (in days)	Credit Risk
Agency	$ 367,289	527	**AAA**
Local Gov't Invest Pools	83,928	1	**AAA**
Texas Municipal	5,116	867	**AA+**
Non-Texas Municipal	31,182	356	**AA+**
Certificates of Deposit	44,043	-	**AAA**
Money Market Fund	19,882	1	**AAA**
Total Fair Value	$ 551,440		

The City has investments in government pools at September 30, 2017 totaling $83,928,000, which are recorded at amortized cost.

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

Fund	Maximum Maturity	Maximum WAM
General Operating	3 Years	18 Months
Capital Project	3 Years	18 Months
Working Capital Reserve	5 Years	4 Years
Dallas Cowboy Complex Development Debt Service Reserve	10 Years	10 Years
Debt Service Sinking & Debt Service	10 Years	10 Years
Closure/Post-closure Trust Fund	10 Years	8 Years

Credit Risk. In accordance with its investment policy, the City minimizes credit risk by limiting investments to the safest type of investments.

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

Security	% of Portfolio
United States Treasury	100% of portfolio per Issuer
U.S. Agencies and Instrumentalities	100% of portfolio 35% per Issuer
Other Obligations guaranteed by U.S.	100% of portfolio 10% per Issuer
Obligations of Texas and its subdivisions	10% of portfolio 2% per Issuer
Obligations of other states and its subdivisions	10% of portfolio 2% per Issuer
Certificates of Deposit	50% of portfolio 20% per Issuer
Repurchase Agreements	40% of portfolio 15% per counterparty
Guaranteed Investment Contract	100% of bond funds
Commercial Paper	20% of portfolio 5% per Issuer
Money Market Mutual Fund	100% of portfolio 15% per MMF
Local Government Investment Pools	100% of portfolio 25% per pool

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits, or by a Letter of Credit from a Federal Agency.

The City's investments in local government 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 and are rated as AAA money market funds by Standard & Poor's. The City has Local Government Investment Pools of $83,928 and Money Market Funds of $19,882 (amounts in thousands).

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2017 (amounts in thousands):

		Fair Value Measurements Using		
	9/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities				
Agency	367,289	-	367,289	-
Texas Municipal	5,116	-	5,116	-
Non-Texas Municipal	31,182	-	31,182	-
	403,587	**-**	**403,587**	**-**

Debt securities classified in Level 2 of the fair value hierarchy are valued by Interactive Data Corp (IDC) using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

2. PROPERTY TAXES

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

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Chief Appraiser. The total market value for FY17 was $33,600,783,000 which encompasses all properties in Arlington, including real estate, personal, and mineral properties prior to any exemptions or abatements. The assessed value for the tax roll as of September 1, 2016 upon which the original FY17 levy was based, was $21,379,081,000.

City property tax revenues are recorded as receivables and unearned 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, 2017, the City had a tax rate of $0.6448 ($0.4538 for general government and $0.1910 for debt service) per $100 assessed valuation with a tax margin of $1.8552 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 $363,644,486 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately $21,379,081,000.

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

3. VENUE DEVELOPMENT PROJECT

Overview

The City is the home to both AT&T Stadium, the home of the Dallas Cowboys, and Globe Life Park, the home of the Texas Rangers. The City financed a portion of the construction of both venues through the issuance of special tax revenue bonds.

The 2004 Venue Election and the Cowboys Project

At an election held in the City, on November 2, 2004 pursuant to Chapter 334, Texas Local Government Code, as amended, a majority of the voters voting at said election voted in favor of a proposition authorizing the City to (i) establish and finance the Dallas Cowboys Complex (the “Cowboys Project”) as a sports and community venue project of the type described and defined in the Act, (ii) impose a sales and use tax within the City at a rate of one-half of one percent (0.5%) (the “Sales Tax”), (iii) impose a tax at a maximum rate of five percent (5%) on the gross rental receipts from the short-term rental in the City of a motor vehicle (the “Motor Vehicle Rental Tax”), (iv) impose a tax on the occupancy of a room in a hotel located within the City, at a maximum rate of two percent (2%) of the price paid for such room (the “Hotel Occupancy Tax” and together with the Sales Tax and the Motor Vehicle Rental Tax, the “Pledged Special Taxes”), (v) impose an admissions tax on each ticket sold as admission to an event held at the Cowboys Project, at a rate not to exceed ten percent (10%) of the price of the ticket sold as admission (the “Cowboys Admissions Tax”), and (vi) to impose a tax, not to exceed three dollars ($3.00) per vehicle, on each parked motor vehicle parking in a facility of the Cowboys Project (the “Cowboys Parking Tax”) for the purpose of financing the Cowboys Project. The Dallas Cowboys are based in the City of Frisco, Texas, and play their home games at AT&T Stadium located in the City. The Dallas Cowboys are a professional football team owned by the Dallas Cowboys Football Club, Ltd., a Texas limited partnership (the “Cowboys’ Owner”), operating under a franchise issued by the National Football League (the “NFL”) in 1960.

The City financed a portion of AT&T Stadium through the issuance of $297,990,000 of special tax revenue bonds in 2005 (the “Series 2005 Bonds”). The Series 2005 Bonds were refinanced by the issuance of the City’s $112,185,000 Special Tax Revenue Bonds, Series 2008 (the “Series 2008 Bonds”) and the City’s $62,820,000 Special Tax Revenue Bonds, Series 2009 (the “Series 2009 Bonds” and together with the Series 2008 Bonds, the “Prior Obligations”).

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. The revenue for this fiscal year was $500,000. The lease is accounted for as an operating lease. The cost of the stadium is $1,109,951,954 with accumulated depreciation of $196,056,308.

Conduit Debt - In 2006, $147,865,000 Cowboy Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2006 (the “Cowboys Admission and Parking Taxes Revenue Bonds”) with a pledge of a 10% admissions tax and a $3 parking tax for events held at the Complex, with additional security provided by a Guaranty Agreement from The Cowboys Stadium, L.P., were issued to fund a portion of the Dallas Cowboy’s funding for the Complex. The Cowboys Admission and Parking Taxes Revenue Bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City’s revenue sources and accordingly have not been reported as a liability in the City's financial statements but are disclosed here as conduit debt. At September 30, 2017, outstanding conduit debt was $135,655,000.

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 7 of 8 of the team's regular season 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.

In July 2013, an agreement was reached between the Cowboys and AT&T for naming rights to the stadium. The City receives 5% of the revenue as additional rent from the naming rights deal, up to $500,000 annually.

The 2016 Venue Election and the Rangers Project

At an election held in the City on November 8, 2016, pursuant to Chapter 334, Texas Local Government Code, as amended, a majority of the voters of the City voting at said election voted in favor of a proposition authorizing the City to provide for the planning, acquisition, establishment, development, construction and financing of the Texas Rangers Complex Development Project (the "Rangers Project" and together with the Cowboys Project, the "Arlington Venue Projects") within the City and (i) to impose a parking tax, at a rate not to exceed three dollars ($3.00) on each parked motor vehicle parking in a parking facility of the Rangers Project (the "Rangers Parking Tax"); (ii) to impose an admissions tax on each ticket sold as admission to an event held at the Rangers Project, at a rate not to exceed ten percent (10%) of the price of the ticket sold as admission (the "Rangers Admissions Tax"); (iii) to authorize the use of the existing hotel occupancy tax, at a rate not to exceed two percent (2%) of the price paid for such room; (iv) to authorize the use of the existing sales tax within the City at a rate of one-half of one percent (0.5%); and (v) to authorize the use of the existing motor vehicle rental tax at a maximum rate of five percent (5%) for the purpose of financing the Rangers Project. The Texas Rangers are a professional baseball team operating under and pursuant to the rules and regulations of Major League Baseball. The Texas Rangers are based in the City and currently play their home games at Globe Life Park located in the City. The City's prior financing related to Globe Life Park is no longer outstanding and has been paid in full. Construction of the Rangers Project is expected to commence in 2018, and the Texas Rangers expect to play in a new ballpark starting in the 2020 baseball season. The Rangers Project will be a flexible, retractable roof, multi-purpose, multifunctional ballpark and sports, special events, concert and community and entertainment venue project designed to seat approximately 40,000 spectators to be used for the home games for the Texas Rangers and which may also be used for one or more additional professional or amateur sporting events, and which may also contain additional retail, restaurant and food establishments, team training facilities and museums, and which also includes water, sewer, drainage and road improvements necessary to service the Rangers Ballpark, as well as parking facilities adjacent to the Rangers Ballpark.

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Rangers Stadium Company LLC. (the "Tenant") for lease of the Rangers Complex. The Lease Agreement calls for an initial term from commencing upon occupation through January 1, 2054. Monthly lease payments of $166,666.67 began upon occupation 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 two successive renewal periods of five years each. 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.

Franchise - The City and Rangers Baseball LLC. entered into a non-relocation agreement that requires the Texas Rangers franchise to remain in Arlington and to play the team's regular season home games in the existing Ballpark during the construction of the new Ballpark. Once the new Ballpark is operational, the team is to remain in Arlington and to play the team's regular season home games through January 1, 2054. If the lease renewal options are exercised, the Rangers' obligation to stay in Arlington is extended for the renewal term.

Venue Project Debt

In September 2017, the City issued $110,200,000 Senior Lien Special Tax Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds") to refund all of the outstanding Prior Obligations for AT&T Stadium, Series 2008 and Series 2009. All debt related to AT&T Stadium, Series 2005A, B, & C had been refunded, matured, or been previously redeemed.

4. RECEIVABLES

Receivables at September 30, 2017 for the government's individual major and nonmajor 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	$ 11,437	$ 317	$ -	$ -	$ -	$ 3,480	$ -	$ 15,234
Franchise Fees	6,056	-	-	-	-	-	-	6,056
Trade Accounts	-	-	1,278	11,422	-	-	3	12,703
Unbilled Trade Accounts	-	-	678	8,069	-	-	-	8,747
Special Assessments	-	-	-	-	124	-	-	124
Sales Taxes	10,483	5,242	-	-	-	-	-	15,725
Lease and settlement agreements	15,257	-	-	-	-	-	-	15,257
Accrued Interest	1,174	15	-	-	-	-	118	1,307
Loan Receivable	-	-	-	1,833	-	-	-	1,833
Other	5,301	-	-	36	-	875	240	6,452
Gross Receivables	49,708	5,574	1,956	21,360	124	4,355	361	83,438
Less: Allowance for Uncollectibles	(7,980)	-	(68)	(1,996)	-	-	-	(10,044)
Net total Receivables	$ 41,728	$ 5,574	$ 1,888	$ 19,364	$ 124	$ 4,355	$ 361	$ 73,394

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 226,911	$ 1,190	$ -	$ 228,101
Construction in progress-other	130,841	77,427	(50,104)	158,164
Total capital assets, not being depreciated	357,752	78,617	(50,104)	386,265
Capital assets, being depreciated:				
Buildings and improvements	1,298,689	5,196	(48)	1,303,837
Equipment	109,792	5,124	(2,911)	112,005
Infrastructure	873,062	42,469	-	915,531
Total capital assets, being depreciated	2,281,543	52,789	(2,959)	2,331,373
Less accumulated depreciation for:				
Buildings and improvements	310,322	31,868	(48)	342,142
Equipment	87,214	8,192	(2,852)	92,554
Infrastructure	665,295	14,995	-	680,290
Total accumulated depreciation	1,062,831	55,055	(2,900)	1,114,986
Total capital assets, being depreciated, net	1,218,712	(2,266)	(59)	1,216,387
Governmental activities capital assets, net	$ 1,576,464	$ 76,351	$ (50,163)	$ 1,602,652

	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 22,347	$ 118	$ -	$ 22,465
Construction in progress	70,202	46,525	(16,957)	99,770
Total capital assets, not being depreciated	92,549	46,643	(16,957)	122,235
Capital assets, being depreciated:				
Buildings and improvements	2,833	-	-	2,833
Drainage System	113,333	702	-	114,035
Water and sewer system	879,709	19,722	-	899,431
Machinery and equipment	11,983	-	-	11,983
Total capital assets, being depreciated	1,007,858	20,424	-	1,028,282
Less accumulated depreciation for:				
Buildings and improvements	1,527	57	-	1,584
Drainage System	39,550	2,324	-	41,874
Water and sewer system	296,918	17,436	-	314,354
Machinery and equipment	11,568	223	-	11,791
Total accumulated depreciation	349,563	20,040	-	369,603
Total capital assets, being depreciated, net	658,295	384	-	658,679
Business-type activities capital assets, net	$ 750,844	$ 47,027	$ (16,957)	$ 780,914

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

Governmental activities:	
General Government	$ 25,374
Public Safety	3,338
Parks and recreation	5,805
Public works	16,665
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	3,873
Total depreciation expense – governmental activities	$55,055
Business-type activities:	
Storm Water Utility	2,329
Water and sewer	$ 17,711
Total depreciation expense – business-type activities	$ 20,040

Discretely presented component units:

(amounts expressed in thousands)

	Balance at Beginning of Year	Transfer and Additions	Transfers and Retirements	Balance at End of Year
Arlington Housing Authority, Inc.				
Capital assets, being depreciated:				
Buildings and improvements	$ 563	$ -	$ -	$ 563
Machinery and equipment	394	-	-	394
Totla capital assets, being depreciated	957	-	-	957
Less accumulated depreciation for:				
Buildings and improvements	(307)	(14)	-	(321)
Machinery and equipment	(388)	-	1	(387)
Total accumulated depreciation	(695)	(14)	1	(708)
Arlington Housing Authority, Inc. Capital assets, net	$ 262	$ (14)	$ 1	$ 249

	Balance at Beginning of Year	Transfer and Additions	Transfers and Retirements	Balance at End of Year
Arlington Convention and Visitors Bureau, Inc.				
Capital asset, being depreciated:				
Machinery and equipment	$ 960	$ 59	$ -	$ 1,019
Total capital assets, being depreciated	960	59	-	1,019
Less accumulated depreciation for:				
Machinery and equipment	(772)	(9)	-	(781)
Total accumulated depreciation	(772)	(9)	-	(781)
Arlington Convention and Visitors Bureau, Inc. Capital assets, net	$ 188	$ 50	$ -	$ 238

6. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

A. 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 872 administered by TMRS, an agent, multiple-employer public employee retirement system. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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.

Initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees, which are also referred to as cost of living adjustments (COLAS). Currently, that amount is equal to 50% of the change in the consumer price index (CPI). The amount of the COLA percentage can only be changed by a City-adopted ordinance.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,640
Inactive employees entitled to but not yet receiving benefits	1,070
Active Employees	2,462
	5,172

C. Contributions

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the city matching percentages are 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Arlington were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Arlington were 15.08% and 15.73% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were $25,821,067 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2015	$ 1,086,413,400	$ 919,641,045	$ 166,772,355
Changes for the year:			
Service Cost	26,189,763	-	26,189,763
Interest	72,528,701	-	72,528,701
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,387,760	-	1,387,760
Changes of assumptions	-	-	-
Contributions-employer	-	23,983,655	(23,983,655)
Contributions-employee	-	11,245,390	(11,245,390)
Net investment income	-	62,140,092	(62,140,092)
Benefit payments, including refunds			
of employee contributions	(50,018,009)	(50,018,009)	-
Administrative expense	-	(701,918)	701,918
Other changes	-	(37,818)	37,818
Net changes	50,088,215	46,611,392	3,476,823
Balance at 12/31/16	$ 1,136,501,615	$ 966,252,437	$ 170,249,178

Plan fiduciary net position as a percentage of the total pension liability	85.02%
Covered-employee payroll	$160,574,881
Net pension liability as a percentage of covered employee payroll	106.02%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability	$330,462,881	$170,249,178	$38,875,543

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the city recognized pension expense of $39,651,318.

At September 30, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	**Deferred Inflow of Resources**
Differences between expected and actual economic experience	$ -	$9,041,407
Changes in actuarial assumptions	5,764,015	-
Difference between projected and actual investment earnings	44,060,143	-
Contributions subsequent to the measurement date	19,968,319	-
Total	$69,792,477	$9,041,407

There is $19,968,319 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2017	$ 13,514,279
2018	13,665,380
2019	13,358,755
2020	244,337
2021	-
Thereafter	-
Total	$ 40,782,751

Part-Time, Seasonal and Temporary Employees Deferred Income Plan

The Part-Time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) provides a retirement benefit for those employees not eligible to participate in the Texas Municipal Retirement System. PSTDIP issues stand-alone financial statements that can be obtained from the City of Arlington at 101 S. Mesquite Street, Suite 800, Arlington, TX 76010.

Plan Description

The Part-Time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) provides a retirement benefit for those employees not eligible to participate in the Texas Municipal Retirement System. Its financial statements are presented below.

City of Arlington, Texas
Part-time, Seasonal and Temporary
Employees Deferred Income Plan

Statement of Fiduciary Net Position
June 30, 2017

Assets	
Cash and deposits	$ 98,308
Receivables	40,659
Accrued Interest	-
Investments	
Mutual funds - bonds	2,100,103
Mutual funds - equities	602,799
Total investments	2,702,902
Total assets	$ 2,841,869
Liabilities	
Accrued expenses	$ 3,711
Net position restricted for pensions	$ 2,838,158

City of Arlington, Texas
Part-time, Seasonal and Temporary
Employees Deferred Income Plan

Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2017

Additions	
Contributions:	
Employer	$ 60,813
Employees	101,289
Total contributions	162,102
Net investment income	
Interest and dividends	11,910
Net appreciation in fair value of investments	118,433
Total investments	130,343
Total additions	292,445
Deductions	
Benefit payments	137,960
Administrative expenses	44,296
Total deductions	182,256
Net increase in net position	110,189
Net position restricted for pensions	
Beginning of year	2,727,969
End of year	$ 2,838,158

Plan administration. The City's Retirement Committee administers the Part-time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) – a single-employer defined benefit pension plan that provides benefits for all part-time, seasonal and temporary employees. Management of the PSTDIP is vested in the City's Retirement Committee consists of an odd number of persons, but not less than three, that are determined and appointed by the City acting through City Council. The Committee includes the Director of Human Resources appointed as Chair, the Chief Financial Officer, and a representative of the City Manager's Office. The Committee meets on a quarterly basis and has final approval for all administrative actions.
Plan membership. As of July 1, 2016, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	3,504
Active plan members	779
	4,298

Benefits. PSTDIP provides retirement, disability and death benefits for part-time, seasonal and temporary employees. Monthly retirement benefits for plan members are calculated as the lesser of a) a life annuity with an actuarial equivalent value equal to 2.5 times employee contributions with interest, or b) average compensation times percentage of average pay times credited service not in excess of 30. Average compensation is determined by dividing the sum of monthly compensation by the months of credited service earned prior to termination. Percentage of average pay ranges from 1.5 percent to 2.0 percent based on number of months of credited service. A plan member is eligible to retire upon attaining age 65. If an employee is terminated by reason of total and permanent disability, the employee will be eligible for a life only annuity in an amount actuarially equivalent to a lump sum payment equal to 2.5 times employee contributions with interest. With the approval of the Retirement Committee, the Disability Retirement Pension shall be paid as a lump sum in lieu of a life annuity. Death benefits are the same as for disability.

Contributions. The Retirement Committee establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2016, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 2.6 percent of annual payroll.

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	$ 22,419	$ 22,419	$ -	$ 2,590,679	0.7%
2016	53,802	53,802	-	3,352,500	1.6%
2017	81,875	60,813	21,062	3,376,300	1.8%

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Committee. It is the policy of the Committee to pursue an investment strategy with the primary focus on current income generation and capital preservation while allowing for modest consideration for capital growth. The majority of assets are to be held in fixed income securities or other income producing investments with moderate levels of principal volatility. The following was the Committee's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Equity	20%
Fixed-Income	77%
Cash (or equivalents)	3%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 4.03 percent. For all assets, a total return is calculated (including market value appreciation or depreciation, plus interest and dividends). The monthly rates of return are then geometrically linked.

Net Pension Asset of the City

The components of the net pension asset of the City at June 30, 2017 were as follows:

Total pension liability	$ 2,627,093
Plan fiduciary net position	(2,838,158)
City's net pension asset	$ (211,065)
Plan fiduciary net position as a percentage of the total pension liability	108.0%

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 6/30/2016	$ 2,527,272	$ 2,727,969	$ (200,697)
Changes for the year:			
Service Cost	187,047	-	187,047
Interest	127,591	-	127,591
Change of benefit terms	-	-	-
Difference between expected and actual experience	(76,857)	-	(76,857)
Changes of assumptions	-	-	-
Contributions-employer	-	60,813	(60,813)
Contributions-employee	-	101,289	(101,289)
Net investment income	-	130,343	(130,343)
Benefit payments, including refunds			
of employee contributions	(137,960)	(137,960)	-
Administrative expense	-	(44,296)	44,296
Other changes	-	-	-
Net changes	99,821	110,189	(10,368)
Balance at 6/30/17	$ 2,627,093	$ 2,838,158	$ (211,065)

Plan fiduciary net position as a percentage of the total pension liability	108.0%
Covered-employee payroll	$ 3,376,300
Net pension liability as a percentage of covered employee payroll	(6.3%)

Actuarial Assumption. The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.0 percent
Investment rate of return	5.0 percent

Mortality rates were based on the RP-2000 Combined Tables with Blue Collar Adjustment, Projected with Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Cash & Cash Equivalents	0.00%
Fixed Income	.62%
Domestic Large Cap Equity	5.22%
Domestic Mid Cap Equity	5.79%
Domestic Small Cap Equity	6.05%
International Developed Equity	4.97%
International Emerging Equity	6.46%

Discount rate. A single discount rate of 5.0 percent was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 5.0 percent and a municipal bond rate of 3.56 percent (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2017). The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position and the future contributions were sufficient to finance the future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension asset of the City, calculated using the discount rate of 5.0 percent, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (4.0 percent) or 1 percentage point higher (6.0 percent) than the current rate:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
City's net pension asset	$ 51,872	$(211,065)	$(426,429)

The actuarial assumptions used in the July 1, 2017 actuarial valuation included were (a) 5.0 percent investment return, (b) 2.5 percent inflation rate adjustment, and (c) 3.0 percent salary increases. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. Because the assets of the plan exceed the actuarial liability, amortization of the unfunded liability is discontinued, and the contribution required for the plan was developed under the aggregate cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities; the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

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, 2017, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $195,481,000.

The City's total payroll during fiscal 2017 was $172,946,000. The current year contribution was calculated based on a covered payroll of $118,762,000, resulting in a required and actual employer contribution of $3,191,000 and actual employee contributions of $8,142,000. The employer contribution represents 2.69 percent of the covered payroll. The employee contribution represents approximately 6.85 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2017. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

The Thrift Savings Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 2017. (amounts in thousands):

ASSETS		
Investments		195,471
Total Assets	$	195,471
LIABILITIES		
Accounts Payable		12
Retired City Mgr 401(k) plan payable		66
Total Liabilities	$	78
NET POSITION		
Held in trust for pension benefits		195,405
Assigned pension trust		76
Total Net Position	$	195,481

Changes in Net Position

Thrift Savings Plan

ADDITIONS		
Employer contributions	$	3,191
Employee contributions		8,142
Net appreciation in fair value of investments		26,523
Other additions		100
		37,956
DEDUCTIONS		
Benefits		16,811
Plan administration		112
Other deductions		85
		17,008
Increase in Net Position		20,948
Net Position, October 1		174,533
Net position, September 30	$	195,481

City contributions for the above plans for the year ended September 30, 2017, are as follows (amounts in thousands):

TMRS	$25,821
THRIFT	8,142
PTDIT	63
	$34,024

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-like investments 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, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits:	12

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

Contributions. The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City's contribution is determined through an actuarial valuation. For the year ended September 30, 2017, the City contributed $68,000 to the plan. Administrative costs of DIP are financed through investment earnings.

Funded Status and Funding Progress

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

As of July 1, 2017, the most recent actuarial valuation date, the plan was 91.2 percent funded. The actuarial accrued liability for benefits was $1,450,275, and the actuarial value of assets was $1,322,267, resulting in an unfunded actuarial accrued liability (UAAL) of $128,008.

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. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Valuation date	7/1/2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization
Remaining amortization period	5 years (closed)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.0 percent
Inflation rate	2.5 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	$ 35
Interest on net OPEB asset	(21)
Adjustment to annual required contribution	79
Annual OPEB cost (expense)	93
Contributions made	(68)
Decrease in net OPEB asset	25
Net OPEB asset - beginning of year	(411)
Net OPEB asset - end of year	$ (386)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2017 and the seven preceding years are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contribution	Net OPEB Obligation (Asset)
9/30/17	$93,000	73.10%	$ (386,000)
9/30/16	113,000	57.50%	(411,000)
9/30/15	117,000	55.60%	(459,000)
9/30/14	119,000	94.10%	(511,000)
9/30/13	120,000	206.70%	(518,000)
9/30/12	283,000	126.10%	(390,000)
9/30/11	249,000	149.80%	(316,000)
9/30/10	305,000	127.21%	(192,000)

In September of 2012, the City amended the Disability Income Plan to limit benefit eligibility to:

a. Former employees who were receiving disability income from the trust as of September 18, 2012, and
b. Former employees who, as of September 18, 2012, were receiving benefits from the City's Long-Term Disability (LTD) plan and were in active service prior to January 1, 1993.

Because the amendment closed the plan to any future disabled employees, there is no longer any liability attributable to the City's active employees.

DIP does not issue separate GAAP financial reports. Its financial statements are presented below as of September 30, 2016 (in thousands):

Net Position

Assets	
Investments	$ 1,317
Total assets	1,317
Net position, held in trust for	
Other postemployment benefits	$ 1,317

Changes in Net Position

Additions	
Employer contributions	$ 68
Net appreciation in fair value	
of investments	-
Other additions	60
Total additions	$ 128
Deductions	
Benefits	(122)
Plan administration	(18)
Total deductions	(140)
Increase in net position	(12)
Net position, October 1, 2016	1,329
Net position, September 30, 2016	$ 1,317

Retiree Health Insurance

The City of Arlington administers a single-employer self-funded health care plan. The plan provides post-retirement health care benefits to eligible retirees and their dependents.

To be eligible for retiree health insurance, an employee must be eligible to retire from the City of Arlington based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer-based coverage terminates. As of July 1, 2017, there were 1,009 retired employees who met this requirement.

An employee may retire from the City based on one of the following circumstances: (1) the employee becomes eligible and elects to retire under the Texas Municipal Retirement System (TMRS) after either 20 years of service credit at any age, or after a minimum of five years of service at age 60; (2) the employee becomes eligible and elects to retire under the provisions of TMRS relating to disability retirement.

A Retiree may be eligible for insurance benefits that include: medical, dental, and vision benefits, regardless of the number of years worked for the City. However, to be eligible for a contribution from the City toward medical insurance, the Retiree must meet all of the following requirements:

- Be a minimum of age 50 and have a minimum of 10 years of full-time service with the City of Arlington and age plus years of service with the City must equal at least 70.
- Elect to receive their TMRS pension at the time of separation from the City of Arlington.
- Be hired/re-hired OR transferred to a Full-time status prior to January 1, 2006.

Retiree Health Insurance City Contributions

The City's contribution toward Retiree health insurance premiums is based upon five criteria: Date of Hire, Re-hire, or Full-time Status; Years of Full-time Service with the City of Arlington; Age; Election of TMRS Pension; and Date of Retirement.

1. Retirees who were hired/re-hired or transferred into a full-time status prior to 1/1/2006 have a City contribution based on their years of eligible service with the City. Retirees who were hired/re-hired or transferred into a full-time status after 1/1/2006 have no City contribution; however, they may elect to pay the full cost and remain on the City's health plan.
2. Retirees who are TMRS eligible and elect a pension, are a minimum of age 50 and have 10 years of full-time service with the City of Arlington are eligible for a City contribution if hired, re-hired, or transferred into a full-time status prior to 1/1/2006.
3. Retirees who are TMRS eligible, have elected a pension but have less than 10 years of full-time service with the City of Arlington are not eligible for the City contribution, but may elect insurance benefits and pay the full premium.
4. Retirees who retired prior to 1/1/2008 have a City contribution toward their dependent's health coverage. Retirees who are retiring after 1/1/2008 do not have a contribution toward their dependent's health care.
5. Effective January 1, 2014, the City's retiree contribution was changed to a flat rate based on date of retirement. The contribution for retirees over the age of 65 has $50 of the contribution designated for Medicare pharmacy coverage.

Funding Policy. The City Council through the budget process 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	$ 7,928
Interest on net OPEB Obligation	1,493
Adjustment to annual required contribution	(2,117)
Annual OPEB cost (expense)	7,304
Contributions made	(6,118)
Increase in net OPEB obligation	1,186
Net OPEB obligation – beginning of year	37,334
Net OPEB obligation – end of year	$ 38,520

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the seven preceding years are as follows (dollar amounts in thousands):

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contribution	Net OPEB Obligation
9/30/2017	$ 7,304	83.76%	$ 38,520
9/30/2016	7,338	90.27%	37,334
9/30/2015	7,998	62.50%	36,620
9/30/2014	8,366	59.31%	33,633
9/30/2013	8,723	65.31%	30,229
9/30/2012	12,133	46.66%	27,203
9/30/2011	8,379	56.14%	20,731
9/30/2010	8,398	31.80%	17,056

Funded Status and Funding Progress. As of July 1, 2017, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $109.2 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $109.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $150.6 million, and the ratio of the UAAL to the covered payroll was 72.5 percent.

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

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

Valuation date	7/1/2017
Investment rate of return	4% per annum, net of expenses
Actuarial cost method	Individual Entry Age Normal Cost Met
Amortization method	Level dollar, open
Remaining amortization period	30 years
Healthcare Cost trend rate - med	7.50% initial (2016)
	4.25% ultimate (2032)
Inflation Rate	2.50%

Supplemental Death Benefits Plan

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

Funding Policy. Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently .15 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 position available for OPEB. The City's contributions to SDBF for the years ended September 30, 2017, 2016, and 2015, were $251,051, $247,020, and $230,122, respectively, which equaled the required contributions each year.

8. DEBT AND LIABILITIES

General Obligation Bonds

On May 15, 2017, the City issued Permanent Improvement Bonds, Series 2017 of $58,440,000 with an interest rate of 2.00 to 5.00 percent and serial maturities on August 15 from 2018 through 2037. Interest on the bonds is due every February and August 15, beginning February 15, 2018. The bonds were issued for designing, developing, constructing, improving, extending and expanding streets, thoroughfares, sidewalks, bridges and other public ways of the City, including streetlighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith; acquiring, developing, renovating, and improving parks, park facilities and open spaces for park and recreation purposes in and for the City; including the acquisition of land therefor; and paying the costs of issuing the 2017 bonds. Total interest requirements for the Series 2017 bonds at a rate from 2.00 to 5.00 percent is $21,758,139 in the aggregate.

On June 1, 2017 the City issued $18,240,000 in Permanent Improvement Refunding Bonds, Series 2017A for the purpose of refunding a portion of the City's outstanding debt and paying the cost of issuing the 2017A bonds. The 2017A Series bonds mature on August 15 over a period from 2021 to 2037. Interest is payable February 15 and August 15 of each year commencing August 15, 2017. Total interest requirements for the Series 2017A bonds at a rate from 2.00 to 5.00 is $5,897,072 in the aggregate. The refunding was undertaken to achieve a savings of $1,949,609 on debt service payments and a present value savings on debt service payments of $1,461,968.

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

Purpose	Interest Rates	Amount
Governmental activities	2.00-5.00%	$ 149,960
Governmental activities - refunding	1.00-5.00%	171,345
Total Governmental		$ 321,305

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

Year Ending September 30	Principal	Interest
2018	$ 27,735	$ 12,242
2019	27,765	10,833
2020	24,890	9,850
2021	23,050	8,914
2022	21,800	7,974
2023-2027	95,050	28,174
2028-2032	70,165	11,518
2033-2037	30,850	2,426
	$ 321,305	$ 91,931

General obligation debt authorized and unissued as of September 30, 2017, amounted to $194,329,000.

Certificates of Obligation

On May 15, 2017, the City issued Combination Tax and Revenue Certificates of Obligation Series 2017 of $6,110,000 with an interest rate of 2.00 to 4.00 percent. The Series 2017 Certificates will mature on August 15 over a period from 2018 to 2027. Interest is payable February 15 and August 15. The total interest requirement for the Series 2017 at a rate of 2.00 to 4.00 percent is $943,279 in the aggregate. The certificates were issued with the purpose of acquiring City information technology infrastructure and equipment; designing, developing, constructing, improving and renovating City buildings and facilities, including HVAC and roof improvements; acquiring firefighting equipment and vehicles and to pay for professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates.

Annual debt service requirements to maturity for certificates of obligation of the primary government as of 9/30/17 are as follows (amounts in thousands):

	Governmental Activities, Certificates of Obligation	
Year Ending September 30	Principal	Interest
2018	$ 5,895	$ 1,958
2019	4,370	1,737
2020	4,365	1,618
2021	4,365	1,496
2022	4,365	1,371
2023-2027	20,410	4,705
2028-2032	11,575	2,170
2033-2037	6,085	413
	$ 61,430	$ 15,468

Special Obligation Bonds

In September 2017, the City issued $110,200,000 Senior Lien Special Tax Revenue Refunding Bonds, Series 2017. These special obligations are being used to provide funds to refund the City's outstanding special tax revenue obligations, to make a deposit to the Senior Lien Debt Service Reserve and to pay the costs associated with issuance of Bonds.

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

Year Ending September 30	Governmental Activities, Special Revenue Principal	Governmental Activities, Special Revenue Interest
2018	$ -	$ 4,688
2019	-	5,323
2020	2,030	5,293
2021	3,160	5,215
2022	3,800	5,092
2023-2027	31,035	21,752
2028-2034	70,175	13,412
	$ 110,200	$ 60,775

The City has pledged revenues consisting of one-half cent sales tax, two percent hotel occupancy tax, and five percent car rental tax.

All debt associated to the Stadium Project (Cowboys) issued in 2005, 2008 and 2009, were all refunded by the issuance of the Senior Lien Special Tax bonds, Series 2017.

Revenue Bonds

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

In fiscal 2017, the City issued Water & Wastewater System Revenue Bonds Series 2017 in the amount of $4,775,000 less bond origination fee of $86,733 and Loan Forgiveness of $826,861. The purpose is improving and extending the System and paying the costs of the issuing Bonds. These bonds are held by the Texas Water Development Board (TWDB). These bonds will mature June 2017 to June 2036 at interest rates of 0.0 to 1.32 percent.

In June 2017, the City issued $40,280,000 in Water and Wastewater System Revenue Bonds, Series 2017. Proceeds from the sale of these bonds will be used to provide funds to make improvements and extensions to the System and to pay costs of issuance associated with the Bonds. These bonds mature June 1 over a period from 2018 to 2037. Interest, at a rate of 3.00 to 4.00 percent, is $14,783,173 in the aggregate.

In June 2017, the City issued $8,995,000 in Municipal Drainage Utility System Revenue Bonds, Series 2017. Proceeds from the sale of these bonds will be used to provide funds to improvements to the System, including acquisition and construction of equipment and facilities for the System and to pay costs of issuance associated with the Bonds. These bonds mature June 1 over a period from 2018 to 2037. Interest, at a rate of 2.00 to 5.00 percent, is $3,034,234 in the aggregate.

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

	Business Activities					
Year Ending	Water/Wastewater		Water/Wastewater TWDB		Storm Water Utility	
September 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 12,400	$ 5,466	$ 3,130	$ 780	$ 1,730	$ 1,018
2019	11,975	5,159	3,130	731	1,730	979
2020	12,020	4,751	3,130	680	1,730	906
2021	10,930	4,325	3,125	624	1,730	845
2022	10,135	3,920	3,125	565	1,730	785
2023-2027	44,895	14,840	15,600	1,827	8,645	2,915
2028-2032	35,590	7,240	6,600	328	7,370	1,155
2033-2037	22,400	1,809	1,740	49	2,250	207
	$ 160,345	$ 47,510	$ 39,580	$ 5,584	$ 26,915	$ 8,810

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, 2017, net pledged revenues for the water enterprise fund were $52,299,000 and debt service on the revenue bonds was $19,063,000. The same pledge for repayment applies to the City's Storm Water Utility revenue of $11,745,000 for the bonds issued in fiscal year 2017.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2017 (amounts expressed in thousands):

	10/1/2016	Increases	Reductions	9/30/2017	Due Within One Year
Governmental activities:					
General obligation debt	$ 291,694	$ 76,681	$ (47,070)	$ 321,305	$ 27,735
Certificates of obligation	62,490	6,110	(7,170)	61,430	5,895
Special tax revenue debt	155,000	110,200	(155,000)	110,200	-
Premium on general bonds	15,537	7,168	(2,686)	20,019	-
Premium on special bonds	3,545	19,849	(3,545)	19,849	-
Discount on special bonds	(1,975)	-	155	(1,820)	-
Net governmental bonds payable	526,291	220,008	(215,316)	530,983	33,630
Compensated absences	29,371	4,447	(1,404)	32,414	1,301
Claims	9,472	6,609	(5,158)	10,923	5,863
Landfill Closure	8,160	13,781	-	21,941	-
Net other post-employ benefit oblg.	37,334	1,186	-	38,520	-
Net pension liability	155,932	3,251	-	159,183	-
Capital lease	8,864	-	(1,020)	7,844	1,044
Total governmental long-term liabilities	$ 775,424	$ 249,282	$ (222,898)	$ 801,808	$ 41,838
Business-type activities:					
Water and sewer bonds	$ 168,155	$ 45,055	$ (13,285)	$ 199,925	$ 15,530
Premium on water and sewer bonds	4,970	3,174	(990)	7,154	-
Storm water utility bonds	19,200	8,995	(1,280)	26,915	1,730
Premium on storm water utility bonds	660	456	(121)	995	-
Net water and sewer bonds payable	192,985	57,680	(15,676)	234,989	17,260
Compensated Absences	1,800	287	(6)	2,081	137
Net pension liability	10,840	226	-	11,066	-
Total business-type long term liabilities	$ 205,625	$ 58,193	$ (15,682)	$ 248,136	$ 17,397

9. PRIOR YEAR BOND REFUNDINGS

In FY17 and 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, 2017, previously defeased debt still outstanding amounted to $20,085,000.

Following are the schedules of refunded obligations (amounts in thousands):

Bonds		Original Maturity Date	Interest Rate	Amount Refunded
Combination Tax and Revenue Certificates of Obligation Series 2008A				
	Serials	8/15/2019	4.000	$ 85
		8/15/2020	4.000	85
		8/15/2021	4.125	85
		8/15/2022	4.250	85
		8/15/2023	4.300	85
		8/15/2024	4.375	85
		8/15/2025	4.400	85
		8/15/2026	4.500	85
		8/15/2027	4.600	85
		8/15/2028	4.600	85
				$ 850
Permanent Improvement and Refunding Bonds Series 2009				
	Term Bond Maturing 2029	8/15/2021	3.550	$ 1,920
		8/15/2022	3.550	1,920
		8/15/2023	3.550	1,920
		8/15/2024	3.550	1,920
		8/15/2025	3.550	1,920
		8/15/2026	3.550	1,920
		8/15/2027	3.550	1,920
				$ 13,440
Permanent Improvement and Refunding Bonds Series 2010				
	Serials	8/15/2021	5.000	$ 835
		8/15/2022	5.000	835
		8/15/2023	5.000	835
		8/15/2024	5.000	835
		8/15/2025	5.000	835
		8/15/2026	5.000	835
		8/15/2027	5.000	785
				$ 5,795
		Total Refunded Obligations		$ 20,085

10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2017, is as follows (amounts in thousands):

Fund	Interfund Receivables	Interfund Payables
General Fund	$4,222	$ -
Nonmajor Funds	-	4,222
	$4,222	$4,222

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2018.
Transfers between funds during the year were as follows (amounts in thousands):

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	$ 13,242	$ 22,346
Street Capital Projects	1,652	2,600
Debt Service Fund	-	6,841
Total Major Governmental Funds	14,894	31,787
Major Enterprise Fund-Water and Sewer	16,912	975
Major Enterprise Fund-Storm Water Utility	1,164	-
Other Funds:		
Nonmajor Governmental Funds	20,069	20,193
Internal Service Funds	1,000	1,084
Total All Funds	$54,039	$54,039

The Water and Sewer, Storm Water Utility, and Convention and Event Services transferred $5,226,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred $11,108,000 to Street Maintenance Fund, Special Transportation (Handitran), and Parks Performance Fund to cover budgeted operating expenses.

The Enterprise Funds transferred $12,508,000 to cover their budgeted operating costs.

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

The Debt Service Fund received transfers of $4,831,000 from the Convention and Event Services, Water and Sewer, Golf, and Tirz 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 position 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 2014 the City received a permit for vertical expansion and to open an additional 80 acres, which increased the capacity and the life of the landfill. The $21,941,000 reported as a landfill closure and post-closure accrued liability at September 30, 2017, represents the cumulative amount reported to date based on the use of approximately 38 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of $8,542,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2017. The City expects to close the landfill in 2065. 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 $3,429,000 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, 2017, investments 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, 2017. The projects include construction in streets, parks, traffic, library, and water and sewer facilities. At year-end the City's significant commitments with contractors are as follows (amounts in thousands):

Project	Spent-to-Date	Remaining Commitment
Street Construction	$ 91,936	$ 36,264
Park Construction	26,685	8,521
Traffic Construction	8,112	407
Library Construction	23,404	4,345
Storm Water Utility Construction	20,129	5,820
Water and Sewer Construction	79,641	21,866
	$ 249,907	$ 77,223

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

Litigation

The City is currently involved in several lawsuits in which some liability is probable. The potential liability as of September 30, 2017, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at $250,000.

The City is currently involved in an employment lawsuit in which the plaintiff alleges that the City's termination of an Arlington police officer was a violation of the City's personnel policies. The plaintiff elected to appeal his termination to an arbitrator. The arbitrator ruled that the officer be reinstated with back pay. The City appealed the arbitrator's decision. The Court ordered the City to reinstate the officer provided he passes certain requirements, which he has done. In June 2014, the court ruled to award the officer $164,471 in back pay, but the City has appealed the ruling. In August 2015, the Fort Worth Court of Appeals issued an opinion requiring the trial court to set aside the judgment in accordance with the Court of Appeals' decision. The case is currently waiting for the judge's ruling. It is uncertain whether "set aside" requires the trial judge to uphold the termination or order another arbitration. Liability with regard to the officer's back wages is probable. To the extent owed, back pay continues to accrue and a $463,021 accrual has been recorded at September 30, 2017.

Various other claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of the Self Insurance Risk Management Fund 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.

Risk Management Fund (RMF)

The RMF 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.

On June 1, 2016 the City issued Combination Tax and Revenue Certificates of Obligation Series 2016C of $14,150,000. The certificates were issued with the purpose of providing moneys to fund the Risk Management Fund, a self-insurance fund to protect the City and its officers, employees and agents from any insurable risk or hazard as permitted under Chapter 2259, Texas Government Code, as amended.

The payments out of the RMF for all purposes cannot exceed $1,500,000 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 RMF claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of $750,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. Over the past four years there have been seven claims which settlements have been received totaling $1,553,633.33 through the commercial insurance. All City departments participate in the workers' compensation program. Payments to the WCF from such departments are based on actuarial estimates of the amounts needed to pay prior and current year claims and related administrative expenses. The WCF claims liabilities are actuarially determined annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

Group Health

Group medical benefits are paid through the Group Health Fund. Revenues are recognized from payroll deductions and from City contributions for employee and dependent coverage. Changes in the balances of claims liabilities during fiscal 2017 and 2016 were as follows (amounts in thousands):

	Workers Compensation		Health		Self Insurance Risk Management		Other	
	2017	2016	2017	2016	2017	2016	2017	2016
Unpaid claims, Oct 1	$ 3,757	$ 4,464	$ 2,149	$ 1,954	$ 3,200	$ 2,350	$ -	$ -
Incurred Claims (including IBNRs and changes in estimates)	157	-	26,523	25,428	3,883	3,700	463	366
Claim payments	(442)	(707)	(26,090)	(25,233)	(2,677)	(2,850)	-	-
Unpaid claims, Sept 30	$ 3,472	$ 3,757	$ 2,582	$ 2,149	$ 4,406	$ 3,200	$ 463	$ 366

14. LEASES

As Lessee

As lessee, the City is committed under a lease for fire radio equipment. This lease is considered for accounting purposes to be a capital lease. The liability for future capital lease payments totals approximately $7,844,000 and is reported as capital lease obligations current liabilities (approximately $1,044,000) and capital lease obligations non-current liabilities (approximately $6,800,000) in the General Fund.

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

Year Ending September 30	
2018	$ 1,228
2019	1,228
2020	1,228
2021	1,228
2022	1,228
2023-2024	2,456
	8,596
Less Interest	752
Minimum future lease rentals	$7,844

The City's investment in equipment under the capital lease arrangement as of September 30, 2017 is $10,814,000.

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 2017 were approximately $289,460.

15. SETTLEMENT AGREEMENT

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

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

Year	Amount
2017	$ 727,500
2018	727,500
2019	727,500
2020	727,500
2021	727,500
2022 to 2024	2,170,829
	5,808,329
Less Discount	716,905
	$5,091,424.

The total is reported as a settlement agreement receivable by the City. The payment amounts will be reduced effective in fiscal year 2016 to reflect reduced interest rates. The payment in 2024 is due on or before March 1. By entering into this agreement, the City agreed to release and discharge the Rangers from the Claim.

16. CAPITAL LEASE

A lease agreement was executed on June 23, 1992 between the Texas Rangers, Ltd. (the Rangers) and the City for the Ballpark Complex Development (the Facility). The lease is a triple net lease to the Rangers, with the Rangers retaining all concession and signage rights. The Rangers agreed to pay a base rent of $2,000,000 per year for the 30-year term of the lease. At the end of the lease, the Rangers had 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.

Pursuant to applicable accounting standards, the lease of the Facility to the Rangers has been accounted for as a capital lease.

Minimum future rentals are as follows:

September 30	
2018	$ 2,000,000
2019	2,000,000
2020	2,000,000
2021	2,000,000
2022	2,000,000
2023-2024	3,055,556
	13,055,556
Less Discount	2,890,013
Minimum future lease rentals	$10,165,543

In November 2016, Arlington citizens voted to build a new Rangers stadium. The current lease will continue until 2024 or until the new ballpark construction is complete, whichever occurs first. The new lease term begins on the operational date when the new ballpark is complete and will be accounted for as a capital lease. The lease for the new ballpark will continue through 2054, and the Rangers will pay $2,000,000 per year in rent. At the end of the new lease, the Rangers have the option to purchase the Facility, at a cost of the difference of $100,000,000 and the sum of all rent paid, all operating costs project costs and tenant specific costs paid by the Rangers.

17. CONDENSED COMPONENT UNIT INFORMATION

The City includes six discretely presented component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2017, for all discretely presented component units is as follows (amounts in thousands):

Condensed Schedule of Net Position

	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Current and other assets	$70,183	$4,617	$3,177	$ 77,977
Capital assets	-	249	238	487
Total assets	70,183	4,866	3,415	78,464
Other liabilities	1,185	726	398	2,309
Total liabilities	1,185	726	398	2,309
Net position:				
Net investment in capital assets	-	249	238	487
Restricted	68,998	299	-	69,297
Unrestricted	-	3,592	2,779	6,371
Total net position	$68,998	$4,140	$3,017	$76,155

Condensed Schedule of Activities

	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	$4,471	$27,568	$7,840	$39,879
Program Revenues:				
Charges for services	-	-	9,100	9,100
Operating grants and contributions	-	27,022	767	27,789
Capital grants and Contributions	-	-	-	-
Net Program (Expense) Revenue	(4,471)	(546)	2,027	(2,990)
Interest Revenues	5,531	11	4	5,546
Other NonTax General Revenues	8,154	149	(2)	8,301
Change in Net position	9,214	(386)	2,029	10,857
Net position, October 1,	59,784	4,526	988	65,298
Net position, September 30	$68,998	$ 4,140	$ 3,017	$76,155

18. TAX ABATEMENTS

As of September 30, 2017, the City of Arlington (City) provides for tax abatements and tax rebates through two mechanisms – Tax Abatement Agreements and Chapter 380 Agreements. The City's Tax Abatements are authorized under Chapter 312 of the Texas Tax Code and the City's Policy Statement for Tax Abatement. Under a tax abatement agreement, the taxable value is reduced by a specific percentage, and the amount of the abatement is deducted from the recipient's tax bill. The City's tax abatements are administered by Tarrant Appraisal District. Chapter 380 agreements are authorized under VTCA Local Government Code Chapter 380 and the City's Chapter 380 Economic Development Programs Policies and Procedures. Under a 380 agreement, the recipient pays the total taxes due to the City, and the City rebates a portion of taxes paid based on the terms of the agreement.

For financial reporting purposes, a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. A transaction's substance, not its form or title, is the key factor in determining whether the transaction meets the definition of a tax abatement for the purpose of this disclosure. Therefore, the City's 380 agreements are being disclosed, as the substance of the rebates meets the definition of a tax abatement for purposes of financial reporting.

The City provides tax abatements for economic development in three categories – (1) Development and Redevelopment, (2) Recruitment, and (3) Retention:

Development and Redevelopment

The City provides development and redevelopment tax abatements to encourage development of remaining Greenfield sites with highest and best uses, and transformational redevelopment of existing sites with high community impact. Abatements are obtained through an application and evaluation process, with ultimate approval authorized by the City Council. Property owners are required to complete the City's Application for Incentives providing a complete description of the project, method of financing, descriptive list of improvements, schedule for completion, estimated taxable value of improvements, level of abatement requested, jobs created (if applicable), and any other incentives requested. Applications are evaluated to determine if the project meets the criteria for a development/redevelopment tax abatement. The City abates up to 100% percent of the additional property tax resulting from the increased appraised value as a result of the improvements. Property owners are required to pay 100% of the property tax on the base year value. In exchange for the abatement, the recipient commits to comply with the terms of the agreement, including project completion deadlines and minimum added value requirements. If the recipient fails to meet the improvement conditions, the agreement enters a breach status, and the City provides a 30-60-day cure period. If the recipient fails to cure the breach, the City may terminate the abatement agreement and recapture any taxes abated per the terms of the agreement. As part of a tax abatement, the City may make other commitments to support development and redevelopment projects (*e.g.,* development fee waivers, infrastructure improvements, etc.).

Recruitment

The City offers recruitment tax abatement agreements to attract and incentivize new business to the City. Abatements may be granted to a company agreeing to relocate to the City or to establish new business in the City; the project must meet requirements of the Tax Code and the City's policy statements to be considered for an abatement. The City may grant tax abatements for recruitment if the City Council finds the abatement is in the public interest because it will facilitate one or more of the following objectives: (1) increase tax base, (2) provide quality employment, and (3) contribute to the diversity and quality of Arlington's business community. The value and duration of the tax abatement is determined by the degree to which the project meets the objectives of the City's Economic Development Strategic Plan, number and types of jobs to be created, and sales taxes, hotel taxes or other incomes that would be generated. Additional levels of abatement are considered based upon the project's employment numbers, industry type, and wages. Applicants undergo the same application and evaluation process required for development/redevelopment abatements. The City abates up to 100% percent of the additional property taxes (*i.e.,* real estate, business personal property, or both) resulting from the increased appraised value as a result of the project. The City may also abate a portion of the sales taxes or hotel taxes generated by the project. One recruitment agreement for a business relocation to the City includes a $10,000 annual rebate of hotel occupancy taxes attributable to the recipient's business development. Sales tax and hotel tax abatements are limited to the City's revenues only. In exchange for the abatement(s), the recipient commits to comply with the terms of the agreement, including project completion deadlines, added value requirements, and job creation numbers. If the recipient fails to comply, the same breach and recapture provisions described above may apply. Based on the economic impact of the project, the City may make other commitments to the recipient in addition to the tax abatement. Additional incentives include development fee waivers, infrastructure improvements, and grants for hiring Arlington residents. One agreement involving a new business establishment included an incentive for hiring Arlington residents by offering up to $2,000 per hire for a three-year period, capped at $100,000.

Retention
The City offers retention tax abatements to incentivize existing businesses to remain in the City and to encourage renovation, expansion, and job growth. Abatements may be granted to existing businesses looking to expand and renovate existing facilities or to construct new facilities to accommodate product/service demand and employment growth. Criteria for retention abatements include increasing and preserving the City's tax base, creating and retaining employment opportunities, and updating the skills of existing employees. The value and duration of the tax abatement is determined by the degree to which the project meets the objectives of the City's Economic Development Strategic Plan, number and types of jobs to be created/retained, community impact, and sales taxes, hotel taxes or other incomes that would be generated. Additional levels of abatement are considered based upon the project's employment numbers, industry type, and wages. Applicants undergo the same application and evaluation process required for all abatements. The City abates up to 100% percent of the additional property tax (*i.e.,* real estate, business personal property, or both) resulting from the increased appraised value as a result of the project. The City may also abate a portion of the sales taxes generated from the project. A portion of the City's sales tax collections generated by the recipient's purchase or sale of taxable items associated with the project and consummated in the City may be rebated for a specified period. In FY17, two recipients were granted sales tax rebates equal to a specific percentage (50-55%) of the City's one percent (1%) of sales tax receipts generated as a result of the expansion projects. In exchange for abatement(s), the recipient commits to comply with the terms of the agreement, including project completion deadlines, added value and/or taxable sales requirements, and job creation and retention numbers. If the recipient fails to comply, the same breach and recapture provisions described for all abatements may apply. As part of a tax abatement, the City can make other commitments to support business retention (*e.g.,* development fee waivers, infrastructure improvements, hiring grants, etc.). One agreement involving the renovation and expansion of an existing business included an incentive for hiring Arlington residents by offering up to $2,000 per hire over a seven-year period, capped at $36,000.

Tax Abatement Program

Program	Property Tax	Sales Tax	Hotel Occupancy Tax	Other Commitments
Development/Redevelopment	173,360	-	-	-
Recruitment	77,719	-	10,000	14,000
Retention	1,924,438	333,780	-	10,000
Total Tax Abated	**2,175,517**	**333,780**	**10,000**	**24,000**

For the fiscal year ended September 30, 2017, the City's property tax revenues were reduced by $2,175,517 under active tax abatement agreements for Development/Redevelopment, Recruitment, and Retention. Sales tax and hotel occupancy tax revenues were reduced by a total of $343,780 for Recruitment and Retention abatements. In addition to tax abatements, recipients qualified for $24,000 in other commitments from the City for hiring Arlington residents.

Tax revenues were reduced as a result of the City's tax abatement agreements only; no other governments' tax abatement agreements caused a reduction in the City's tax revenues.

19. SUBSEQUENT EVENTS

On December 1, 2017, the City of Arlington issued Water and Wastewater System Revenue Bonds Series 2017B (TWDB) for $11,445,000 to fund the approved TWDB project schedule. The interest rate on the bonds range from .25 to 1.45% and the maturity date is June 1, 2037.

APPENDIX C

FORMS OF BOND COUNSEL OPINION

[Form of Bond Counsel Opinion]

[Date]

$54,200,000
CITY OF ARLINGTON, TEXAS
PERMANENT IMPROVEMENT BONDS
SERIES 2018

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

> CITY OF ARLINGTON, TEXAS PERMANENT IMPROVEMENT BONDS SERIES 2018, dated May 15, 2018 in the principal amount of $54,200,000.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance").

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer 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; and

(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.

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; 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.

In providing such opinions, we have relied on representations of the City, the City's financial advisors and the Underwriters of the Bonds with respect to matters solely within the knowledge of the City, the City's financial advisors 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 excludability of interest on the Bonds from gross income for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the City 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 receipt or accrual of interest on, or acquisition, ownership 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, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit 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).

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 City as the taxpayer. We observe that the City 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.

[Form of Bond Counsel Opinion]

[Date]

$5,060,000
CITY OF ARLINGTON, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2018

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

> CITY OF ARLINGTON, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018, dated May 15, 2018, in the principal amount of $5,060,000.
>
> The Certificates mature, bear interest, and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance").

WE HAVE represented the Issuer as its bond counsel for the purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates 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 Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates 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 Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer, 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 Certificates. We have examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of Treasury regulations, and rulings of the Internal Revenue

Service (the "Service") as we have deemed relevant. We have also examined executed Certificate 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 Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding obligations of the Issuer; and

(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 Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Certificates, does not exceed any constitutional, statutory or other limitations. In addition, the Certificates are further secured by a limited pledge of the surplus net revenues of the Issuer's water and wastewater system as provided in the Ordinance.

THE RIGHTS OF THE OWNERS of the Certificates 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 Certificates is excludable from gross income for federal income tax purposes under existing law; and

(2) The Certificates are not "private activity bonds" within the meaning of the Code, and, as such, interest on the Certificates is not subject to the 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 excludability of interest on the Certificates from gross income for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing covenants of the Ordinance, interest on the Certificates could become includable in gross income from the date of the original delivery of the Bonds, 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 receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates.

Owners of the Certificates 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, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax 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 Certificates).

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 Certificates. 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 Certificates as includable in gross income for federal income tax purposes.

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