OFFICIAL STATEMENT DATED MAY 17, 2022

NEW ISSUE/Book-Entry Only

RATINGS:
Moody's: Aa1
Standard & Poor's: AAA
Fitch: AAA
See "OTHER INFORMATION – RATINGS" herein.

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

***THE BONDS HAVENOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS*.**

$9,525,000
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
Municipal Drainage Utility System Revenue Bonds, Series 2022

Dated: May 15, 2022 **Due: June 1, as shown on inside of cover page**
Interest to accrue from the Delivery Date.

PAYMENT TERMS…Interest on the $9,525,000 City of Arlington, Texas, Municipal Drainage Utility System Revenue Bonds, Series 2022 (the "Bonds") will accrue from the date of their delivery to the Initial Purchaser (the "Delivery Date") and will be payable on June 1 and December 1 of each year commencing December 1, 2022 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE…The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 552, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code, as amended and an ordinance (the "Bond Ordinance") adopted by the City Council on February 22, 2022 authorizing the issuance of the Bonds in which the City Council delegated pricing of the Bonds to an Authorized Officer who approved a pricing certificate (the "Pricing Certificate" which together with the Bond Ordinance is referred to herein as the "Ordinance") which contains the final terms of sale and completes the sale of the Bonds. The Bonds are special obligations of the City of Arlington (the "City") and, together with the Previously Issued Bonds and any Additional Bonds, (each defined in the Ordinance), are payable, as to principal and interest, solely from and secured by a lien on and pledge of the Revenues (as defined herein) of the City's Municipal Drainage Utility System (the "System"). The Bonds shall not be a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create any lien or mortgage on the System and any judgment against the City may not be enforced by the levy and execution against the property owned by the City.

PURPOSE…Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to pay the costs of drainage improvements, including the acquisition and construction of equipment and facilities for the System and (ii) to pay costs of issuance associated with the sale of the Bonds.

REDEMPTION…The City reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION").

The Bonds maturing on June 1 in each of the years 2034, 2036, 2038, 2040 and 2042 (collectively, the "Term Bonds") are subject to mandatory sinking fund redemption (see "THE BONDS – MANDATORY SINKING FUND REDEMPTION").

LEGALITY…The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser, and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Dallas, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion"). Certain matters will be passed upon for the City by West & Associates, L.L.P., Dallas, Texas, Disclosure Counsel.

DELIVERY…It is expected that the Bonds will be available for delivery through DTC on June 7, 2022.

Municipal Drainage Utility System Revenue Bonds, Series 2022

Maturity Schedule

(June 1) Maturity	Amount	Rate	Yield	CUSIP [1]
2023	$ 480,000	5.000%	2.200%	041838FJ7
2024	480,000	5.000%	2.500%	041839FK4
2025	480,000	5.000%	2.700%	041840FL2
2026	480,000	5.000%	2.750%	041841FM0
2027	480,000	5.000%	2.850%	041842FN8
2028	475,000	5.000%	3.000%	041843FP3
2029	475,000	5.000%	3.150%	041844FQ1
2030	475,000	5.000%	3.220%	041845FR9
2031	475,000	5.000%	3.300%	041846FS7
2032	475,000	5.000%	3.400%	041847FT5

$ 950,000 5.00% Term Bond Due on June 1, 2034 Priced to Yield 3.50% CUSIP Number: 041838FU2 [2]

$ 950,000 5.00% Term Bond Due on, June 1, 2036 Priced to Yield 3.60% CUSIP Number: 041838FV0 [2]

$ 950,000 5.00% Term Bond Due on June 1, 2038 Priced to Yield 3.65% CUSIP Number: 041838FW8 [2]

$950,000 4.00% Term Bond Due on June 1, 2040 Priced to Yield 4.119% CUSIP Number: 041838FX6

$950,000 4.00% Term Bond Due on June 1, 2042 Priced to Yield 4.148% CUSIP Number: 041838FY4

(Interest to accrue from date of initial delivery)

(1) CUSIP numbers will be 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, which is managed on behalf of the American Bankers Association by FactSet Research Systems. 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 nor the Financial Advisor shall be 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 June 1, 2032, the first optional redemption date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

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This Official Statement, which includes the cover pages, tables, 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 as having been authorized by the City, the Initial Purchaser or any other person. 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 BONDS 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 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS 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 tables, 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.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or hyperlinks contained therein are not incorporated into, and are not part of, this official statement for any purpose.

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OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Arlington, Texas (the "City"), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.5 square miles, operates under a Council-Manager form of government (see "INTRODUCTION – DESCRIPTION OF THE CITY" and APPENDIX A – "General Information Regarding the City").
THE BONDS	The $9,525,000 City of Arlington, Texas, Municipal Drainage Utility System Revenue Bonds, Series 2022, dated May 15, 2022, are issued as serial bonds maturing June 1 in each of the years 2023 through 2032, inclusive, and term bonds maturing on June 1 in the years 2034, 2036, 2038, 2040, and 2042.(see "THE BONDS - DESCRIPTION OF THE BONDS").
PAYMENT OF INTEREST	Interest on the Bonds accrues from the Delivery Date (as defined on the cover page) and will be paid on December 1, 2022 and on each June 1 and December 1 thereafter until the earlier of maturity or prior redemption. (see "THE BONDS - DESCRIPTION OF THE BONDS" and "THE BONDS – OPTIONAL REDEMPTION" and "THE BONDS -MANDATORY SINKING FUND REMEPTION").
AUTHORITY FOR ISSUANCE	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 552, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, and an ordinance adopted by the City Council on February 22, 2022 authorizing the issuance of the Bonds (the "Bond Ordinance") in which the City Council delegated pricing of the Bonds to an Authorized Officer who approved a pricing certificate (the "Pricing Certificate," and together with the Bond Ordinance, the "Ordinance") which contains the final terms of the sale and completes the sale of the Bonds (see "THE BONDS – AUTHORITY FOR ISSUANCE").
SECURITY FOR THE BONDS	The Bonds constitute special obligations of the City and together with the Previously Issued Bonds and any Additional Bonds (each as defined in the Ordinance), are payable as to principal and interest solely from and secured by a lien on and pledge of the Revenues (defined herein) of the City's Municipal Drainage Utility System (the "System") (see "SELECTED PROVISIONS OF THE ORDINANCE – DEFINITIONS"). **The Bonds are not general obligations of the City, Tarrant County or the State of Texas. Neither the full faith and credit nor the taxing power of the City, Tarrant County or the State of Texas is pledged to the payment of the Bonds.**
REDEMPTION	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION"). The Bonds maturing on June 1 in each of the years 2034, 2036, 2038, 2040 and 2042 (collectively, the "Term Bonds") are subject to mandatory sinking fund redemption (see "THE BONDS – MANDATORY SINKING FUND REDEMPTION").
TAX EXEMPTION	In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, (the "Code")and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS," for a discussion of the opinion of Bond Counsel.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to pay the costs of drainage improvements, including the acquisition and construction of equipment and facilities for the System and (ii) to pay costs of issuance associated with the sale of the Bonds.
RATINGS	The Bonds have been rated Aa1" by Moody's Investors Service, Inc. ("Moody's), "AAA" by S &P Global Ratings, a division of S&P Global Inc. ("S&P") and "AAA" by Fitch Ratings ("Fitch"). The City's presently Outstanding System revenue supported debt has underlying ratings of "Aa1" by Moody's, "AAA" by S&P, and "AAA" by Fitch (see "OTHER INFORMATION – RATINGS").

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

PAYMENT RECORD .... The City has never defaulted on its revenue obligations.

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

SELECTED FINANCIAL INFORMATION

	Drainage Fee Revenue History				
	2021 (1)	2020	2019	2018	2017
Residential	$ 10,768,801	$ 10,290,061	$ 9,507,434	$ 8,794,458	$ 7,990,445
Commercial	9,757,611	9,248,937	8,424,942	7,589,570	6,901,797
Total	$ 20,526,412	$ 19,538,998	$ 17,932,376	$ 16,384,028	$ 14,892,242

	Number of Accounts				
	2021	2020	2019	2018	2017
Residential	98,494	98,182	96,961	96,361	95,981
Commercial	5,453	5,436	5,395	5,632	5,348
Total	103,947	103,618	102,356	101,993	101,329

(1) Source: The City's Annual Report Updating Financial Information and Operating Data for Fiscal Year Ending September 30, 2021.
(2) The Bonds will be secured by a gross pledge on the Revenues.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires		Occupation
Jim Ross Mayor	1 year	May, 2023		Attorney
Barbara Odom-Wesley Council Member	3 Years	May, 2023		Healthcare Professional, Retired
Bowie Hogg Council Member	Newly Eelected	May, 2024		
Ruby Faye Woolridge Council Member	3 Years	May, 2022	(1)	Educator, Retired
Helen Moise Council Member	2 Years	May, 2024		Financial and Asset Manager, Retired
Raul Gonzalez Council Member	2 Years	May, 2024		Administrator
Nikki Hunter Council Member	1 year	May, 2023		Healthcare Administration
Andrew Piel Council Member	3 Years	May, 2023		Attorney
Rebecca Boxall Council Member	1 year	May, 2023		Architect

(1) Runoff election for Council Member place 6 will be held on June 18, 2022.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Employment with City
Trey Yelverton	City Manager	29
Lemuel Randolph	Deputy City Manager	8
Jennifer Wichmann	Deputy City Manager	18
Kathleen Depweg	Interim Director of Finance	29
Teris Solis	City Attorney	31
Alex Busken	City Secretary	4

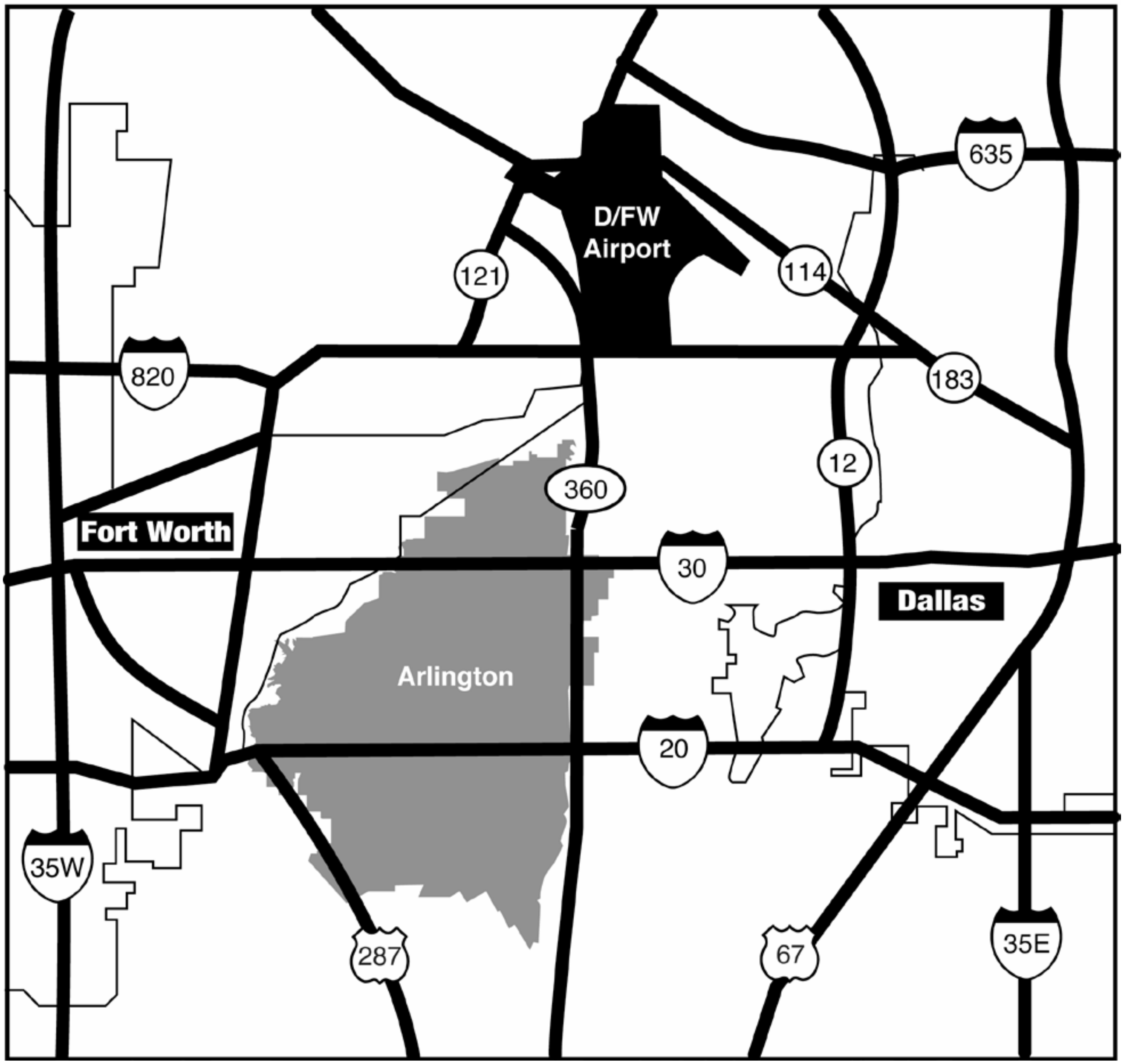
CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

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. Ethan Klos City of Arlington 101 W. Abram Street, 3rd Floor Arlington, Texas 76010 (817) 459-6303	or	Mr. Dave Gordon Estrada Hinojosa & Company, Inc. 600 N. Pearl Street, Suite 2100 Dallas, Texas 75201 (214) 658-1670

Dallas/Fort Worth/Arlington Metropolitan Area



OFFICIAL STATEMENT

RELATING TO

CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)

$9,525,000
Municipal Drainage Utility System Revenue Bonds, Series 2022

INTRODUCTION

This Official Statement, which includes and Appendices hereto, provides certain information regarding the issuance of $9,525,000 City of Arlington, Texas Municipal Drainage Utility System Revenue Bonds, Series 2022 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined) authorizing the issuance of the Bonds, except as otherwise indicated herein. Reference is made to "SELECTED PROVISIONS OF THE ORDINANCE" which contain defined terms and selected provisions of the Ordinance that is summarized under "THE BONDS."

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 fees 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 "OTHER INFORMATION - FORWARD-LOOKING STATEMENTS DISCLAIMER").

DESCRIPTION OF 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, had a 2020 census population of 394,266. The City operates as a home-rule city under a Council-Manager form of government as established by its home rule city charter in which the Mayor and nine member City Council (the "Council" or "City Council") serve as the legislative body. 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 of the seats and provide 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 the System (defined herein) as a self-supporting enterprise funds. The City has leased operation of the landfill to Republic Services since 2005.

PLAN OF FINANCING

PURPOSE…Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to pay the costs of drainage improvements, including the acquisition and construction of equipment and facilities for the System and (ii) to pay costs of issuance associated with the sale of the Bonds.

SOURCES AND USES OF PROCEEDS…The proceeds from the sale of the Bonds will originate and be applied approximately as follows:

Sources:	
Par amount of the Bonds	$ 9,525,000.00
Premium	634,200.28
Total Sources of Funds	$ 10,159,200.28
Uses:	
Deposit to Project Fund	$ 10,000,000.00
Costs of Issuance	159,200.28
Total Uses of Funds	$ 10,159,200.28

THE BONDS

DESCRIPTION OF THE BONDS… The Bonds are dated May 15, 2022 (the "Dated Date"), and mature on June 1 in each of the years and in the amounts shown on page ii hereof. Interest will accrue from the Delivery Date and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 1 and December 1, commencing December 1, 2022 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE…The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 552, Texas Local Government Code, as amended (the "Act"), and Chapter 1371, Texas Government Code, as amended and an ordinance (the "Bond Ordinance") adopted by the Council on February 22, 2022 authorizing the issuance of the Bonds in which the City delegated pricing of the Bonds to an Authorized Officer who approved a pricing certificate (the "Pricing Certificate" which together with the Bond Ordinance is referred to herein as the "Ordinance") which contains the final terms of sale and completed the sale of the Bonds. The Bonds are special obligations of the City and, together with the Previously Issued Bonds and any Additional Bonds, each as defined in the Ordinance, are payable as to principal and interest, solely from and secured by a lien on and pledge of the Revenues of the City's Municipal Drainage Utility System (the "System"). (See "SELECTED PROVISIONS OF THE ORDINANCE" herein.)

As of June 7, 2022, the City will have the following outstanding Previously Issued Bonds secured by and payable from Revenues on parity with the Bonds as follows:

Issue	Dated Date	Outstanding Principal Amount
Municipal Drainage Utility System Revenue Bonds, Series 2017	6/1/2017	$ 6,745,000
Municipal Drainage Utility System Revenue Bonds, Series 2018	6/1/2018	4,405,000
Municipal Drainage Utility System Revenue Bonds, Series 2019	5/1/2019	5,755,000
Municipal Drainage Utility System Revenue Bonds, Series 2020A	5/1/2020	8,855,000
Municipal Drainage Utility System Revenue Refunding Bonds, Series 2020B	5/1/2020	11,805,000
Municipal Drainage Utility System Revenue Refunding Bonds, Series 2021	5/1/2021	7,970,000
The Bonds	6/1/2022	9,525,000
Total		$ 55,060,000

The Bonds are not a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except with respect to the Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City.

The Ordinance establishes a Reserve Fund, but such Reserve Fund is not required to be funded and maintained unless Revenues are less than 2.00 times the maximum annual debt service requirements on the Previously Issued Bonds, the Bonds plus any Additional Bonds (the "Reserve Fund Requirement"). If the City funds a Reserve Fund, it will be funded by (i) depositing Revenues of the System to the Reserve Fund over a period of 60 months, (ii) depositing proceeds from the sale of Additional Bonds, (iii) depositing to the credit of the Reserve Fund, to the extent permitted by law, one or more Credit Facilities (defined herein), or (iv) depositing any combination of Revenues, Additional Bond proceeds or Credit Facilities. (See "SELECTED PROVISIONS OF THE ORDINANCE"). To the extent permitted by, and in accordance with applicable law and upon approval of the Attorney General of the State of Texas, the City may substitute a Credit Facility for cash or investment securities on deposit in the Reserve Fund or in substitution or replacement of any existing Credit Facility. The Reserve Fund Requirement will be determined annually and at the time of the issuance of any Additional Bonds. See "Table 5 – Pro Forma Coverage".

PLEDGED REVENUES . . . All of the Revenues, with the exception of those in excess of the amounts required to establish and maintain the Bond Fund and the Reserve Fund, are irrevocably pledged for the payment of the Previously Issued Bonds and any Additional Bonds and interest thereon. The Previously Issued Bonds, the Bonds and the Additional Bonds, if issued, shall be equally and ratably secured by a lien upon and pledge of the Revenues.

The term "Revenues" is defined as "all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding impact fees and gifts restricted as to use and federal or state grants for construction of drainage system facilities) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts established and maintained for the payment and security of the Parity Bonds and other obligations payable solely from and secured only by a lien on and pledge of the Revenues of the System (See "SELECTED PROVISIONS OF THE ORDINANCE").

The City has covenanted in the Ordinance, while any of the Previously Issued Bonds, the Bonds or Additional Bonds (together, the "Parity Bonds") are Outstanding, to establish, maintain and impose drainage charges for services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to be sufficient to: (i) produce revenues each year in an amount reasonably anticipated to be not less than 1.10 times the maximum annual principal and interest requirements of the Previously Issued Bonds, the Bonds and Additional Bonds then Outstanding (ii) make any required deposits to the Reserve Fund and any contingency fund created for payment and security of the Parity Bonds, (iii) pay all Operating and Maintenance Expenses of the System and (iv) pay all other indebtedness payable from and/or secured in whole or in part by a lien on and pledge of the Revenues of the System (See "SELECTED PROVISIONS OF THE ORDINANCE").

ADDITIONAL BONDS . . . In the Ordinance, the City reserves the right to issue Additional Bonds payable from and equally and ratably secured by a parity lien on and pledge of the Revenues subject to satisfying certain terms and conditions including obtaining a certificate or opinion from a certified public accountant to the effect that, according to the books and records of the City, the Revenues received by the City for the last completed Fiscal Year or for any twelve consecutive months out of the eighteen months immediately preceding the month in which the ordinance authorizing the issuance of the Additional Bonds is passed were equal to 1.25 times the maximum annual debt service for all Outstanding Parity Bonds after giving effect to the issuance of the Additional Bonds then being issued (See "SELECTED PROVISIONS OF THE ORDINANCE").

OPTIONAL REDEMPTION…The City has reserved the right at its option to redeem the Bonds scheduled to mature on and after June 1, 2033 prior to their scheduled maturities, in whole or in part, on June 1, 2032, or on any date thereafter, at par plus accrued interest to the date fixed for redemption in principal amounts of $5,000 or any integral multiple thereof. If less than all of the Bonds are to be redeemed the City reserves the right to determine the maturity or maturities and the amounts thereof to be redeemed and if less than a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot which of the Bonds of such maturities, or portions thereof, shall be redeemed. If any Bond (or portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bonds (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION… The Bonds maturing on June 1 in each of the years 2034, 2036, 2038, 2040 and 2042 (collectively, the "Term Bonds"), are subject to mandatory redemption in part prior to maturity on June 1, in the years shown below at 100% of the principal amount thereof plus accrued interest to the date of redemption from payments into the Interest and Sinking Fund which are required to be made in amounts sufficient to redeem on June 1 of each year the principal amount of such Term Bonds as follows:

$950,000
Term Bonds
Stated to Mature
on June 1, 2034

Year		Principal Amount
2033		$ 475,000
2034	(maturity)	475,000

$950,000
Term Bonds
Stated to Mature
on June 1, 2036

Year		Principal Amount
2035		$ 475,000
2036	(maturity)	475,000

$950,000
Term Bonds
Stated to Mature
on June 1, 2038

Year		Principal Amount
2037		$ 475,000
2038	(maturity)	475,000

$950,000
Term Bonds
Stated to Mature
on June 1, 2040

Year		Principal Amount
2039		$ 475,000
2040	(maturity)	475,000

$950,000
Term Bonds
Stated to Mature
on June 1, 2042

Year		Principal Amount
2041		$ 475,000
2042	(maturity)	475,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the City, by the principal amount of such Term Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the City, at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not therefore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION…Not less than 30 days prior to any redemption date, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class postage prepaid, to each 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 such notice. The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. 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 BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE… The City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either by (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium if any, and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. 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 Bonds. If any of such Bonds 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. Upon such deposit as described above, such Bonds shall no longer be regarded to be Outstanding or unpaid.

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

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

BOOK-ENTRY-ONLY SYSTEM …*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name.* ***The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement.*** *The City and the Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The City and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC, 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, 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 is the holding company for DTC, the 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 securities. 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, and 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+ from S&P Global Ratings. 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.

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

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

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

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

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

Payment of redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent/Registrar, on the 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, Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and 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 Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT… In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the 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, the Financial Advisor or the Initial Purchaser.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM…In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the City, printed bonds will be issued to the respective holders of the Bonds, as the case may be, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance, summarized under "THE BONDS- Registration" below.

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

For so long as DTC is the securities depository for the Bonds, then "Owner" shall refer solely to DTC. In the event that DTC is no longer the securities depository for the Bonds, the term "Owner" shall refer to a successor securities depository or the Beneficial Owners of the Bonds which are shown as registered Owners on the registration books of the Paying Agent/Registrar. Principal of the Bonds will be payable to the Owner at maturity or prior redemption upon presentation to the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the Owners as shown on the records of the Paying Agent/Registrar on the fifteenth calendar day of the month preceding such interest payment date (the "Record Date"), or by such other customary banking arrangements, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Future Registration. In the event that DTC is no longer the securities depository for the Bonds and a successor securities depository is not appointed by the City, printed Bond certificates shall be delivered to the Owners thereof and thereafter, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar and such registration shall be at the expense of the City except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by execution of an assignment form on the Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned Bond in accordance with the provisions of the Ordinance. Such new Bonds must be in the denomination of $5,000 for any one maturity or any integral multiple thereof and for a like aggregate designated amount as the Bond surrendered for exchange or transfer. The last assignee's claim of title to the Bond must be proved to the satisfaction of the Paying Agent/Registrar. See “Book-Entry Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bonds called for redemption, in whole or in part, within 45 days of the date fixed for redemption provided however, such limitation of transfer shall be applicable to an exchange by the registered owner of the uncalled balance of the Bond.

PAYING AGENT/REGISTRAR…The initial Paying Agent/Registrar is Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar’s records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or 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/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

HOLDERS’ REMEDIES. . . The Ordinance authorizing the issuance of the Bonds establishes the following events of default with respect to the Bonds: (i) defaults in payments to be made to the Bond Fund or the Reserve Fund as required by the Ordinance, (ii) an order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the City any relief under any Applicable Law, or any other court having valid jurisdiction shall issue an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the City of any substantial part of its property, affairs or assets, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance. Except for the remedy of mandamus to enforce the City’s covenants, conditions and obligations under the Ordinance, the Ordinance does not establish other remedies. Under State law, there is no right to the acceleration of maturity of the Bonds upon an event of default under the Ordinance. 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 Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to enforce the City's covenants, conditions and obligations of the City. 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 under the Ordinance 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 Bonds or covenants in the Ordinance. 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.

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) (Wasson I) 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. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify Wasson I, Wasson Interests, Ltd. v. City of Jacksonville, 559 S.W.3d 142 (Tex. 2018) ("Wasson II" and, together with Wasson I, "Wasson"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. 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. 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. 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, as amended, ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City has not waived sovereign immunity in the proceedings authorizing the Bonds.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source or revenues, such as the Revenues, such provision is subject to judicial interpretation. 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 Bondholders 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 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. In addition, while the City has covenanted to secure the Bonds by a lien on the Revenues, Bond Counsel will opine only that a valid and enforceable lien has been granted on the Revenues. Bond Counsel has not been requested to, and has not, rendered any opinion as to the priority status of the pledge of the Revenues.

THE SYSTEM

MUNICIPAL DRAINAGE UTILITY SYSTEM … The Act provides the authority for municipalities to establish a municipal drainage utility system and to develop a schedule of charges within the City. This enabling legislation was created in order to provide municipalities a funding source to address public health and safety in municipalities from loss of life and property by surface water overflows, surface water stagnation, and pollution arising from nonpoint source runoff within the boundaries of an established surface area.

The City established the System in August 1990, to protect the public health and safety from loss of life and property caused by surface water overflows and surface water stagnation.

DRAINAGE UTILITY CHARGES AND BILLING … The City charges "Stormwater" fees in support of the System. The current stormwater fee structure and rates became effective on November 1, 2014. The current residential fee structure is described in the "Table 1 - Residential Monthly Drainage Utility Fee Rates". Commercial property owners are charged based on an impervious area calculation shown on "Table 1 – Residential Monthly Drainage Utility Fee Rates". A stormwater fee is added to each monthly utility bill pursuant to the Act. The City has the authority to impose stormwater fees by ordinance without limitation.

RESIDENTIAL PROPERTY… Residential parcels include any benefited property platted, zoned or used for residential development including single family, duplex, triplex, quadraplex, town homes, manufactured homes or other improved parcel upon which buildings contain less than five dwelling units. Residential parcels will be billed based on one Equivalent Residential Unit ("ERU") at the scheduled rate, for the number of dwelling units. Based on a study of Arlington residential property, the average square feet of impervious surface is 2,800, referred to as an ERU.

TABLE 1 – RESIDENTIAL MONTHLY DRAINAGE UTILITY FEE RATES [(1)]

The fee structure for future and historical rates are as follows:

Date of Rate Change	Flat Rate
October 1, 2010	$ 4.25
October 1, 2011	4.25
October 1, 2012	4.25
October 1, 2013	4.25
November 1, 2014	4.75
October 1, 2015	5.25
October 1, 2016	5.75
October 1, 2017	6.25
October 1, 2018	6.75
October 1, 2019	7.25
October 1, 2020	7.50
October 1, 2021	8.00

(1) Source: Public Works & Transportation Department. Commercial rate is calculated using the residential rate multiplied by the current ERU. The minimum ERU is 1.0.

COMMERCIAL PROPERTY… Every commercial property owner pays the same unit rate based on the amount of impervious area on the property. Impervious area is defined as a surface that is resistant to infiltration by water. Several examples of impervious area include asphalt or concrete pavement, parking lots, driveways, sidewalks and buildings.

Non-residential parcels include all benefited property that is not defined as residential by the Stormwater Drainage ordinance, including commercial, industrial, institutional, multi-family and governmental property. The monthly fee for non-residential parcels is determined by dividing impervious area square footage by 2,800 square feet and multiplying by the current rate – the result shall be a minimum of 1.0 ERU for each non-residential account.

OTHER DRAINAGE UTILITY FEE INFORMATION…Failure to pay drainage utility fees promptly when due shall subject users to discontinuance of any utility services provided by the City. Apartments are considered non-residential for the purpose of the calculation of the stormwater fee. Any non-residential property on which mitigation measures have been taken may be eligible for a credit to the stormwater fee. The Director of Public Works and Transportation shall adjust the fee for such properties according to the actual mitigative effect of the measures taken. Adoption and adherence to Best Management Practices that were required by the City as part of development plan approval will not be eligible for such credits. No free service of the System shall be allowed for non-governmental entities.

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DRAINAGE FEE HISTORY…The following table details stormwater fee revenue history for the last five years.

TABLE 2 – DRAINAGE FEE REVENUE AND ACCOUNT HISTORY [(1)]

	Drainage Fee Revenue History				
	2021	2020	2019	2018	2017
Residential	$ 10,768,801	$ 10,290,061	$ 9,507,434	$ 8,794,458	$ 7,990,445
Commercial	9,757,611	9,248,937	8,424,942	7,589,570	6,901,797
Total	$ 20,526,412	$ 19,538,998	$ 17,932,376	$ 16,384,028	$ 14,892,242

	Number of Accoun	Number of Accounts			
	2021	2020	2019	2018	2017
Residential	98,494	98,182	96,961	96,361	95,981
Commercial	5,453	5,436	5,395	5,632	5,348
Total	103,947	103,618	102,356	101,993	101,329

(1) Source: Public Works & Transportation Department. Amounts do not include interest.

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TABLE 3 - MUNICIPAL DRAINAGE UTILITY SYSTEM DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the Previously Issued Bonds and the Bonds.

Fiscal Year Ended 9/30	Previously Issued Bonds Existing Debt Service [1]			The Bonds [2]			Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2022	$ 3,490,000	$ 1,453,956	$ 4,943,956	$ -	$ -	$ -	$ 4,943,956	
2023	3,455,000	1,393,171	4,848,171	480,000	449,629	929,629	5,777,800	
2024	3,400,000	1,292,721	4,692,721	480,000	433,250	913,250	5,605,971	
2025	3,350,000	1,192,311	4,542,311	480,000	409,250	889,250	5,431,561	
2026	3,315,000	1,081,371	4,396,371	480,000	385,250	865,250	5,261,621	32.33%
2027	3,285,000	976,099	4,261,099	480,000	361,250	841,250	5,102,349	
2028	3,255,000	867,524	4,122,524	475,000	337,250	812,250	4,934,774	
2029	3,220,000	755,749	3,975,749	475,000	313,500	788,500	4,764,249	
2030	3,185,000	647,829	3,832,829	475,000	289,750	764,750	4,597,579	
2031	3,150,000	544,994	3,694,994	475,000	266,000	741,000	4,435,994	63.89%
2032	1,975,000	445,031	2,420,031	475,000	242,250	717,250	3,137,281	
2033	1,975,000	381,581	2,356,581	475,000	218,500	693,500	3,050,081	
2034	1,975,000	322,688	2,297,688	475,000	194,750	669,750	2,967,438	
2035	1,970,000	263,450	2,233,450	475,000	171,000	646,000	2,879,450	
2036	1,970,000	207,950	2,177,950	475,000	147,250	622,250	2,800,200	84.79%
2037	1,970,000	151,200	2,121,200	475,000	123,500	598,500	2,719,700	
2038	1,520,000	98,038	1,618,038	475,000	99,750	574,750	2,192,788	
2039	1,245,000	58,938	1,303,938	475,000	76,000	551,000	1,854,938	
2040	905,000	28,850	933,850	475,000	57,000	532,000	1,465,850	
2041	415,000	8,300	423,300	475,000	38,000	513,000	936,300	99.19%
2042	-	-	-	475,000	19,000	494,000	494,000	100.00%
	$ 49,025,000	$ 12,171,750	$ 61,196,750	$ 9,525,000	$ 4,632,129	$ 14,157,129	$ 75,353,879	

(1) Total may not match annual disclosure statements due to rounding.

(2) Calculated at the assumed rate for purposes of Illustration.

HISTORICAL FINANCIAL INFORMATION…The following two tables present five-year historical information, coverage and fund balances for the System. Unless otherwise noted, all information is derived from the City's Comprehensive Annual Financial Reports.

TABLE 4- MUNICIPAL DRAINAGE UTILITY SYSTEM CONDENSED SCHEDULE OF OPERATIONS

	Fiscal Year Ending September 30,				
	2021 [2]	2020	2019	2018	2017
Revenues					
Service Charges	$ 20,526,000	$ 19,650,000	$ 18,014,000	$ 16,384,000	$ 15,011,000
Interest Revenue	121	-	365,000	250,000	175,000
Net Increase (decrease) in the fair value of investments	(35)	68,000	238,000	(121,000)	(71,000)
Other Income	(990)	(2,631,000)	(337,000)	(399,000)	(438,000)
Total Revenues [1]	$ 19,622,000	$ 17,087,000	$ 18,280,000	$ 16,114,000	$ 14,677,000
Expenses					
Salaries and Wages	$ 2,699,000	$ 2,397,000	$ 2,105,000	$ 2,028,000	$ 1,875,000
Employees' Retirement	258,000	355,000	338,000	304,000	270,000
Supplies	60,000	53,000	61,000	72,000	64,000
Maintenance and Repairs	485,000	275,000	349,000	365,000	429,000
Utilities	19,000	17,000	22,000	21,000	20,000
Miscellaneous Services	752,000	1,193,000	722,000	1,113,000	783,000
Total Operating Expenses Before Depreciation	$ 4,273,000	$ 4,290,000	$ 3,597,000	$ 3,903,000	$ 3,441,000
Net Revenues of the System	15,349,000	12,797,000	14,683,000	12,211,000	11,236,000
Transfers in/(out)	655,000	(1,504,000)	(904,000)	(1,785,000)	(1,164,000)
Capital Outlay	-	-	-	-	-
Net Remaining Revenues Available for Debt Service	16,004,000	11,293,000	13,779,000	10,426,000	10,072,000
Debt Service Paid	$ 4,337,000	$ 3,711,000	$ 3,189,000	$ 2,748,000	$ 2,102,000

(1) Bonds are secured by a gross pledge of these revenues.

(2) Unaudited

TABLE 5 – PRO FORMA COVERAGE [1]

Maximum Principal and Interest Requirements, 2023	$ 5,777,800
Coverage of Maximum Requirements by Fiscal Year End 09/30/21 Revenues	3.40X
Average Principal and Interest Requirements, 2022-2042	$ 3,742,994
Coverage of Average Requirements by Fiscal Year End 09/30/21 Revenues	5.24X

(1) Includes the Bonds.

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SELECTED PROVISIONS OF THE ORDINANCE

The following is a summary of certain provisions of the Bond Ordinance that authorizes the issuance of the Bonds. Such summary does not purport to be complete and reference should be made to the Ordinance for the complete provisions and the precise wording thereof. Copies of the Ordinance are available from the Department of Finance of the City of Arlington upon request.

The Previously Issued Bonds, the Bonds, and any Additional Bonds hereafter issued, are and shall be equally and ratably secured by and payable from a first lien on and pledge of the Revenues of the System.

DEFINITIONS

"Act" means Subchapter C of Chapter 552 of the Texas Local Government Code, as amended.

"Additional Bonds" means revenue bonds or other evidences of indebtedness issued or entered into, as the case may be, in the future in accordance with the terms and conditions provided in Section 9.02 of the Bond Ordinance and, by their terms, are equally and ratably secured by a parity lien on and pledge of the Revenues of the System.

"Bonds" means the "City of Arlington, Texas, Municipal Drainage Utility System Revenue Bonds, Series 2022" authorized by the Ordinance.

"Code" means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code, and (d) the Regulations promulgated under the provisions described in (b) and (c).

"Credit Facility" means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a rating agency having an outstanding rating on such obligations would rate such obligations which are fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a rating agency having an outstanding rating on the Bonds would rate the Bonds in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds and the interest thereon.

"Debt Service" means, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts required to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear, or would have borne, interest at a rate equal to the greater of: (i) the actual rate in effect on the date of calculation, (ii) the average variable rate for the 12 months preceding the date of calculation if the Outstanding obligations were subject to a variable rate during such 12-month period or (iii) (1) if interest on the indebtedness is excludable from gross income under the Code, the most recently reported Bond Buyer Revenue Bond Index rate as of the date of computation (or a comparable index if this index does not exist on such date), plus 50 basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities, plus 50 basis points; and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

"Operating and Maintenance Expenses" means all current expenses of operating and maintaining the System, including all salaries, labor, materials, and administrative costs, allocable under generally accepted accounting principles, to the System. Depreciation charges and other costs and disbursements which may be capitalized under generally accepted accounting principles shall not be considered Operating and Maintenance Expenses.

"Outstanding" means when used in Bond Ordinance with respect to the Previously issued Bonds, the Bonds or any Additional Bonds, as the case may be, as of the date of determination, all Previously Issued Bonds, the Bonds and any Additional Bonds theretofore sold, issued and delivered by the City, except:

(1) Previously Issued Bonds, the Bonds or any Additional Bonds cancelled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;

(2) Previously Issued Bonds, the Bonds or any Additional Bonds paid or deemed to be paid in accordance with the provisions of Section 9.09 of the Bond Ordinance ; and

(3) Previously Issued Bonds, the Bonds or any Additional Bonds that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof.

"Parity Bonds" means the Previously Issued Bonds, the Bonds and any Additional Bonds as the same may be from time to time Outstanding.

"Previously Issued Bonds" means the following outstanding bonds of the City:

(1) Municipal Drainage Utility System Revenue Bonds, Series 2017, authorized pursuant to an ordinance approved on June 13, 2017.

(2) Municipal Drainage Utility System Revenue Bonds, Series 2018, authorized pursuant to an ordinance approved on June 12, 2018.

(3) Municipal Drainage Utility System Revenue Bonds, Series 2019, authorized pursuant to an ordinance approved on April 23, 2019.

(6) Municipal Drainage Utility System Revenue Bonds, Series 2020A, authorized pursuant to an ordinance approved on April 28, 2020.

(7) Municipal Drainage Utility System Revenue Refunding Bonds, Series 2020B, authorized pursuant to an ordinance approved on April 28, 2020.

(8) Municipal Drainage Utility System Revenue Bonds, Series 2021, authorized pursuant to an ordinance approved on April 13, 2021.

"Reserve Fund Obligations" means cash or investment securities of any of the type or types permitted under Section 7.06 of the Bond Ordinance.

"Reserve Fund Requirement" means an amount equal to the maximum annual Debt Service on the Previously Issued Bonds, the Bonds plus any Additional Bonds.

"Revenues" means all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding impact fees and gifts restricted as to use and federal or state grants for construction of drainage facilities) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Parity Bonds and other obligations payable solely from and secured only by a lien on and pledge of the Revenues of the System.

"System" means all land, easements and interest in land, together with all structures, equipment and facilities used in draining benefitted property (within the meaning of the Act), including, but not limited to, bridges, catch basins, channels, conduits, creeks, culverts, detention ponds, ditches, draws, flumes, pipes, pumps, sloughs, treatment works, and appurtenances to those items, whether natural or artificial, or using force or gravity, that are used to draw off surface water from land, carry the water away, collect, store, or treat the water, or divert the water into natural or artificial watercourses.

PLEDGE OF SECURITY. The City hereby covenants and agrees that all of the Revenues of the System, with the exception of those in excess of the amounts required for the payment of the Parity Bonds, are hereby irrevocably pledged to the payment of the Previously Issued Bonds, the Bonds and Additional Bonds, if issued, and the interest thereon, including the establishment and maintenance of the special funds created and established by the Bond Ordinance, all as hereinafter provided. It is hereby ordained that such pledge of Revenues securing the payment of the Parity Bonds and interest thereon shall constitute a first lien on such Revenues of the System and be valid and binding and fully perfected from and after the date of adoption of the Bond Ordinance without physical delivery or transfer of control of the Revenues, the filing of the Bond Ordinance or any other act; all as provided in Chapter 1208 of the Texas Government Code.

RATES AND CHARGES. For the benefit of the Owners of the Previously Issued Bonds, the Bonds, and any Additional Bonds and in accordance with the provisions of the Act and other applicable laws of the State of Texas, the City hereby expressly stipulates and agrees, while any of the Previously Issued Bonds, the Bonds or any Additional Bonds are Outstanding, to establish, maintain and impose drainage charges for services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to be sufficient to:

(i) Produce revenues each year in an amount reasonably anticipated to be not less than 1.10 times the maximum annual principal and interest requirements of the Previously Issued Bonds, the Bonds and any Additional Bonds then Outstanding;

(ii) Make any required deposits to the Reserve Fund and any contingency fund created for the payment and security of the Previously Issued Bonds, the Bonds and any Additional Bonds;

(iii) Pay all other indebtedness payable from and/or secured in whole or in part by a lien on and pledge of the Revenues of the System; and

(iv) Pay all Operating and Maintenance Expenses of the System.

BONDS AS SPECIAL OBLIGATIONS. The Bonds are special obligations of the City payable from the pledged Revenues and the Owners thereof shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

FUNDS AND ACCOUNTS. All revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the following special funds, to be held by the City's depository bank, are hereby established:

"City of Arlington, Texas Municipal Drainage Utility System Fund," hereinafter called the "System Fund."

"City of Arlington, Texas Municipal Drainage Utility System Reserve Fund," hereinafter called the "Reserve Fund."

"City of Arlington, Texas Municipal Drainage Utility System Bond Fund," hereinafter called the "Bond Fund."

SYSTEM FUND. The City hereby covenants and agrees that the Revenues of the System (excluding earnings and income derived from investments held in the Bond Fund and the Reserve Fund) shall be deposited as collected to the credit of the System Fund. All revenues deposited in the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

> First: To the payment of the amounts required to be deposited in the Bond Fund for the payment of Debt Service on the Parity Bonds as the same becomes due and payable.
>
> Second: To the payment of the amounts required to be deposited in the Reserve Fund to maintain the Required Reserve in accordance with the provisions of the Bond Ordinance or any other ordinance relating to the issuance of the Previously Issued Bonds, the Bonds and any ordinance relating to the issuance of any Additional Bonds.

Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be transferred to the City's general fund or used for any lawful purpose, except to the extent such transfer or use is prohibited by Section 552.049 of the Act.

BOND FUND. Moneys on deposit in the Bond Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds as the same becomes due and payable. The City hereby covenants that there shall be deposited into the Bond Fund from the System Fund an amount sufficient to pay the principal of and interest on the Bonds when due, either at maturity or prior redemption. Deposits to the Bond Fund shall be made in substantially equal monthly installments on or before the 25th day of each month, beginning the month next following the delivery of the Bonds to the Purchaser.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Bond Fund and the Reserve Fund is equal to the amount required to fully pay and discharge all Outstanding Parity Bonds or (ii) the Bonds are no longer Outstanding.

Accrued interest received from the sale of the Bonds, as well as earnings derived from the investment of moneys in the Bond Fund, shall be deposited to the credit of the Bond Fund and taken into consideration in determining the amount of the monthly deposits hereinabove required to be deposited in the Bond Fund from the Revenues of the System.

RESERVE FUND. The City hereby establishes a debt service reserve fund (the "Reserve Fund") to secure principal of and interest on the Parity Bonds. Commencing on the 10th day of the month succeeding the Closing Date, and on the 10th day of each month thereafter, the City will deposit to the Reserve Fund such amounts in equal monthly installments to cause the Reserve Fund Obligations in the Reserve Fund to equal the Reserve Fund Requirement within 60 months of the date such deposits by the City begin. Upon issuance of Additional Bonds, it will increase, if necessary, and accumulate the amount to be deposited in the Reserve Fund in accordance with the requirements set forth in Section 9.02 of the Bond Ordinance. At its option, the City may choose to deposit proceeds of the Additional Bonds, in the form of cash or a Credit Facility, into the Reserve Fund upon their issuance in lieu of or in addition to making monthly deposits. For so long as the funds on deposit in the Reserve Fund are equal to amounts then required to be on deposit therein, no additional deposit need be made therein. In the event the Reserve Fund at any time contains less than the amount then required to be on deposit therein, then, subject and subordinate to making the required deposits to the credit of the Bond Fund, the City shall deposit to the Reserve Fund from the Revenues amounts equal to such deficiency; provided, however, the City shall cause any such deficiency to be cured by making monthly installments of at least 1/24th of any such deficiency on or before the 25th day of each month following a deficiency. The money on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Previously Issued Bonds, the Bonds and any Additional Bonds at any time there are not sufficient moneys on deposit in the Bond Fund.

The City may, at its option, withdraw all surplus in the Reserve Fund over the Reserve Fund Requirement and deposit the same in the System Fund; provided, however, that to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

For the purpose of determining compliance with the requirements of the Bond Ordinance, Reserve Fund Obligations shall be valued each year as of the last day of the City's fiscal year at their cost or market value, whichever is lower, except that any direct obligations of the United States (State and Local Government Series) held for the benefit of the Reserve Fund in book entry form shall be continuously valued at their par value or face principal amount. The City shall also determine when the Reserve Fund must be funded pursuant to the provisions of the Bond Ordinance on the last day of the City's fiscal year.

To the extent permitted by, and in accordance with applicable law and upon approval of the Attorney General of the State of Texas, the City may replace or substitute a Credit Facility for cash or investment securities, of any of the type or types permitted by Section 7.05 of the

Ordinance, on deposit in the Reserve Fund or in substitution or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or investment securities of any of the types permitted by Section 7.06 of the Bond Ordinance, on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Reserve Fund Requirement may be withdrawn by the City, at its option, and transferred to the Revenue Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which bond proceeds may be used. Any interest due on any reimbursement obligation under the Credit Facility shall not exceed the highest lawful rate of interest which may be paid by the City.

For the purpose of determining compliance with the requirements of the Bond Ordinance, Reserve Fund Obligations shall be valued each year as of the last day of the City's fiscal year at their cost or market value, whichever is lower, except that any direct obligations of the United States (State and Local Government Series) held for the benefit of the Reserve Fund in book-entry form shall be continuously valued at their par value or face principal amount.

If the City is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section, the City shall promptly notify the issuer of such Credit Facility of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or investment securities then on deposit in the Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency. In the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, equal to the Reserve Fund Requirement, then, after making required deposits to the Bond Fund, the City shall deposit to the Reserve Fund from the first available Revenues amounts necessary to satisfy the Reserve Fund Requirement; provided, however, the City shall cause any such deficiency to be cured by making monthly installments of at least 1/24th of the Reserve Fund Requirement on or before the 10th day of each month following such deficiency.

In the event of the redemption or defeasance of any of the Outstanding Previously Issued Bonds, the Bonds or Additional Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Reserve Fund Requirement may be withdrawn and transferred, at the option of the City, to the System Fund, as a result of (i) the redemption of the Bonds or Additional Bonds, or (ii) funds for the payment of the Outstanding Previously Issued Bonds, the Bonds or Additional Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in the Bond Ordinance, the result of such deposit being that such Outstanding Previously Issued Bonds, the Bonds or Additional Bonds no longer are deemed to be Outstanding under the terms of the Bond Ordinance. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

In the event there is a draw upon the Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw in accordance with the terms of any agreement pursuant to which the Credit Facility is issued from Revenues; however, such reimbursement from Revenues shall be subject to the provisions of the Ordinance, and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Bond.

Notwithstanding anything to the contrary contained herein, the requirement set forth in subsection (a) above to maintain the Reserve Fund Requirement in the Reserve Fund shall be suspended for such time as the Revenues for the next following Fiscal Year, calculated at the beginning of each Fiscal Year, are less than 2.00 times the maximum annual Debt Service requirements for Parity Bonds. In the event that the Revenues for the next following Fiscal Year are less than 2.00 times the maximum annual Debt Service requirements for Parity Bonds, the Issuer will be required to commence making deposits to the Reserve Fund, as provided in subsection (a) above, and to continue such deposits until the earlier of (i) such time as the Reserve Fund contains the Reserve Fund Requirement or (ii) the Revenues in the next completed Fiscal Year have been equal to not less than 2.00 times the maximum annual Debt Service requirements for Parity Bonds. Notwithstanding the provisions of subsection (a) above, if the Issuer commences deposits in the Reserve Fund and later is authorized to suspend payments into the fund under this section, any funds so accumulated may, at the discretion of the Issuer: (i) remain in the Reserve Fund or (ii) be used for any lawful purpose including additional projects or to pay debt service on the Bonds. At the time of issuance of the Bonds, the requirement set forth in subsection (a) above to maintain the Reserve Fund Requirement in the Reserve Fund shall be suspended for such time as the Revenues for the current Fiscal Year, calculated at the time of issuance of the Bonds, are equal to at least 2.00 times the maximum annual Debt Service requirements for the Bonds.

DEFICIENCIES, EXCESS REVENUES. If on any occasion there shall not be sufficient Revenues of the System to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Revenues of the System, or from any other sources available for such purpose.

Subject to making the required deposits to the Bond Fund and the Reserve Fund in accordance with the provisions of the Bond Ordinance, or any ordinance authorizing the issuance of any Additional Bonds, the excess Revenues may be transferred to the City's general operating fund or used by the City for any lawful purpose.

SECURITY OF FUNDS. Money in any Fund may, at the option of the City, be invested in funds and obligations authorized and identified in the Public Funds Investment Act, as amended or other applicable law; provided, however, the investment of moneys held in the Bond Fund and the Reserve Fund shall be restricted to time deposits or certificates of deposit secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or be invested, including investments held in book-entry form, in direct obligations of the United States of America and obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times and provided further the maximum stated maturity for any investment acquired with money in the Reserve Fund shall be limited to five (5) years from the date of the investment of such money. Such investments (except State and Local Government Series investments held in book-entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each ordinance authorizing the issuance of Additional Bonds. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 7.04 hereof, be credited to and deposited in the System Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Bonds.

PAYMENT OF BONDS. While any of the Bonds are Outstanding, the Director of Finance (or other designated financial officer of the City) shall cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the last business day next preceding the date of payment for the Bonds.

ISSUANCE OF ADDITIONAL PARITY BONDS. In addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue Additional Bonds, under and in accordance with the Bond Ordinance, for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding, in any lawful manner, any part or all of the Previously Issued Bonds, the Bonds or any Additional Bonds then Outstanding. The Additional Bonds shall be secured by and payable from a first lien on and pledge of the Revenues in the same manner and to the same extent as the Bonds; and the Bonds and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued under this Section in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met, to-wit:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the Previously Issued Bonds, the Bonds or any Additional Bonds;

(ii) Each of the special Funds created for the payment and security of the Previously Issued Bonds, the Bonds and any Additional Bonds then Outstanding contain the amount of money then required to be on deposit therein;

(iii) The Additional Bonds shall be scheduled to mature or be payable as to principal on June 1 or December 1 (or both) in each year the same are to be Outstanding or during the term thereof.

(iv) The City has secured a certificate or opinion of a Certified Public Accountant to the effect that, according to the books and records of the City, the Revenues for the last completed Fiscal Year, or for 12 consecutive months out of the 18 months immediately preceding the month in which the ordinance authorizing the issuance of the then proposed Additional Bonds is passed, are at least equal to 1.25 times the maximum annual Debt Service for all Outstanding Parity Bonds after giving effect to the issuance of the Additional Bonds then being issued. In making a determination of the Revenues, the Accountant may take into consideration a change in the charges for services afforded by the System that became effective at least 30 days prior to the last day of the period for which Revenues are determined and, for purposes of satisfying the above Revenues test, make a pro forma determination of the Revenues of the System for the period of time covered by his certification or opinion based on such change in charges being in effect for the entire period covered by the certificate or opinion of the Accountant.

(v) The ordinance authorizing the Additional Bonds (i) requires that deposits shall be made into the Bond Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and (ii) provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount equal to the Reserve Fund Requirement for all Bonds to be Outstanding after the issuance of said Additional Bonds. Such additional amount shall be so accumulated in not more than sixty months from the date of the Additional Bonds.

ADDITIONAL BONDS RESERVE FUND REQUIREMENT. Whenever Additional Bonds are issued, the amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount equal to the Reserve Fund Requirement for all Parity Bonds to be Bond Outstanding after the issuance of the Additional Bonds, if the Reserve Fund has been funded pursuant to the Ordinance. Such additional amount shall be so accumulated in equal monthly installments during a period not to exceed five years from the date of the Additional Bonds. The City may at its option choose to fund the Reserve Fund with a cash deposit of bond proceeds or with a Credit Facility.

ISSUANCE OF OBLIGATIONS OF INFERIOR LIEN AND PLEDGE. The City hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Revenues of the System, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Parity Bonds, as may be authorized by the laws of the State of Texas.

REFUNDING BONDS. The City reserves the right to issue refunding bonds to refund all or any part of the Parity Bonds (pursuant to any law then available) upon such terms and conditions as the Council of the City may deem to be in the best interest of the City and its inhabitants, and if less than all of such Parity Bonds then Outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Bonds) set forth in the Bond Ordinance shall be satisfied and the certificate or opinion of the Accountant required in Section 9.02 shall give effect to the Debt Service of the proposed refunding bonds (and shall not give effect to the Debt Service on the bonds being refunded following their cancellation or provisions being made for their payment). The City is not required to obtain a certificate or opinion of the Accountant or satisfy the requirements of the Bond Ordinance for a refunding that produces a net present value savings and lower debt service in each year of the refunded bonds.

Maintenance and Operation – Insurance. In regard to the operations and properties of the System, the City agrees to carry and maintain liability and property damage insurance of the kind and in the amounts customarily carried by municipal corporations in Texas on such kind of properties; provided, however, the City, in lieu of and/or in combination with carrying such insurance, may self-insure against all perils and risks by establishing self-insurance reserves. Annually each year, not later than the end of each Fiscal Year, the City shall prepare or cause to be prepared by a person competent and knowledgeable in such matters a written evaluation of the adequacy of such self-insurance and/or insurance coverage and of any recommended changes in regard to the City's insurance/self-insurance policies, practices and procedures.

Records – Accounts – Accounting Reports. The City hereby covenants, reaffirms and agrees that so long as any of the Bonds, or any interest thereon, remain Outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System separate and apart from all other records and accounts in which complete and correct entries shall be made of all transactions relating to said System, and that the holder or holders of any of such Bonds or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that within 60 days following the close of each Fiscal Year it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants, showing the receipts and disbursements for account of the System for the Fiscal Year.

Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

(i) A detailed statement of the income and expenditures of the System for such Fiscal Year.

(ii) A balance sheet as of the end of such Fiscal Year.

(iii) The Accountant's comments regarding the manner in which the City has carried out the requirements of the Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System.

(iv) A list of the insurance policies in force at the end of the Fiscal Year on the System properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer, and the policy's expiration date.

(v) A list of the securities which have been on deposit as security for the money in the Bond Fund throughout the Fiscal Year, a list of the securities, if any, in which the reserve portion has been invested, and a statement of the manner in which money in the System Fund has been secured in such Fiscal Year.

Expenses incurred in making the audits above referred to are to be regarded as maintenance and operating expenses and paid as such. Copies of the aforesaid annual audit shall be furnished to the original purchasers of the Bonds and any subsequent holder upon written request. At the close of the first six-month period of each Fiscal Year, the City Secretary is hereby directed to furnish a copy of an operating and income statement in reasonable detail covering such period to any bondholder upon written request therefor, received not more than 30 days after the close of said six-month period. Any Owner shall have the right to discuss with the Accountant making the annual audit the contents thereof and to ask for such additional information as he may reasonably require.

Sale or Lease of Properties. The City, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair value thereof, as determined by the Council of the City, any property of the System which is obsolete, damaged or worn out or otherwise unsuitable. The proceeds of any sale of properties of the System shall be deposited in the System Fund.

Special Covenants. The City further covenants and agrees by and through the Bond Ordinance as follows:

> (i) It has the lawful power to pledge the Revenues of the System to the payment of the Bonds to the extent provided herein and has lawfully exercised said power under the Constitution and laws of the State of Texas, including the Act, and that the Bonds issued hereunder, together with any Additional Bonds, shall be ratably secured in such manner that no one bond shall have preference over any other bond of said issues.
>
> (ii) The Revenues of the System have not been in any manner pledged or encumbered to the payment of any debt or obligation of the City or the System, save and except for the Bonds.
>
> (iii) To exercise and pursue with due diligence available remedies provided by law for the collection of delinquent drainage charges, including the power under Section 552.050 of the Act to discontinue all utility services, particularly water and sewer services provided by the City to a user of benefitted property who is delinquent in the payment of drainage charges.

Remedies in Event of Default. In addition to all rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City:

(i) Defaults in payments to be made to the Bond Fund or the Reserve Fund as required by the Bond Ordinance;

(ii) An order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the City any relief under any Applicable Law, or any other court having valid jurisdiction shall issue an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the City of any substantial part of its property, affairs or assets, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or

(iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with the Bond Ordinance, and the continuation thereof for a period of thirty days after notice of such default is given by any Owner to the City, the Owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the Bond Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Code and is not a specific preference item for purposes of the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of 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 Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of 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 and, in addition, will rely on representations by the City, the City's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon 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 Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

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

Tax Accounting Treatment of Original Issue Premium

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

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

Tax Accounting Treatment of Original Issue Discount

The issue price of a portion of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the respective cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City made the following agreement for the benefit of the owners and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. 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 5, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, within 12 months after the end of each fiscal year when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix 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, as amended (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Tables 1 through 5 by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

NOTICE OF CERTAIN EVENTS

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 Bonds: (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 Bonds, or other material events affecting the tax status of the Bonds; (7) Modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (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; (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

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; and the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines "Financial Obligation" as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The City shall also provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, notice of any failure by the City to provide annual financial information and notices pf material events in accordance with the agreement described under the "Annual Reports' and "Notice of Material Events" above.

All documents provided to the MSRB pursuant to this section shall be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

AVAILABILITY OF INFORMATION FROM MSRB

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

LIMITATIONS AND AMENDMENTS

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS

The City issued its Water and Wastewater System Revenue Bonds, Series 2019D in a private placement sale with the Texas Water Development Board on September 20, 2019, but did not make an event filing with respect to the incurrence of a Financial Obligation pursuant to the Rule. An event filing was subsequently made with the MSRB on March 30, 2020.

OTHER INFORMATION

RATINGS… The Bonds have been rated "Aa1" by Moody's Investors Service, Inc. ("Moody's), "AAA" by S&P Global Ratings, a division of S&P Global Inc., ("S&P") and "AAA" by Fitch Ratings ("Fitch"). The City's presently Outstanding System revenue supported debt 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 Bonds.

LITIGATION . . . The City is currently involved in some lawsuits in which some liability is possible. The City intends to defend itself vigorously against the lawsuits; however, no prediction can be made, as of the date hereof, with respect to the potential aggregate liability of the City for the claims or the final outcome of the lawsuits.

The City is currently involved in litigation with the family of an individual who was fatally shot after he ran over an Arlington police officer during a traffic stop. The plaintiffs assert a civil rights claim alleging excessive use of force. The district court ruled in the City's favor and the case is currently on appeal.

The City is currently involved in litigation with the family of an individual that was tased by police after he doused himself and his home in gasoline while threatening to ignite the lighter in his hand and set himself and the home on fire. The individual died at the hospital. The Fifth Circuit Court of Appeals ruled in favor of the officers, finding that no constitutional violation had been committed. The district court then ruled in the City's favor. However, Plaintiffs filed a petition for a writ of certiorari in the U.S. Supreme Court and also appealed the district court's ruling to the Fifth Circuit, Court of Appeals.

The City is involved in litigation regarding the implementation of civil service for firefighters working for the City. The 96th Judicial District Court of Tarrant County, Texas previously denied the plaintiffs' motion for temporary injunctive relief and granted summary judgment on all of Plaintiffs' claims. Following an appeal, the only remaining claim in the trial court is a retaliation claim for reducing discretionary pays and failing to promote under the pre-civil service system.

The City is involved in litigation filed by several short-term rental owners alleging that Arlington's new ordinances violate the Texas Constitution by infringing on their rights as private property owners. Plaintiffs are seeking a permanent restraining order, injunction and declaration that the ordinances are unconstitutional. The appeal on Plaintiffs' request for temporary relief has concluded and this matter is now proceeding in the trial court.

The City is involved in litigation concerning an accident where a police officer shot at a dog, which accidentally resulted in the fatality of an individual in the background. The individual's father on behalf of his daughter's estate is alleging a civil rights claim under the Fourteenth Amendment as well as a state law tort claim and is suing for damages. The City is waiting for a ruling from the district court.

The City is involved in litigation brought by a group of homeowners concerning a privately owned dam. After the dam failed, through lack of repair and maintenance by the homeowners, the City breached the dam to control the situation. The homeowners brought suit seeking to have the City repair the dam or otherwise improve the property or pay for alleged damages. The trial court ruled in the City's favor. However, the case is currently on appeal and the City is waiting for a ruling from the Court of Appeals.

The City is involved in litigation with an individual who was a suspect in a car theft. When approached by a City police officer, the individual ran. He was eventually tased by two officers and apprehended. When the suspect was tased, he fell face-first and received relatively minor injuries. The individual alleges an excessive use of force and is suing for damages. The district court ruled in favor of the officers, finding that no constitutional violation had been committed. The City is waiting for a ruling from the Fifth Circuit Court of Appeals.

The City is currently in litigation filed by two charitable organizations alleging that Arlington's new ordinance regulating donation boxes violates freedom of speech rights because it constitutes an unconstitutional content-based ban on protected speech and unconstitutional prior restraint on protected charitable speech. Plaintiffs are requesting that the ordinance be declared unconstitutional and the City be enjoined from enforcing it, as well as costs and attorney's fees. The City is waiting on a ruling from the district court.

In addition, the City has received a notice of claim by a family member of an individual who was fatally shot when he drove his vehicle towards an Arlington police officer during the course of a pursuit.

As of April 20, 2022, there are 23 lawsuits pending against the City seeking monetary damages and/or injunctive relief. Thirteen of the 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).

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.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including taking action to suspend any regulatory statute prescribing the procedures for conduct of state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued several executive orders relating to COVID-19 preparedness, mitigation and reopening Texas businesses.

Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities. The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the City. The Bonds are secured by Net Revenues of the System. The continued effects of the Pandemic on the economy and employment may have a negative effect on the ability of residents to pay rates for services, including water, sewer and stormwater drainage fees. The City cannot predict the effect of the continued spread of COVID-19 will have on the finances or operation and maintenance of the City.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19 or variants of COVID-19. The Pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and City revenues and expenses. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19, or variants of COVID-19, or a similar virus on the City's operations or financial condition.

Some of the financial and operating data contained herein are as of dates and for periods prior to the economic impact of COVID-19 and measures instituted to mitigate it. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of the City. The City continues to monitor the spread of COVID-19 and is working with local, State, and national agencies to address the potential impact of the Pandemic upon the City. While the full extent of the impact of COVID-19 on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

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

LEGAL MATTERS… The City will furnish the Initial Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding special obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. 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 Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. Certain legal matters will be passed upon by West & Associates, L.L.P. Dallas, Texas, Disclosure Counsel. The legal fees to be paid Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS… Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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

FINANCIAL ADVISOR…Estrada Hinojosa & Company, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Estrada Hinojosa & 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 Bonds, 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.

INITIAL PURCHASER OF THE BONDS… After requesting competitive bids for the Bonds, the City accepted the bid of SWBC Investment Services, Inc.(the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page ii of the Official Statement at a price of 106.658271% of par. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the 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 Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER…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 obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed 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 Bonds, the Initial Purchaser of the Bonds 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 Bonds, on the date of such Official Statement, on the date of sale of said Bonds 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, 2021, the date of the unaudited 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, unaudited financial statements for fiscal year 2021 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 ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. 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.

In the Bond Ordinance, the City Council authorized the Authorized Officer to approve, for and on behalf of the City, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Initial Purchaser's use of this Official Statement in connection with the public offering and the sale of the Bonds, all of which the Authorized Officer approved in the Pricing Certificate.

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 home rule charter (the “City 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. Councilmembers and the Mayor are each limited to three two-year terms. 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 two Deputy City Managers and an Assistant City Manager, 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.

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	388,225	1.97%	326,474,013	1.04%
2018	392,462	1.09%	327,747,936	0.39%
2019	395,477	0.77%	329,180,367	0.44%
2020	394,266	-0.31%	330,376,491	0.36%
2021	393,420	-0.21%	332,554,320	0.66%

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

EMPLOYMENT

Unemployment data for the City, Texas, and the United States is shown below.

Unemployment Rate
Annual Average Rates
2018 to 2022

	January 2022	January 2021	January 2020	January 2019	January 2018
Arlington	7.0%	7.0%	3.3%	4.8%	3.8%
Texas	7.0%	6.8%	3.8%	4.1%	4.2%
United States	6.4%	6.3%	4.0%	4.4%	4.5%

Source: Texas Workforce Commission

Arlington Major Employers

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	2,393
J.P. Morgan Chase	Banking Services	1,965
Texas Rangers Baseball Club	Major League Baseball	1,881
Total		**38,886**

Source: City of Arlington Finance Department. Includes part-time and peak seasonal employees.

Building Permits

	2021		2020		2019	
	Permits	Declared Value	Permits	Declared Value	Permits	Declared Value
New Single Family	761	$ -	788	$ 171,710,356	794	$ 196,695,469
New Multifamily	199	538,621,479	35	97,733,878	17	84,688,224
New Commercial	105	117,095,620	84	81,211,188	169	264,916,391
Other (Residential and	8,543	448,887,849	8,630	321,476,106	8,749	362,113,580
Grand Total	9,608	$ 1,104,604,948	9,537	$ 672,131,528	9,729	$ 908,413,664

Source: City of Arlington Building Inspections Division

APPENDIX B

AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF ARLINGTON YEAR ENDED SEPTEMBER 30, 2021

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash-equivalents	$ 401,522	$ 44,148	$ 445,670	$ -
Investments	-	-	-	-
Land held for resale	7,653	-	7,653	-
Receivables (net of allowance for uncollectibles):				
Taxes	6,765	-	6,765	-
Sales taxes	26,683	-	26,683	-
Trade accounts	-	11,863	11,863	-
Franchise fees	455	-	455	-
Unbilled trade accounts	-	10,993	10,993	-
Special assessments	122	-	122	-
Accrued interest	1,143	14	1,157	-
Ballpark lease	40,571	-	40,571	-
Settlement agreement	-	-	-	-
Other	12,554	18	12,572	-
Internal balances	5,035	(5,035)	-	-
Due from other governments	13,219	-	13,219	-
Inventory of supplies	2,528	1,923	4,451	-
Prepaid expenses	-	-	-	-
Net Pension Asset	25,699	1,745	27,444	-
Net OPEB Asset	-	-	-	-
Restricted assets-				
Bond contingency-				
Investments	-	31,343	31,343	-
Capital construction-				
Investments	-	199,052	199,052	-
Escrow	-	72,910	72,910	-
Meter deposits-				
Investments	-	7,933	7,933	-
Closure/Post-Closure trust fund				
Investments	-	-	-	-
Capital Assets-				
Land	293,972	23,757	317,729	-
Buildings and improvements	2,598,250	9,261	2,607,511	-
Water and sewer system	-	1,061,596	1,061,596	-
Machinery and equipment	139,414	13,288	152,702	-
Infrastructure	1,059,174	-	1,059,174	-
Drainage systems	-	142,500	142,500	-
Construction in progress	167,612	139,482	307,094	-
Accumulated depreciation	(1,366,542)	(457,786)	(1,824,328)	-
Total Assets	3,435,829	1,309,005	4,744,834	-
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	10,192	616	10,808	-
Deferred outflow-contributions pension/OPEB	25,307	1,800	27,107	-
Deferred outflow-investment/actuarial assumption changes pension/OPEB	35,613	2,475	38,088	-
Total Assets and Deferred Outflows of Resources	3,506,941	1,313,896	4,820,837	-

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, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
LIABILITIES				
Accounts payable and accrued liabilities	$ 34,970	$ 9,664	$ 44,634	$ -
Retainage payable	1,826	-	1,826	-
Accrued interest	5,511	-	5,511	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	6,485	6,485	-
Retainage payable	-	2,638	2,638	-
Accrued interest	-	1,689	1,689	-
Meter deposits	-	7,771	7,771	-
Noncurrent liabilities				
Due within one year:				
Estimated claims payable	3,893	-	3,893	-
General obligation and certificates of obligation debt	46,335	-	46,335	-
Special tax revenue debt	4,815	-	4,815	-
Accrued compensated absences	1,363	67	1,430	-
Revenue bonds	-	26,740	26,740	-
Due in more than one year:				
Estimated claims payable	6,226	-	6,226	-
Rebatable arbitrage payable	-	187	187	-
Total other postemployment benefit liability	134,968	9,398	144,366	-
General obligation and certificates of obligation debt	557,590	-	557,590	-
Special tax revenue debt	519,515	-	519,515	-
Landfill closure accrued liabilities	-	-	-	-
Estimated pollution remediation	51	-	51	-
Accrued compensated absences	41,326	3,158	44,484	-
Revenue bonds	-	365,608	365,608	-
Net pension liability	-	-	-	-
Premium on general obligation and certificates of obligation debt	78,005	-	-	-
Discount on general obligation and certificates of obligation debt	(1,756)	-	-	-
Total Liabilities	1,434,638	433,405	1,791,794	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow - pension/OPEB	33,756	277	34,033	-
Deferred inflow - lease agreements	46,283	2,173	48,456	-
Total Liabilities and Deferred Inflows of Resources	1,514,677	435,855	1,874,283	-
NET POSITION				
Net investment in capital assets	1,890,537	739,140	2,629,677	-
Restricted for debt service	38,067	102,695	140,762	-
Restricted for special revenue	46,853	-	46,853	-
Restricted for use of impact fees	7,002	-	7,002	-
Restricted for housing assistance	-	-	-	-
Restricted for endowments	-	-	-	-
Unrestricted	9,805	36,206	46,011	-
Total Net Position	$ 1,992,264	$ 878,041	$ 2,870,305	$ -

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 106,840	$ 26,273	$ 119	$ 78
Public safety	160,734	10,698	24,520	-
Public works	74,624	2,856	50	4,058
Public health	2,548	5,410	-	-
Parks and recreation	30,854	14,685	23	-
Public welfare	26,441	168	33,654	-
Convention and event services	14,559	1,157	-	-
Interest and fiscal charges	39,204	-	-	-
Total Governmental Activities	455,804	61,247	58,366	4,136
Business-Type Activities:				
Water and sewer	124,936	169,901	-	3,715
Storm water utility	7,956	20,526	-	-
Total Business-Type Activities	132,892	190,427	-	3,715
Total Primary Government	$ 588,696	$ 251,674	$ 58,366	$ 7,851
Component Units:				
Arlington Housing Authority	$ 36,818	$ 37,079	$ -	$ -
Arlington Convention and Visitors Bureau	15,897	5,003	11,618	-
Arlington Tomorrow Foundation	10,207	-	-	-
Arlington Housing Finance Corporation	57	109	-	-
Arlington Tourism Public Improvement District	1,808	2,127	599	-
Arlington Convention Center Development Corp	3	-	-	-
Arlington Economic Development Corp	311	11,165	-	-
Total Component Units	$ 65,101	$ 44,318	$ 12,217	$ -

General Revenues:
Taxes:
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 in fair value of investments
Other
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning as restated*
Net position - ending

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

UNAUDITED DRAFT

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (80,370)	$ -	$ (80,370)	$ -
(125,516)	-	(125,516)	-
(67,660)	-	(67,660)	-
2,862	-	2,862	-
(16,146)	-	(16,146)	-
7,381	-	7,381	-
(13,402)	-	(13,402)	-
(39,204)	-	(39,204)	-
(332,055)	-	(332,055)	-
-	48,680	48,680	-
-	12,570	12,570	-
-	61,250	61,250	-
$ (332,055)	$ 61,250	$ (270,805)	$ -
$ -	$ -	$ -	$ 261
-	-	-	$ 724
-	-	-	$ (10,207)
-	-	-	$ 52
-	-	-	$ 918
-	-	-	$ (3)
-	-	-	$ 10,854
$ -	$ -	$ -	$ 2,599
173,401	-	173,401	-
135,978	-	135,978	-
311	-	311	-
1,773	-	1,773	-
83	-	83	-
13,860	-	13,860	-
10,213	-	10,213	-
21,891	-	21,891	-
2,375	788	3,163	-
(102)	189	87	-
9,583	-	9,583	-
19,882	(19,882)	-	-
389,248	(18,905)	370,343	-
57,193	42,345	99,538	2,599
1,935,071	835,696	2,770,767	89,983
$ 1,992,264	$ 878,041	$ 2,870,305	$ 92,582

CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

	General	Debt Service	Street Capital Projects	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash-like investments	$ 71,754	$ 29,510	$ 104,186	$ 171,478	$ 376,928
Land held for resale	-	-	-	7,653	7,653
Receivables (net of allowance for uncollectibles)					
Taxes	5,581	324	-	860	6,765
Sales taxes	15,245	7,623	-	3,815	26,683
Franchise fees	455	-	-	-	455
Special assessments	-	-	122	-	122
Accrued interest	470	611	-	-	1,081
Lease and settlement agreements	40,571	-	-	-	40,571
Other	9,903	-		2,124	12,027
Due from other funds	7,004	-	-	-	7,004
Due from other governments	-	-	-	13,219	13,219
Inventory of supplies, at cost	2,314	-	-	214	2,528
Total Assets	$ 153,297	$ 38,068	$ 104,308	$ 199,363	$ 495,036
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 13,399	$ 1	$ 3,546	$ 16,373	$ 33,319
Retainage payable	-	-	1,552	274	1,826
Unearned Revenue	3,193	-	122	40,971	44,286
Due to other funds	-	-	-	7,004	7,004
Total Liabilities	16,592	1	5,220	64,622	86,435
Deferred inflows of resources:					
Taxes	4,510	-	-	-	4,510
Landfill lease	1,974	-	-	-	1,974
Gas lease	-	-	-	23	23
Lease and settlement agreements	40,571	-	-	-	40,571
Total Deferred Inflows of Resources	47,055	-	-	23	47,078
Fund Balances:					
Nonspendable:					
Inventory	2,314	-	-	214	2,528
Prepaids	6	-	-	-	6
Restricted for:					
Debt service	-	38,067	-	-	38,067
Capital projects	-	-	99,088	45,721	144,809
Special revenue	-	-	-	46,853	46,853
Committed to:					
Capital projects	-	-	-	3,601	3,601
Special revenue	-	-	-	36,218	36,218
Assigned to:					
Working capital	20,099	-	-	-	20,099
Subsequent years' expenditures	14,536	-	-	-	14,536
Compensated absences	1,531	-	-	-	1,531
Other post employment benefits	1,718	-	-	-	1,718
Future initiatives	17,151	-	-	-	17,151
Dispatch	1,021	-	-	-	1,021
Information technology	436	-	-	-	436
Business Continuity	4,062	-	-	-	4,062
Park performance	-	-	-	1,062	1,062
Special revenue	-	-	-	1,049	1,049
Unassigned	26,776	-	-	-	26,776
Total Fund Balances	89,650	38,067	99,088	134,718	361,523
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 153,297	$ 38,068	$ 104,308	$ 199,363	$ 495,036

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

UNAUDITED DRAFT

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION OF GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

Total fund balances per balance sheet			$ 361,523
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 $12,367 recorded in the internal service funds).			2,879,514
Landfill Closure/Post-closure			-
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	$ 4,510	$ -	
Landfill	1,974	1,974	
Grant revenue	40,546	44,286	
Ballpark lease	40,571	-	
Ballpark Settlement	-	-	
Unearned	3,739	-	45,080
	91,340	46,260	
Internal service funds are used by management to charge the cost of fleet services, knowledge services, risk management, 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.			30,815
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.			
Bonds payable		$ (1,128,255)	
Premium general obligation debt		(78,005)	
Discount on bonds		1,756	
Deferred outflow of resources (refunding)		10,192	
Accrued interest payable		(5,511)	
Landfill Closure/Post-closure		-	
Estimated pollution remediation		(51)	
Compensated absences		(42,689)	
Pension:			
Net pension asset (liability)	$ 25,699		
Deferred inflow-actuarial gain	(31,469)		
Deferred outflow-assumption changes	11,342		
Deferred outflow-contributions	21,005	26,577	
Other Post Employment Benefits (OPEB)			
Total OPEB Liability	(134,968)		
Deferred inflow-OPEB expected/actual	(2,287)		
Deferred outflow-assumption changes	24,271		
Deferred outflow-contributions	4,302	(108,682)	
Estimated claims		-	(1,324,668)
Net position of governmental activities			$ 1,992,264

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, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

	General	Debt Service	Streets Capital Projects	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	$ 188,126	$ 106,029	$ -	$ 42,350	$ 336,505
Licenses and permits	10,133	-	-	-	10,133
Utility franchise fees	21,891	-	-	-	21,891
Fines and forfeitures	6,974	-	-	-	6,974
Leases, rents and concessions	10,244	-	-	2,500	12,744
Service charges	7,791	-	-	18,958	26,749
Interest revenue	1,217	175	508	313	2,213
Net increase (decrease) in fair value of investments	295	(10)	(485)	74	(126)
Contributions	1,307	-	2,829	-	4,136
Intergovernmental revenues	119	-	-	58,247	58,366
Gas lease royalty	-	-	-	4,549	4,549
Gas lease other	-	-	-	98	98
Other	37	117	-	8,022	8,176
Total Revenues	248,134	106,311	2,852	135,111	492,408
EXPENDITURES					
Current-					
General government	41,280	-	-	31,274	72,554
Public safety	143,910	-	-	18,729	162,639
Public works	23,296	-	-	33,124	56,420
Public health	1,856	-	-	716	2,572
Public welfare	-	-	-	28,504	28,504
Parks and recreation	14,822	-	-	13,148	27,970
Convention and event services	-	-	-	15,595	15,595
Capital outlay	-	-	24,687	11,879	36,566
Debt service-					
Principal retirement	-	87,640	-	-	87,640
Interest and fiscal charges	-	45,828	-	-	45,828
Total Expenditures	225,164	133,468	24,687	152,969	536,288
Excess (deficiency) of revenues over (under) expenditures	22,970	(27,157)	(21,835)	(17,858)	(43,880)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	8,325	24,141	7,679	40,145
Amount to fund escrow	-	-	-	-	-
Issuance of certificates of obligation	-	-	-	-	-
Refunding Bond Principal	-	(9,979)	-	-	(9,979)
Bond premium	-	2,173	3,679	1,171	7,023
Transfers in	22,604	1,419	-	38,870	62,893
Transfers out	(26,534)	-	(6,878)	(14,554)	(47,966)
Total Other Financing Sources and Uses	(3,930)	1,938	20,942	33,166	52,116
Net Change in Fund Balances	19,040	(25,219)	(893)	15,308	8,236
Fund Balances, October 1,	70,610	63,286	99,981	119,410	353,287
Fund Balances, September 30	$ 89,650	$ 38,067	$ 99,088	$ 134,718	$ 361,523

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, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

Net change in fund balances - total governmental funds		$ 8,236
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.		40,687
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.		(66,954)
Revenues in the statement of activities that do not provide current financial recources are not reported as revenues in the funds.		196
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.		
Issuance of certificates of obligation	(40,145)	
Repayment of general obligation debt	97,619	
Proceeds from issuance of bonds	(7,024)	
Amount to fund escrow	-	
Amortization of bond premium	6,624	
Repayment of capital lease	-	
		57,074
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	(6,026)	
Accrued interest expense	(15)	
Estimated pollution remediation	(51)	
Net pension asset (liability)	29,305	
Net OPEB liability	(3,695)	
Estimated salary expense	-	
		19,518
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.		(1,564)
Change in net position of governmental activities		$ 57,193
		57,193

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

	Business-type Activities Enterprise Funds			
	Water and Sewer	**Storm Water Utility**	**Total**	**Governmental Activities- Internal Service Funds**
ASSETS				
Current Assets:				
Cash and cash equivalent investments	$ 31,862	$ 12,286	$ 44,148	$ 24,594
Receivables (net of allowances for uncollectibles):				
Trade accounts	10,456	1,407	11,863	-
Accrued Interest	14	-	14	62
Unbilled trade accounts	10,057	936	10,993	-
Other	18	-	18	527
Inventory of supplies, at cost	1,923	-	1,923	-
Subtotal	54,330	14,629	68,959	25,183
Restricted Assets:				
Bond contingency-cash and cash-like investments	17,002	694	17,696	-
Capital construction-cash and cash-like investments	73,416	12,176	85,592	-
Total Current Assets	144,748	27,499	172,247	25,183
Noncurrent Assets:				
Restricted Assets:				
Bond contingency-				
Investments	12,728	919	13,647	-
Capital construction-				
Investments	97,320	16,140	113,460	-
Escrow	72,910	-	72,910	-
Meter deposit investments	7,933	-	7,933	-
Capital Assets:				
Land	7,929	15,828	23,757	-
Buildings and improvements	9,261	-	9,261	467
Water and sewer system	1,061,596	-	1,061,596	-
Machinery and equipment	13,241	47	13,288	51,928
Drainage system	-	142,500	142,500	-
Construction-in-progress	88,353	51,129	139,482	-
Accumulated depreciation	(405,721)	(52,065)	(457,786)	(40,028)
Total Capital Assets Net of Accumulated Depreciation	774,659	157,439	932,098	12,367
Net Pension Asset	1,745	-	1,745	
Total Noncurrent Assets	967,295	174,498	1,141,793	12,367
Total Assets	1,112,043	201,997	1,314,040	37,550
Deferred Outflows of Resources:				
Deferred charges on debt refunding	616	-	616	-
Deferred outflow - contributions pension/OPEB	1,800	-	1,800	-
Deferred outflow - invest/actuarial pension/OPEB	2,475	-	2,475	-
Total Assets and Deferred Outflows of Resources	$ 1,116,934	$ 201,997	$ 1,318,931	$ 37,550

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

(continued)

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

	Business-type Activities Enterprise Funds			
	Water and Sewer	**Storm Water Utility**	**Total**	**Governmental Activities-Internal Service Funds**
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	$ 7,883	$ 1,781	$ 9,664	$ 1,651
Accrued compensated absences	67	-	67	-
Revenue bonds payable from unrestricted assets	6,249	3,490	9,739	-
Current Liabilities Payable From Restricted Assets:				
Accounts payable and accrued liabilities	6,373	112	6,485	-
Retainage payable	2,135	503	2,638	-
Accrued interest	1,556	133	1,689	-
Estimated claims payable	-	-	-	3,893
Revenue bonds payable from restricted assets	17,001	-	17,001	-
Meter deposits	7,771	-	7,771	-
Total Current Liabilities	49,035	6,019	55,054	5,544
Noncurrent Liabilities:				
Estimated claims payable	-	-	-	6,226
Rebatable arbitrage payable	187	-	187	-
Compensated absences	2,666	492	3,158	-
Revenue bonds payable from unrestricted assets	317,098	48,510	365,608	-
Net pension liability	-	-	-	-
OPEB liability	9,398	-	9,398	-
Total Noncurrent Liabilities	329,349	49,002	378,351	6,226
Total Liabilities	378,384	55,021	433,405	11,770
Deferred Inflows of Resources:				
Deferred inflow - pension/OPEB benefits/contributions	277	-	277	-
Deferred inflow - investment/actuarial pension/OPEB	2,173	-	2,173	-
Total Liabilities and Deferred Inflows of Resources	380,834	55,021	435,855	11,770
NET POSITION				
Net investment in capital assets	602,912	136,228	739,140	-
Restricted for debt service	101,082	1,613	102,695	-
Unrestricted	32,106	9,135	41,241	25,780
Total Net Position	$ 736,100	$ 146,976	$ 883,076	$ 25,780
Reconciliation to government-wide statements of net position:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(5,035)	
Net position of business-type activities			$ 878,041	

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, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

	Business-type Activities Enterprise Funds			
	Water and Sewer	**Storm Water Utility**	**Total**	**Governmental Activities- Internal Service Funds**
Operating Revenues:				
Water sales	$ 80,695	$ -	$ 80,695	$ -
Sewer service	74,934	-	74,934	-
Storm water fee - commercial	-	9,758	9,758	-
Storm water fee - residential	-	10,768	10,768	-
Service charges	-	-	-	42,154
Sundry	14,272	-	14,272	-
Miscellaneous	-	-	-	-
Total Operating Revenues	169,901	20,526	190,427	42,154
Operating Expenses:				
Purchase of water	24,289	-	24,289	-
Purchase of sewage treatment	39,310	-	39,310	-
Salaries and wages	14,195	2,699	16,894	-
Employees' retirement	2,593	258	2,851	-
Supplies	2,727	60	2,787	1,957
Maintenance and repairs	3,959	485	4,444	462
Utilities	2,454	19	2,473	49
Claims (net of adjustments)	-	-	-	36,752
Legal and professional	396	-	396	274
Depreciation	20,727	2,693	23,420	3,683
Miscellaneous services	9,761	752	10,513	3,097
Total Operating Expenses	120,411	6,966	127,377	46,274
Operating Income (Loss)	49,490	13,560	63,050	(4,120)
Nonoperating Revenues (Expenses):				
Interest revenue	667	121	788	1
Net increase in the fair value of investments	224	(35)	189	24
Miscellaneous Revenue	-	-	-	109
Gain (loss) on sale of assets	-	-	-	374
Interest expense and fiscal charges	(4,304)	(990)	(5,294)	-
Total Nonoperating Revenues (Expenses)	(3,413)	(904)	(4,317)	508
Income (loss) before transfers and contributions	46,077	12,656	58,733	(3,612)
Contributions in aid of construction	3,715	-	3,715	-
Transfers in	170	3,200	3,370	6,501
Transfers out	(20,707)	(2,545)	(23,252)	(1,546)
Change in Net Position	29,255	13,311	42,566	1,343
Total Net Position, October 1	706,845	133,665	840,510	24,437
Total Net Position, September 30	$ 736,100	$ 146,976	$ 883,076	$ 25,780

Net change in net position - total proprietary funds	$ 42,566
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(221)
Change in net position of business-type activities	$ 42,345

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, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

	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	$ 169,645	$ 20,488	$ 190,133	$ 41,959
Cash payments to suppliers	(72,899)	(782)	(73,681)	(40,823)
Cash payments to employees	(16,365)	(2,740)	(19,105)	(81)
Net Cash Provided By (Used For) Operating Activities	80,381	16,966	97,347	1,055
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	170	-	170	5,275
Transfers out	(21,497)	(2,545)	(24,042)	(320)
Net Cash Provided By (Used For) Noncapital Financing Activities	(21,327)	(2,545)	(23,872)	4,955
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(49,568)	(20,633)	(70,201)	(2,216)
Increase/Decrease in escrow balance	7,424	-	7,424	-
Proceeds from sales of capital assets	-	-	-	374
Proceeds from issuance of long-term debt	51,020	12,562	63,582	-
Repayment of long-term debt	(21,865)	(3,075)	(24,940)	-
Interest payment long-term debt	(8,185)	(1,011)	(9,196)	-
Net Cash Provided By (Used For) Capital Related Financing Activities	(21,174)	(12,157)	(33,331)	(1,842)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from interest earnings	686	121	807	15
Net increase in the fair value of investments	224	(34)	190	24
Purchase of investments	(163,978)	(48,461)	(212,439)	-
Maturities/sales of investments	176,924	47,887	224,811	-
Net Cash Provided By (Used For) Investing Activities	13,856	(487)	13,369	39
Net Increase (Decrease) In Cash And Cash Equivalent Investments	51,736	1,777	53,513	4,207
Cash and cash equivalent investments, October 1	69,754	38,825	108,579	20,387
Cash and cash equivalent investments, September 30	$ 121,490	$ 40,602	$ 162,092	$ 24,594
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 49,490	$ 13,560	$ 63,050	$ (3,999)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	20,727	2,692	23,419	3,683
Amortization of bond premium	2,006	371	2,377	-
Amortization of deferred loss on bond refunding	(616)	(233)	(849)	-
Provision for bad debts	39	1	40	-
(Increase) decrease in-				
Receivables	(296)	(38)	(334)	(304)
Inventory of supplies	(692)	-	(692)	-
Prepaid expenses	-	-	-	-
Increase (decrease) in-		-		
Accounts payable and accrued liabilities	7,512	726	8,238	843
Net pension/OPEB liability	785	-	785	-
Estimated claims payable	-	-	-	821
Retainage payable	1,350	(113)	1,237	-
Meter deposits	(162)	-	(162)	-
Accrued compensated absences	238	-	238	-
Total adjustments	30,891	3,406	34,297	5,043
Net Cash Provided By (Used For) Operating Activities	$ 80,381	$ 16,966	$ 97,347	$ 1,044
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	3,715	-	3,715	-

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF SEPTEMBER 30, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

UNAUDITED DRAFT

	Pension Trust and Other Employee Benefit Funds	Agency Funds
ASSETS		
Cash and cash-equivalent investments	$ 52	$ 6,484
Investments		
Investment retired city mgr 401(k) plan	60	-
Money market fund	47,817	-
Corporate bonds	2,968	-
Fixed income mutual bond funds	28,101	-
Common stock mutual bond funds	143,102	-
Balanced mutual funds	68,533	-
Participant borrowing	5,176	-
Self directed brokerage accounts	16,618	-
Total Investments	312,375	-
Total Assets	$ 312,427	$ 6,484
LIABILITIES		
Accounts payable and accrued liabilities	$ -	$ 6,484
Retired city mgr 401(k) plan payable	60	-
Total Liabilities	$ 60	$ 6,484
NET POSITION		
Restricted for pensions	$ 310,977	
Restricted for OPEB	1,390	
Total Net Position	$ 312,367	

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

UNAUDITED DRAFT

CITY OF ARLINGTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust and Other Employee Benefit Funds
ADDITIONS	
Employer contributions	$ 4,107
Employee contributions	10,369
Net appreciation in fair value of investments	56,629
Other additions	97
Total Additions	71,202
DEDUCTIONS	
Benefits	25,181
Plan administration	264
Other deductions	30
Total Deductions	25,475
Increase in Net Position	45,727
Net Position, October 1	266,640
Net Position, September 30	$ 312,367

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

ARLINGTON℠

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.

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 postemployment 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. 14, *The Financial Reporting Entity*, as amended, 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:
  - fiscally dependent upon the City, and
  - 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 $70.6 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. Separate Arlington Economic Development Corporation component unit financial statements are not prepared.

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. Separate component unit financial statements can be obtained from the ACVB at 1905 E. Randol Mill Road, Arlington, Texas 76011.

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 interfund 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, Street Capital Projects Fund, and Ballpark Venue 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.

Governmental fund 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 nonoperating 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 nonoperating revenues and expenses.

The following major funds, nonmajor funds and other funds, by fund category and fund type 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:

Major Funds:

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 (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. Ballpark Venue Fund (capital projects fund) accounts for the costs associated with the building of the new Ballpark Venue for the Texas Rangers Baseball Club.

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

2. Proprietary Funds:

Proprietary funds are classified into two fund types; enterprise funds and internal service 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, both of which are major funds. 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.

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 fleet services; self-insurance; workers' compensation insurance; and group health insurance. Major fund reporting requirements do not apply to internal service funds.

.3. Fiduciary Fund Types:

The City additionally reports the following fiduciary fund types (major fund reporting requirements do not apply to fiduciary funds):

a. 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.

b. 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.

E. Cash, Cash-Equivalent 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-equivalent 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-equivalent 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 equivalent 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. Funds under the accrual basis of accounting recognize the proportionate amount of expense in each benefitting period.

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.

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 early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in fiscal 2020. Interest costs incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Interest incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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 an amendment of GASB Statement No. 27*, as amended.

Beginning in fiscal year 2015, and in accordance with GASB 68 and 71, the City's net pension liability is 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 0.91% 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 $1.279M. 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 non-civil service employees upon termination of employment for employees who have completed at least six months of continuous service. Civil service employees lose any unused vacation.

The City's employees accumulate 1.25 days of sick leave per month with a maximum accrual of 150 days (90 for civil service). 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

Fund balances for governmental funds are reported based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. 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 or 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 reporting period(s) and so will not be recognized as an outflow of resources (reduction of liability/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 and OPEB 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 reporting 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 and in fund level statements.

Q. New Accounting Pronouncements

During fiscal year 2021, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:Statement No. 84, *Fiduciary Activities,* which is effective for the City beginning in fiscal year 2021. 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. 98, The Annual Comprehensive Financial Report, which is effective for the City beginning in fiscal year 2021. This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

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The GASB has issued the following statements which will be effective in future years as described below, based on Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*:

Statement No. 87, *Leases,* which is effective for the City beginning in fiscal year 2022. 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.

Statement No. 90, *Majority Equity Interests,* an amendment of GASB Statements No. 18 and No. 61, which is effective for the City beginning in fiscal year 2022. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Statement No. 91, *Conduit Debt Obligations,* which is effective for the City beginning in fiscal year 2023. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Statement No. 92, *Omnibus 2020*, which is effective for the City beginning in fiscal year 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements.

Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for the City beginning in fiscal year 2022. This Statement addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR).

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment*

Arrangements, which is effective for the City beginning in fiscal year 2023. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements APAs).

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is effective for the City immediately. The primary objective of this Statement is to provide temporary relief to governments and stakeholders in light of the COVID-19 pandemic. This is accomplished by postponing the effective dates of certain provisions in Statements and implementation Guides that first became effective for periods beginning after June 15, 2018, and later. These date changes have been reflected in the Statements listed above.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for the City beginning in fiscal year 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires notes disclosures regarding a SBITA.

Statement No. 97, *Certain Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84 and a Suppression of GASB Statement No. 32*, which is effective for the City beginning in Fiscal Year 2022. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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 2021, there were no operating 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):

Fund	Projects Fund	Funds	Total
$ 6,571	$ 4,411	$ 24,598	$ 35,580

B. Excess of expenditures over appropriations

For the year ended September 30, 2021, 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, 2021.

III. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH-EQUIVALENT AND INVESTMENTS

Deposits - At September 30, 2021, the carrying amount of the City's demand deposits was $9,124,463 (bank balance, $5,831,366). The balance in cash on hand was $34,405 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-equivalent investments and investments include: (amounts in thousands) Governmental Activities $401,522, Business-type Activities $282,476 and Agency and Pension Trust Funds $6,484.

As of September 30, 2021, the City had the following investments (amounts in thousands):

Cash, Cash-Like Investments	**Fair Value**	**Avg Maturity (in days)**	**Credit Risk**
Treasury	$ 68,424	416	AA+
Agency	329,622	587	AAA
Pools	240,025	1	AAA
Texas Municipal	7,061	530	AA+
Non-Texas Municipal	20,856	434	AA+
Commercial Paper	26,996	64	AAA
Money Market Fund	-	0	AAA
	$ 692,982		

The City has investments in government pools at September 30, 2021 totaling $240,025 (amount in thousands) which are recorded at amortized cost or net asset value (NAV) and have a credit risk rating of AAA.

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. While the interest income derived from these particular types of investments fluctuate based on market movements and the characteristics of the pools and funds, the value of the principal is not affected.

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.

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool Prime and TexPool use amortized cost and Texas CLASS, AND Texas Term use NAV to value portfolio assets. As is legally permissible for municipalities and school districts in the state, TexPool and TexasDaily, and TexStar invest in a high-quality portfolio of debt securities, Texas Class Government, and Texas Class invests in a high-quality portfolio of short-term investments.

The City's investments in local government investment pools include investments in TexPool Prime, TexPool, TexasDaily, TexStar, Texas Class Government and Texas Class. 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 $240,025

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, 2021 (amounts in thousands):

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	9/30/2021	Fair Value Measurements Using: 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				
Treasury	68,484		68,484	
Agency	329,622	-	329,622	-
Texas Municipal	7,061	-	7,061	-
Non-Texas Municipal	20,856	-	20,856	-
	426,023	**-**	**426,023**	**-**

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.

Management believes it is generally compliant with applicable requirements of (PFIA/PFCA).

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 FY21 was $46,871,355,618 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, 2020 upon which the original FY21 levy was based, was $29,238,010.

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, 2021, the City had a tax rate of $0.6225 ($0.4085 for general government and $0.2140 for debt service) per $100 assessed valuation with a tax margin of $1.876 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 $548,505,067 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately $29,238,010.

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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 Field, 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 Arlington. 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 three issuances, Series 2005A, Series 2005B, and Series 2005C (collectively the "Series 2005 Bonds"). The Series 2005B 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"). Subsequently, all outstanding Series 2008 and Series 2009 Bonds were refinanced by the issuance of the City's $110,200,000 Senior Lien Special Tax Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds").

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 $289,277,021.13.

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, 2021, outstanding conduit debt was $124,895,000

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 began in 2018, and the Texas Rangers began playing in the 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. The lease is accounted for as an operating lease. The cost of the stadium is $1,284,106,396 with accumulated depreciation of $41,253,931.01.

Conduit Debt - In 2020, $321,717,000 Rangers Baseball Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2020 (the "Rangers 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. The Rangers 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, 2021, outstanding conduit debt was $315,712,000.

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 2018, the City issued an additional $266,080,000 Senior Lien Special Tax Revenue Bonds, Series 2018A, $28,250,000 Senior Lien Special Tax Revenue Bonds, Series 2018B, and $171,095,000 Subordinate Lien Special Tax Revenue Bonds, Series 2018C for the City's portion of the Ballpark Venue's construction.

4. RECEIVABLES

Receivables at September 30, 2021 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	$ 13,119	$ 324	$ -	$ -	$ -	$ 860	$ -	$ 14,303
Franchise Fees	455	-	-	-	-	-	-	455
Trade Accounts	-	-	1,492	12,034	-	-	-	13,526
Unbilled Trade Accounts	-	-	936	10,422	-	-	-	11,358
Special Assessments	-	-	-	-	122	-	-	122
Sales Taxes	15,245	7,623	-	-	-	3,811	-	26,679
Lease and settlement		-						
agreements	40,571	-	-	-	-	-	-	40,571
Accrued Interest	470	611	-	14	-	-	62	1,157
Other	9,431	-	-	18	-	2,094	527	12,070
Gross Receivables	79,291	8,558	2,428	22,488	122	6,765	589	120,241
Less: Allowance for								
Uncollectibles	(8,965)	-	(85)	(1,943)	-	-	-	(10,993)
Net total								
Receivables	$ 70,326	$ 8,558	$ 2,343	$ 20,545	$ 122	$ 6,765	$ 589	$ 109,248

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

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(Amounts expressed in thousands)

	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 293,882	$ 90	$ -	$ 293,972
Construction in progress-other	142,219	38,729	(13,336)	167,612
Total capital assets, not being depreciated	436,101	38,819	(13,336)	461,584
Capital assets, being depreciated:				
Buildings and improvements	2,597,854	396		2,598,250
Equipment	137,719	5,642	(3,947)	139,414
Infrastructure	1,047,791	11,383	-	1,059,174
Total capital assets, being depreciated	3,783,364	17,421	(3,947)	3,796,838
Less accumulated depreciation for:				
Buildings and improvements	453,850	59,664		513,514
Equipment	116,010	10,587	(3,947)	122,650
Infrastructure	729,981	18,391	-	748,372
Total accumulated depreciation	1,299,841	88,642	(3,947)	1,384,536
Total capital assets, being depreciated, net	2,483,523	(71,221)	-	2,412,302
Governmental activities capital assets, net	$ 2,919,624	$ (32,402)	$ (13,336)	$ 2,873,886

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	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 23,757	$ -	$ -	$ 23,757
Construction in progress	98,697	70,122	(29,337)	139,482
Total capital assets, not being depreciated	122,454	70,122	(29,337)	163,239
Capital assets, being depreciated:				
Buildings and improvements	9,261	-	-	9,261
Drainage System	136,828	5,672	-	142,500
Water and sewer system	1,034,974	26,622	-	1,061,596
Machinery and equipment	12,474	814	-	13,288
Total capital assets, being depreciated	1,193,537	33,108	-	1,226,645
Less accumulated depreciation for:				
Buildings and improvements	1,845	185	-	2,030
Drainage System	49,350	2,692	-	52,042
Water and sewer system	370,914	20,388	-	391,302
Machinery and equipment	12,258	154	-	12,412
Total accumulated depreciation	434,367	23,419	-	457,786
Total capital assets, being depreciated, net	759,170	9,689	-	768,859
Business-type activities capital assets, net	$ 881,624	$ 79,811	$ (29,337)	$ 932,098

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

Governmental activities:	
General Government	$ 71,909
Public Safety	4,318
Parks and recreation	5,771
Public works	2,961
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	3,683
Total depreciation expense – governmental activities	$ 88,642
Business-type activities:	
Storm Water Utility	$ 2,693
Water and sewer	20,726
Total depreciation expense – business-type activities	$ 23,419

Discretely presented component units:

Arlington Housing Authority, Inc				
Capital assets, being depreciated:				
Buildings and Improvements	$ 677			$ 677
Machinery and equipment	382			382
Total capital assets, not being depreciated	382	-	-	382
Less accumulated depreciation for:				
Buildings and improvements	(363)			(363)
Machinery and equipment	(380)			(380)
Total accumulated depreciation	(743)	-	-	(743)
Arlington Housing Authority, Inc. Capital Assets, net	$ (361)	$ -	$ -	$ (361)

(Amounts expressed in thousands)

	Balance at Beginning Of Year	Transfers and Additions	Transfers and Retirements	Balance at End Of Year
Arlington Convention and Visitors Bureau, Inc.				
Capital assets, being depreciated:				
Machinery and equipment	748	1,101		1,849
Total capital assets, being depreciated	748	1,101	-	1,849
Less accumulated depreciation for:				
Machinery and equipment	(652)	(48)		(700)
Total accumulated depreciation	(652)	(48)	-	(700)
Arlington Convention and Visitors Bureau, Inc. Capital Assets, net	$ 96	$ 1,053	$ -	$ 1,149

6. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

A. Plan Description

The City provides pension benefits for all its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 888 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,971
Inactive employees entitled to but not yet receiving benefits	1,244
Active Employees	2,492
	5,707

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 16.29% and 17.01% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were $31,360,302 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

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Inflation	2.50% per year
Overall payroll growth	2.75% 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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and a 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2020, valuation were based on the results of actuarial experience studies. The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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 2021 are summarized in the following table:

Asset Class	**Target Allocation**	**Lont-Term Expected Real Rate of Return (Arithmetic)**
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	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 10/01/2019	$ 1,317,330,381	$ 1,176,740,649	$ 140,589,732
Changes for the year:			
Service Cost	31,806,730	-	31,806,730
Interest	87,803,207	-	87,803,207
Change of benefit terms	-	-	-
Difference between expected and actual experienc	2,170,782	-	2,170,782
Changes of assumptions	-	-	-
Contributions-employer	-	187,107,707	(187,107,707)
Contributions-employee	-	13,445,849	(13,445,849)
Net investment income	-	89,261,871	(89,261,871)
Benefit payments, including refunds			
of employee contributions	(64,890,993)	(64,890,993)	-
Administrative expense	-	(577,979)	577,979
Other changes	-	(22,550)	22,550
Net changes	56,889,726	224,323,905	(167,434,179)
Balance at 09/30/20	$ 1,374,220,107	$ 1,401,064,554	$ (26,844,447)

Plan fiduciary net position as a percentage of the total pension liability	101.95%
Covered payroll	$192,069,624
Net pension liability as a percentage of covered employee payroll	(13.98%)

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	$165,070,175	($26,844,447)	($184,505,622)

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 and Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of $6,610,951.

At September 30, 2021, 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	$ -	$33,435,258
Changes of assumptions	12,116,707	-
Net difference between projected actual earnings on pension plan investments	-	-
Contributions subsequent to the measurement date	23,097,793	-
Total	$35,214,500	$33,435,258

$23,097,793 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended September 30:	
2021	$ (7,060,548)
2022	5,243,359
2023	(17,846,422)
2024	(1,654,936)
2025	-
Thereafter	-
Total	$ (21,318,547)

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

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.

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, 2021, 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. The city's contributions to the plan for the year ended September 30, 2021, was $82,176 and was equal to the required contributions.

At the June 30, 2021 valuation and measurement date, the following employees were covered by the terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	3,796
Active Employees	662
	4,487

Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of June 30, 2021 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 June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Discount Rate	5.00%

Mortality rates were based on the RP2000 Combined Tables with Blue Collar Adjustment, projected with Scale BB. Active rates were multiplied by 54.5% for males and 51.5% for females. Retiree rates were multiplied by 109% for males and 103% for females.

Discount Rate:

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The discount rate used to measure the Total Pension Liability was 5.00%.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at 10/01/2020	$ 2,992,790	$ 3,268,556	$ (275,766)
Changes for the year:			
Service Cost	145,741	-	145,741
Interest	149,886	-	149,886
Change of benefit terms	-	-	-
Difference between expected and actual experienc	(199,230)	-	(199,230)
Changes of assumptions	-	-	-
Contributions-employer	-	73,688	(73,688)
Contributions-employee	-	81,877	(81,877)
Net investment income	-	314,938	(314,938)
Benefit payments, including refunds			
of employee contributions	(135,887)	(135,887)	-
Administrative expense	-	(49,162)	49,162
Other changes	-	-	-
Net changes	(39,490)	285,454	(324,944)
Balance at 09/30/21	$ 2,953,300	$ 3,554,010	$ (600,710)

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

The following presents the net pension liability of the City, calculated using the discount rate of 5.00%, 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	Discount Rate (4.00%)	Discount Rate (5.00%)	Discount Rate (6.00%)
City's net pension asset	($341,107)	($600,710)	($816,722)

Pension Plan Fiduciary Net Position

The financial statements of the plan are presented below.

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

Statement of Fiduciary Net Position
June 30, 2021

Assets	
Cash and deposits	$ 117,161
Receivables	7
Accrued Interest	-
Investments	
Mutual funds - bonds	2,668,070
Mutual funds - equities	768,772
Total investments	3,436,842
Total assets	$ 3,554,010
Liabilities	
Accrued expenses	$ -
Net position restricted for pensions	$ 3,554,010

Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2020

Additions	
Contributions:	
Employer	$ 73,688
Employees	81,877
Total contributions	155,565
Net investment income	
Interest and dividends	10,100
Net appreciation in fair value of investments	304,838
Total investments	314,938
Other	-
Total additions	470,503
Deductions	
Benefit payments	135,887
Administrative expenses	49,162
Total deductions	185,049
Net increase in net position	285,454
Net position restricted for pensions	
Beginning of year	3,268,556
End of year	$ 3,554,010

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

For the year ended September 30, 2021, the city recognized pension expense of $73,688.

At September 30, 2021, 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	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	193,562
Contributions subsequent to the measurement date	16,000	-
Total	$16,000	$193,562

$16,000 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2022	$ (49,717)
2023	(63,272)
2024	(50,122)
2025	(30,451)
2026	-
Thereafter	-
Total	$ (193,562)

Total Expenses (Reduction of Expenses)

The amount of expenses recognized for the current year for the net pension liability recognized this year is as follows:

TMRS	6,610,000.00
PST DIP	(221,000.00)
	6,389,000.00

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, 2021, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $307,483,000.

The City's total payroll during fiscal 2021 was $194,596,000. The current year contribution was calculated based on a covered payroll of $135560,000, resulting in a required and actual employer contribution of $3,703,000 and actual employee contributions of $9,681,000. The employer contribution represents 2.97 percent of the covered payroll. The employee contribution represents approximately 7.52 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2021. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.
Its financial statements are presented below as of and for the year-ended September 30, 2021. (amounts in thousands):

ASSETS	
Investments	307,543
Total Assets	$ 307,543
LIABILITIES	
Accounts Payable	-
Retired City Mgr 401(k) plan payable	60
Total Liabilities	$ 60
NET POSITION	
Held in trust for pension benefits	307,483
Assigned pension trust	-
Total Net Position	307,483

Changes in Net Position
Thrift Savings Plan

ADDITIONS	
Employer contributions	$ 4,025
Employee contributions	10,192
Net appreciation in fair value of investments	56,389
Other additions	-
	70,606
DEDUCTIONS	
Benefits	24,823
Plan administration	168
Other deductions	30
	25,021
Increase in Net Position	45,585
Net Position, October 1	261,898
Net position, September 30	$ 307,483

City contributions for the above plans for the year ended September 30, 2021, are as follows (amounts in thousands):

TMRS	$31,360
THRIFT	4,025
PTDIT	82
	$35,467

7. OTHER EMPLOYEE AND POSTEMPLOYMENT BENEFITS

Disability Income Plan

Plan Description

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.

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.

The Disability Income Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 2021. (amounts in thousands):

ASSETS	
Cash and cash-like investments	$ -
Investments:	
U.S. Government securities	24
Common stock mutual funds	817
Balanced mutual funds	549
Participant borrowing	-
Total investments	1,390
	-
Total Assets	$ 1,390
LIABILITIES	
Accounts payable	-
Total Liabilities	-
NET POSITION	
Restricted for OPEB	1,390
Total Net Position	$ 1,390

Changes in Net Position
Disability Income Plan

Additions	
Employer contributions	77
Other additions	97
Total Additions	174
Deductions	
Benefits	128
Plan Administration	33
Total Deductions	161
Increase in Net Position	13
Net Position, October 1	1,377
Net Position, September 30	$ 1,390

Benefits Provided

The amount of monthly benefit payable to the employee is provided by 60% of basic earnings not less than $50 less the sum of TMRS benefit plus worker's compensation plus social security benefit.

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.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	11
Inactive, Nonretired Members	0
Active Members	0
	11

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, 2021, the City contributed $76,654 to the plan. Administrative costs of DIP are financed through investment earnings.

Net Disability Income Plan Liability

The City's Total Disability Income Plan Liability was measured as of December 31, 2020.

Actuarial assumptions:

The Total Disability Income Plan Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	5%
Inflation	2.5%
Salary Increases	N/A; no active employees
Cost of Living Adjustment	The TMRS offset is assumed to increase by 1.25% per annum. The Social Security offset is assumed to increase 2.5% per annum. The offsets are assumed to increase in January.
Commencement of Plan Benefits	Age 65 for participants on the LTD plan

Changes in the Net Disability Income Plan Liability

	Total OPEB Liability (a)
Balance at 10/01/2019	$ 1,268,882
Changes for the year:	
Service Cost	-
Interest on total OPEB liability	60,415
Change of benefit terms	-
Difference between expected and actual experienc	42,447
Changes of assumptions or other inputs	(34,196)
Benefit Payments	(121,149)
Net changes	(52,483)
Balance at 9/3/20	1,216,399

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following presents the plan's net OPEB liability, calculated using a discount rate of 5.00%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	Discount Rate (4.00%)	Discount Rate (5.00%)	Discount Rate (6.00%)
City's net OPEB liability	($113,308)	($212,839)	($299,140)

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to disability income plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions and other inputs	-	-
Contributions subsequent to the measurement date	58,915	n/a
Net difference between projected and actual earnings on OPEB plan investments	-	98,887
Total	$58,915	$ 98,887

Deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense (excluding City-provided contributions made subsequent to the measurement date):

Plan Year Ended September 30:	
2021	$ (25,644)
2022	(18,973)
2023	(36,626)
2024	(17,644)
2025	-
Thereafter	-
Total	$ (98,887)

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 December 31, 2020, there were 247 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.

Benefits Provided

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 Benefit Payments

The City's payment 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.

Benefit Payments The City Council through the budget process has the authority to establish and amend payment requirements of the plan. Currently the plan is funded on a pay-as-you-go basis. The City's payments for the year ended September 30, 2021 were $6,733,000.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	856
Inactive employees entitled to but not yet receiving benefits	247
Active Employees	2,389
	3,492

Net Pension Liability

The City's Total OPEB Liability was measured as of December 31, 2020.

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Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	2.00%
Inflation	2.50% per year
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rate in the MP tables.
Health Care Trend Rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.25% after 14 years; Post-65: Initial rate of 6.30% declining to an ultimate rate of 4.25% after 13 years
Participation Rates	Following rates apply for retirees that are eligible for a subsidy and retire between the ages of 50 and 65: 45% for retirees with 10-14 years of service; 55% for retirees with 15-19 years of service; 65% for retirees with 20-24 years of service; 75% for retirees with 25-29 years of service; 80% for retirees with 30 or more years; 95% for retirees that are eligible for a subsidy and retire after the age of 65; 20% for retirees that are not eligible for a subsidy from the City; 10% for retirees that are eligible for a subsidy and retire before the age of 50

Discount Rate:

The discount rate used to measure the Total OPEB Liability was changed from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

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Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/19	$ 115,629,812
Changes for the year:	
Service Cost	2,601,055
Interest on total OPEB liability	3,123,353
Change of benefit terms	-
Difference between expected and actual experienc	8,814,880
Changes of assumptions or other inputs	8,918,233
Benefit Payments	(6,707,698)
Net changes	16,749,823
Balance at 9/30/20	132,379,635

Covered-employee payroll	$192,069,624
Total OPEB liability as a percentage of covered payroll	68.92%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	Discount Rate (1.00%)	Discount Rate (2.00%)	Discount Rate (3.00%)
City's total OPEB liability	$146,648,120	$132,379,635	$120,067,871

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, calculated using the assumed trend rates as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
City's total OPEB liability	$126,399,013	$132,379,635	$139,327,107

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experier	8,581,597	2,489,278
Changes of assumptions and other inputs	14,984,246	1,417,660
Benefit payments subsequent to the measuremen	4,344,584	n/a
Total	27,910,427	3,906,938

Deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense (excluding City-provided benefit payments made subsequent to the measurement date):

Year Ended September 30:	
2022	$ 3,688,363
2023	3,688,363
2024	3,688,363
2025	2,931,370
2026	2,995,699
Thereafter	2,666,747
Total	$ 19,658,905

Supplemental Death Benefits Plan

Plan Description

Texas Municipal Retirement System ("TMRS") administers a single-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB75).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Benefits Provided

TMRS provides death benefits to retirees at a fixed amount of $7,500.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,572
Inactive employees entitled to but not yet receiving benefits	403
Active Employees	2,492
	4,467

Contributions

The total contribution rate is for .19% of employee gross earnings, with .11% of that rate being the retiree portion. The City's contributions to TMRS for the year ended September 30, 2021, were $281,404.

Net Pension Liability

The City's Total OPEB Liability was measured as of December 31, 2019

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% - 11.5% per year
Discount Rate	2.00%

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. For disabled retirees, the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2020, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2014 through December 31, 2018.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%, down from 2.75% in the previous year..

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/2020	$ 10,130,937
Changes for the year:	
Service Cost	364,932
Interest on total OPEB liability	282,562
Change of benefit terms	-
Difference between expected and actual experienc	(181,851)
Changes of assumptions or other inputs	1,678,100
Benefit Payments	(76,828)
Net changes	2,066,915
Balance at 9/30/21	12,197,852

Total OPEB liability as a percentage of covered payroll 6.35%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, 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 (7.75%) or 1-percentage-point higher (3.75%) than the current rate:

	Discount Rate (1.00%)	Discount Rate (2.00%)	Discount Rate (3.00%)
City's total OPEB liability	$15,024,685	$12,197,852	$10,029,949

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$(360,266)
Changes of assumptions and other inputs	2,392,026	-
Benefits subsequent to the measurement date	260,914	n/a
Total	$2,652,940	$(360,266)

Deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense (excluding City-provided benefits made subsequent to the measurement date):

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Year Ended September 30:		
2021	$	489,905
2022		474,045
2023		384,292
2024		453,129
2025		230,389
Thereafter		-
Total	$	2,031,760

Expenses (Reduction of Expenses)

The amount of expenses recognized for the current year for the net OPEB liability recognized this year is as follows:

Health	3,188,029.00
DIP	(87,484.00)
Death Benefit	855,993.00
	3,956,538.00

8. DEBT AND LIABILITIES

General Obligation Bonds

On June 1, 2021 the City issued Permanent Improvement Bonds, Series 2021A of $31,820,000 with an interest rate of 2.00 to 5.00 percent and serial maturities on August 15 from 2022 through 2041. Interest on the bonds is due every February 15 and August 15, beginning February 15, 2022. The bonds were issued to provide funds for: designing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including fire station facilities, police administrative facilities and evidence storage facilities, including the acquisition of land therefor; renovating, repairing, improving, and equipping existing City service and administrative facilities, including repair, replacement, and improvement of roofs, mechanical, electrical, plumbing, air conditioning, heating and ventilation equipment and systems, façade improvements, and improvements required by the Americans with Disabilities Act and other applicable laws; acquiring, developing, renovating and improving parks and open spaces for park and recreation purposes in and for the City; 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; and paying the costs of issuance of the 2021A Bonds. Total interest requirements for the Series 2021A bonds at a rate from 2.00 to 5.00 percent is $10,616,543 in the aggregate.

On June 1, 2021, the City issued Permanent Improvement Refunding Bonds, Series 2021B of $8,325,000 with an interest rate of 4.00 to 5.00 percent and serial maturities on August 15 from 2021 through 2031. Interest on the bonds is due every February 15 and August 15, beginning Aug 15, 2021. The bonds were issued to refund currently outstanding obligations of the City, in order to achieve debt service savings; and paying the costs of issuing the 2021B bonds. Total interest requirements for the Series 2021B bonds at a rate from 4.00 to 5.00 percent is $2,205,138 in the aggregate.

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

Governmental activities	2.00-5.00%	$ 269,235
Governmental activities - refunding	1.0-5.000%	111,065
Total Governmental		$ 380,300

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

Year Ending September 30	Principal	Interest
2022	$ 30,835	$ 14,527
2023	29,620	13,232
2024	28,535	11,923
2025	27,455	10,659
2026	27,535	9,417
2027-2031	117,915	31,231
2032-2036	85,405	12,004
2037-2041	33,000	1,776
	$ 380,300	$ 104,768

General obligation debt authorized and unissued as of September 30, 2021, amounted to $187,845,000

<u>General Obligation Pension Bonds</u>

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

Year Ending September 30	Principal	Interest
2022	$ 8,975	$ 2,379
2023	9,005	2,352
2024	9,035	2,317
2025	9,090	2,262
2026	9,155	2,198
2027-2031	47,400	9,371
2032-2036	51,380	5,390
2037-2041	22,005	705
	$ 166,045	$ 26,974

Certificates of Obligation

Annual debt service requirements to maturity for certificates of obligation of the primary government as of 9/30/21 are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2022	$ 6,410	$ 2,146
2023	6,615	1,926
2024	6,715	1,745
2025	6,810	1,533
2026	6,050	1,285
2027-2031	21,615	3,759
2032-2036	9,865	1,054
	$ 57,580	$ 11,129

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 June 2021, the City issued $44,070,000 in Water and Wastewater System Revenue Bonds, Series 2021. Proceeds from the sale of the Bonds are being used to provide funds for the purpose of improving and extending the System and paying the costs of issuing the Bonds. These bonds mature June 1 over a period from 2022 to 2039. Interest, at a rate of 2.00 to 5.00 percent, is $14,5788,877 in the aggregate.

In June 2021, the City issued $8,390,000 in Municipal Drainage Utility System Revenue Bonds, Series 2021. Proceeds from the sale of the Bonds will be used for the purpose of providing funds to pay the costs of drainage improvements, including the acquisition and construction of equipment and facilities for the System and to pay costs of issuance associated with the sale of the Bonds. These bonds mature June 1 over a period from 2022 to 2041. Interest, at a rate of 2.00 to 5.00 percent, is $2,837,284 in the aggregate.

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

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Year Ending September 30	Business Activities					
	Water/Wastewater		Water/Wastewater TWDB		Storm Water Utility	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 16,975	$ 7,898	$ 6,275	$ 378	$ 3,490	$ 1,454
2023	16,955	7,476	6,270	366	3,455	1,393
2024	16,175	6,841	6,270	353	3,400	1,293
2025	15,350	6,194	6,270	337	3,350	1,192
2026	15,340	5,585	6,270	319	3,315	1,081
2027-2031	66,320	18,635	30,605	1,258	16,095	3,792
2032-2036	52,940	7,360	27,465	683	9,865	1,621
2037-2041	20,195	1,129	13,425	109	6,055	345
	$ 220,250	$ 61,119	$ 102,850	$ 3,802	$ 49,025	$ 12,172

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, 2021, net pledged revenues for the water enterprise fund were $70,884,000 and debt service on the revenue bonds was $27,823,000. The same pledge for repayment applies to the City's Storm Water Utility revenue of $16,374,000 for the bonds issued in fiscal year 2021.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2021 (amounts expressed in thousands):

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	10/1/2021	Increases	Reductions	9/30/2021	Due Within One Year
Governmental activities:					
General obligation debt	$ 552,315	$ 40,145	$ (46,115)	$ 546,345	$ 39,810
Certificates of obligation	64,875	-	(7,295)	57,580	6,525
Special tax revenue debt	568,345	-	(44,015)	524,330	4,815
Premium on general bonds	28,961	7,014	(4,741)	31,234	-
Premium on special bonds	50,118	-	(3,395)	46,723	-
Discount on special bonds	(1,969)	(613)	214	(2,368)	-
Net governmental bonds payable	1,262,645	46,546	(105,347)	1,203,844	51,150
Compensated absences	36,663	4,855	(1,163)	40,355	1,464
Claims	10,036	6,308	(4,725)	11,619	3,893
Landfill Closure	22,313		(22,313)	-	-
Estimated pollution remediation	-	-	(51)	(51)	
Net other post-employ benefit oblg.	117,522	17,593	(148)	134,967	-
Net pension liability*	131,177	-	(156,876)	(25,699)	-
Total governmental long-term liabilities	$ 1,580,356	$ 75,302	$ (290,623)	$1,365,035	$ 56,507
Business-type activities:					
Water and sewer bonds	$ 300,895	$ 44,070	$ (21,865)	$ 323,100	$ 23,250
Premium on water and sewer bonds	9,504	6,950	(2,006)	14,448	-
Storm water utility bonds	43,710	8,390	(3,075)	49,025	3,490
Premium/Discount on storm water utilit	1,770	1,344	(311)	2,803	-
Net water and sewer bonds payable	355,879	60,754	(27,257)	389,376	26,740
Compensated Absences	2,881	360	(83)	3,158	67
Net other post-employ benefit oblg.	8,174	1,223	-	9,397	
Net pension liability	9,138	-	(10,883)	(1,745)	-
Rebatable arbitrage payable	187	14	-	201	
Total business-type long term liabilities	$ 376,259	$ 62,351	$ (38,223)	$ 400,387	$ 26,807

* Footnote 1 provides additional information regarding restatement of net position.

9. PRIOR YEAR BOND REFUNDINGS

In FY21 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, 2021, previously defeased debt still outstanding amounted to $0.

Bond	Maturity Date	Interest Rate	Par Amount
Permanent Improvement and Refunding Bonds, Series 2011A	8/15/2022	3.500%	$ 890,000.00
	8/15/2023	4.000%	890,000.00
	8/15/2024	4.000%	890,000.00
	8/15/2025	4.000%	890,000.00
	8/15/2026	4.000%	890,000.00
	8/15/2027	4.000%	890,000.00
	8/15/2028	4.000%	890,000.00
	8/15/2029	4.000%	890,000.00
	8/15/2030	4.000%	890,000.00
	8/15/2031	4.125%	890,000.00
			$ 8,900,000.00

Bond	Maturity Date	Interest Rate	Par Amount
Combination Tax & Revenue Certificates of Obligations, Series 2011	8/15/2022	3.500%	$ 90,000.00
	8/15/2023	4.000%	90,000.00
	8/15/2024	4.000%	90,000.00
	8/15/2025	4.000%	90,000.00
	8/15/2026	4.000%	90,000.00
	8/15/2027	4.000%	90,000.00
	8/15/2028	4.000%	90,000.00
	8/15/2029	4.000%	85,000.00
	8/15/2030	4.125%	85,000.00
	8/15/2031	4.250%	85,000.00
			$ 885,000.00

10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2021, is as follows (amounts in thousands):

Fund	Interfund Receivables	Interfund Payables
General Fund	$7,004	$ -
Nonmajor Funds	-	7,004
	$7,004	$7,004

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2021. Transfers between funds during the year were as follows (amounts in thousands):

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	$ 26,534	$ 22,604
Street Capital Projects	6,878	-
Debt Service Fund	-	1,419
Total Major Governmental Funds	33,412	24,023
Major Enterprise Fund-Water and Sewer	20,707	170
Major Enterprise Fund-Storm Water Utility	2,545	3,200
Other Funds:		
Nonmajor Governmental Funds	14,554	38,870
Internal Service Funds	1,546	6,501
Government-wide trans to enterprise	-	-
Total All Funds	$72,764	$72,764

The Water and Sewer, Storm Water Utility, and Convention and Event Services transferred $5,449,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred $6,085,000 to Street Maintenance Fund and Special Transportation (Handitran) to cover budgeted operating expenses.

The Enterprise Funds transferred $14,828,000 to cover their budgeted operating costs.

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

11. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE 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. For most of fiscal year 2021, $22,313,000 was held as a landfill closure and post-closure accrued liability. This liability represented the cumulative amount reported to date based on the use of approximately 43 percent of the estimated capacity of the landfill. The City calculates the remaining estimated cost of closure and post-closure care of $5,307,220 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2021.

On September 30, 2020, an amended Agreement to Lease and Operate the landfill was signed with Republic to allow for potential expansion and extension of useful service life. This amendment effectively shifted responsibility for the costs related to closing the landfill and maintaining the landfill after closure from the City to Republic. As a result, the accrued liability and related trust fund asset were removed from the City's financial statements effective 9/30/2021.

In addition, the amendment changes the basis for the royalty paid to the City to a percentage of gross revenue. In exchange for providing additional financial assurances, Republic is no longer required to fund the trust and will gradually regain the funds they deposited over time. The agreement to disburse these trust funds was approved independent of the amended lease. As a result of that approval, the City received a one-time payment of $6.5 million from the disbursement of the trust fund. The City will receive an additional $6.5 million by 2045. Also, Republic became obligated to pay $810,354 to Landmarc Environmental Systems, LLC for additional methane gas wells installed at the landfill. These amounts are in addition to the potential increase in revenue from landfill operations due to changes in the usage and royalty fee structure.

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, 2021. 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	46,515	59,193
Park Construction	93,451	4,410
Traffic Construction	7,913	28
Library Construction	5,838	29
Storm Water Utility Construction	51,129	26,153
Water and Sewer Construction	88,353	23,758
Total	**293,199**	**113,571**

The street 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, 2021, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at $250,000. In a lawsuit filed by the Department of Housing and Urban Development, the Department of Justice filed a Consent Decree that has been negotiated with the City and authorized by Council in January 2022 and includes a required one-time payment of $395,000.

Various other claims and lawsuits are pending against the City. In the opinion of City Attorney's Office, 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 coverage 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 five years there have been seven claims for which payments have been received totaling $741,583.82 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.

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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 2021 and 2020 were as follows (amounts in thousands):

	Workers Compensation		Health		Self Insurance Risk Management		Other	
	2021	2020	2021	2020	2021	2020	2021	2020
Unpaid claims, Oct 1	$3,732	$3,912	$ 2,447	$ 2,226	$3,119	$2,584	$ -	$ -
Incurred Claims (including IBNRs and changes in estimates)	1,966	1,057	33,312	28,053	2,295	1,993	-	738
Claim payments	(1,792)	(1,237)	(33,298)	(27,832)	(1,662)	(1,458)	-	-
Unpaid claims, Sept 30	$3,906	$3,732	$ 2,461	$ 2,447	$3,752	$3,119	$ -	$738

14. LEASES

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 2021 were approximately $313,971.58

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"). By entering into this agreement, the City agreed to release and discharge the Rangers from the Claim.

The Dispute Settlement Agreement required the Rangers to make annual installment payments, without interest, to the City on or before December 31 of each year. Subsequently, the payment amounts were reduced effective in fiscal year 2016 to reflect reduced interest rates. On January 12, 2021, Council released the Texas Rangers from the last five remaining payments owed to the City under the Dispute Settlement Agreement

16. TEXAS RANGERS CAPITAL LEASE

In November 2016, Arlington citizens voted to build a new Rangers stadium which was completed in 2020. A lease agreement was executed on 2019 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 through 2054. At the end of the 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.

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	
2022	$2,000,000
2023	2,000,000
2024	2,000,000
2025	2,000,000
2026	2,000,000
Thereafter	56,000,001
	66,000,001
Less Discount	26,199,596
Minimum future lease rentals	$40,570,981

17. CONDENSED COMPONENT UNIT INFORMATION

The City includes seven discretely presented component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2021, 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	$ 100,084	$ 6,744	$ 5,106	$ 111,934
Capital assets	-	296	5,804	6,100
Total assets	100,084	7,040	10,910	118,034
Other liabilities and deferred inflows of resources	7,213	1,706	5,892	14,811
Total liabilities	7,213	1,706	5,892	14,811
Net position:				
Net investment in capital assets	-	296	2,259	2,555
Restricted	92,871	209	-	93,080
Unrestricted	-	4,829	2,771	7,600
Total net position	$ 92,871	$ 5,334	$ 5,030	$ 103,235

Condensed Schedule of Activities

	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	$ 10,207	$ 36,818	$ 18,076	$ 65,101
Program Revenues:				
Charges for services	-	37,079	18,404	55,483
Operating grants and contributions	-	-	12,217	12,217
Capital grants and contributions	-	-	-	-
Net Program (Expense) Revenue	(10,207)	261	12,545	2,599
Interest Revenues	14,424	-	5	14,429
Other NonTax General Revenues	6,748	165	164	7,077
Change in Net Position	10,965	426	12,714	24,105
Net position, October 1	81,906	4,908	3,169	89,983
Net position, September 30	$ 92,871	$ 5,334	$ 15,883	$ 114,088

18. TAX ABATEMENTS

As of September 30, 2021, 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.

<u>Development and Redevelopment</u>
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. The City may also rebate a portion of the sales, hotel occupancy, and mixed beverage taxes generated by a project. A portion of the City's local 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 exchange for the abatement/rebatement, the recipient commits to comply with the terms of the agreement, such as project completion deadlines, capital investment, 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 agreement and recapture any taxes abated/rebated per the terms of the agreement. As part of a tax abatement/rebatement, the City may make other commitments to support development and redevelopment projects (*e.g.,* development fee waivers, infrastructure improvements, etc.).

<u>Recruitment</u>
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 rebate a portion of the sales, hotel occupancy, and mixed beverage taxes generated by a project. A portion of the City's local 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 exchange for the abatement/rebatements(s), the recipient commits to comply with the terms of the agreement, such as project completion deadlines, added value requirements, job creation, etc. 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/rebatement. Additional incentives include development fee waivers, infrastructure improvements, and grants for hiring Arlington residents.

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 rebate a portion of the sales taxes and other income generated from the project. In exchange for abatement/rebatement(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.).

Tax Abatement Program

Program	Property Tax	Sales Tax	Hotel Occupancy Tax	Mixed Beverage Taxes	Other Commitments
Development/Redevelopment	817,947	163,713	1,025,538	285,019	
Recruitment	911,191	8,346,104			-
Retention	3,716,247				166,472
Total Tax Abated	5,445,385	8,509,817	1,025,538	285,019	166,472

For the fiscal year ended September 30, 2021, the City's property tax revenues were reduced by $5,445,385 under active tax abatement and Chapter 380 agreements for Development/Redevelopment, Recruitment, and Retention. Sales tax revenues were reduced by a total of $8,509,817 for Development/Redevelopment and Recruitment rebatements. Hotel occupancy tax revenues were reduced by $1,025,538 and mixed beverage taxes were reduced by $285,019 for Development/Redevelopment rebatements. In addition to tax abatements/rebatements, recipients qualified for $166,472 in other commitments from the City in the form of development fee waivers.

As a result of the City's tax abatement/rebatement program, the property tax base increased by more than $1.4 billion with property value growth of more than 900% above the base year value. The projects receiving abatements/rebatements of the City's sales tax, hotel occupancy tax, and mixed beverage taxes generated more than $20 million in local tax revenue, of which 49% was rebated.

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. However, the City may also act as a conduit for the refunding of state sales, hotel occupancy, and mixed beverage taxes generated by a qualifying project under Sections 151.429 (h), 351.102, and 351.1022 of the Texas Tax Code, Section 2303.5055 of the Texas Government Code, and other applicable laws.

19. POLLUTION REMEDIATION

The City is responsible for following all applicable environmental rules when managing sites with environmental clean-up or management requirements. The Texas Commission on Environmental Quality (TCEQ) requires that the City conduct groundwater monitoring of the leaking petroleum storage tanks. The liability is calculated using the current value of outlays to remediate the properties – the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. The liability is an estimate and is subject to revision as a result of price increases or reductions, changes in technology, or changes in applicable laws or regulations. As of September 30, 2021, the environmental remediation liability is $51,000.

20. SUBSEQUENT EVENTS

There were no subsequent events that require disclosure at this time.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

June 7, 2022

$9,525,000
CITY OF ARLINGTON, TEXAS
MUNICIPAL DRAINAGE UTILITY SYSTEM
REVENUE BONDS
SERIES 2022

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, MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE BONDS, SERIES 2022, dated May 15, 2022, in the principal amount of $9,525,000.

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 "Bond Ordinance") and the pricing certificate (the "Pricing Certificate") executed pursuant thereto (the Bond Ordinance and Pricing Certificate together are referred to herein as the "Ordinance").

WE HAVE represented the Issuer as its bond counsel for the sole 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 excludability 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 also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

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 special obligations of the Issuer;

(B) The Bonds are payable from and secured by a lien on and pledge of the Revenues of the Issuer's Municipal Drainage Utility System, as such terms are defined and described in the Ordinance; and

(C) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax.

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.

Except as stated above, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. Further, in the event that the representations of the Issuer and other parties are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

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