OFFICIAL STATEMENT DATED MAY 17, 2022

NEW ISSUE – Book-Entry-Only

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

In the opinion of Bond Counsel, under existing law, interest on the 2022A 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 2022A BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$83,240,000
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
Permanent Improvement Bonds, Series 2022A

Dated: May 15, 2022 **Due: August 15, as shown below**
Interest to accrue from the Delivery Date

The $82,240,000 City of Arlington, Texas, Permanent Improvement Bonds, Series 2022A (the " 2022A Bonds") will be issued in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2022A Bonds. Individual purchases will be made in book-entry form only, in principal amounts of $5,000 or multiples thereof. The 2022A Initial Purchaser (defined below) will not receive certificates representing their interest in the 2022A Bonds purchased. Interest on the 2022A Bonds will accrue from the date of their delivery to the 2022A Initial Purchaser (the "Delivery Date") and will be payable on February 15 and August 15 of each year, commencing February 15, 2023.

MATURITY SCHEDULE

(August 15) Maturity	Amount	Interest Rate	Yield	CUSIP[1]	(August 15) Maturity	Amount	Interest Rate	Yield	CUSIP[1]
2023	$ 4,165,000	5.000%	2.300%	041796ZH9	2030	$ 4,165,000	5.000%	3.290%	041796ZQ9
2024	4,165,000	5.000%	2.600%	041796ZJ5	2031	4,160,000	5.000%	3.350%	041796ZR7
2025	4,165,000	5.000%	2.790%	041796ZK2	2032	4,160,000	5.000%	3.390%	041796ZS5
2026	4,165,000	5.000%	2.850%	041796ZL0	2033	4,160,000	5.000%	3.450% [2]	041796ZT3
2027	4,165,000	5.000%	2.940%	041796ZM8	2034	4,160,000	5.000%	3.500% [2]	041796ZU0
2028	4,165,000	5.000%	3.090%	041796ZN6	2035	4,160,000	5.000%	3.570% [2]	041796ZV8
2029	4,165,000	5.000%	3.240%	041796ZP1	2036	4,160,000	4.000%	3.740% [2]	041796ZW6

$ 24,960,000 4.00% Term Bond Due on August 15, 2042 Priced to Yield 4.03% CUSIP Number: 041796ZX4

(1) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the initial purchaser of the 2022A Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor, nor the 2022A Initial Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based upon the assumption that the 2022A Bonds designated and sold at a premium will be redeemed on August 15, 2032, the first optional redemption date for the 2022A Bonds, at a redemption price of par plus accrued interest to the redemption date.

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

Redemption. The City reserves the right, at its option, to redeem the 2022A Bonds having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple therefore, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

The 2022A Bonds maturing on August 15, 2042 (the "Term Bonds") are subject to mandatory sinking fund redemption (see "THE BONDS – MANDATORY SINKING FUND REDEMPTION").

Legality. The 2022A Bonds are offered for delivery when, as and if issued and received by the initial purchaser of the 2022A Bonds (the "2022A Initial Purchaser"), subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bracewell LLP, Dallas, Texas, Bond Counsel (see APPENDIX C "Form of Bond Counsel Opinion"). Certain legal matters will be passed upon for the City by West & Associates, L.L.P., Dallas, Texas, Disclosure Counsel.

Delivery. It is expected that the 2022A Bonds will be delivered through the facilities of DTC on or about June 7, 2022 (the "Delivery Date").

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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 2022A 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").

THE BONDS..................................... The $83,240,000 City of Arlington, Texas Permanent Improvement Bonds, Series 2022A (the "2022A Bonds"), dated May 15, 2022, will be issued as serial bonds and term bonds maturing on August 15 in each of the years 2023 through 2036, inclusive, and as term bonds maturing on August 15, 2042 (see "THE BONDS - General").

PAYMENT OF INTEREST .... Interest on the 2022A Bonds accrues from the "Delivery Date" and will be paid on February 15, 2023, and on each August 15 and February 15 thereafter until the maturity or prior redemption. (See "THE BONDS - General" and "THE BONDS – Optional Redemption").

AUTHORITY FOR ISSUANCE……… The 2022A Bonds are authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the "State" or "Texas"), including particularly Chapters 1331 and 1371, Texas Government Code, as amended, elections held on November 4, 2014, May 6, 2017 and November 6, 2018 and an ordinance adopted by the City Council on February 22, 2022 authorizing the issuance of the 2022A Bonds (the "Bond Ordinance") in which the City Council delegated pricing of the 2022A Bonds to an Authorized Officer who approved a pricing certificate (the "2022A Pricing Certificate," and together with the Bond Ordinance, the "2022A Bond Ordinance") which contains the final terms of the sale and completes the sale of the 2022A Bonds.

SECURITY FOR THE BONDS .... The 2022A Bonds, when issued, will be direct obligations of the City, payable from the proceeds of a continuing and direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS – Security."

REDEMPTION.................................. The City reserves the right, at its option, to redeem the 2022A Bonds having stated maturities on and after August 15, 2033 in whole or in part in principal amounts of $5,000 or any integral multiple therefore, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Term bonds will be subject to mandatory sinking fund redemption. See "THE BONDS – Optional Redemption."

The 2022A Bonds maturing on August 15, 2042 (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 2022A Bonds will be 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 (the "Code")," herein for a discussion of the opinions of Bond Counsel.

USE OF PROCEEDS.......................... The proceeds from the sale of the 2022A Bonds are being used to provide funds for (i) 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; (ii) 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; (iii) acquiring, developing, renovating and improving parks and open spaces for park and recreation purposes in and for the City; (iv) 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; (v) designing, developing, constructing, equipping and furnishing an active adult recreation facility; and (vi) paying the costs of issuance of the 2022A Bonds.

RATINGS .... The 2022A Bonds are 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 tax supported debt and outstanding certificates of obligation have underlying ratings of "Aa1" by Moody's, "AAA" by S&P and "AAA" by Fitch (see "OTHER INFORMATION – Ratings").

BOOK-ENTRY-ONLY SYSTEM .... The definitive 2022A 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 2022A Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the 2022A Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the 2022A 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 2022A Bonds (see "BOOK ENTRY-ONLY SYSTEM").

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

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CITY OF ARLINGTON

CITY OFFICIALS, STAFF, AND CONSULTANTS

Elected Officials

City Council	Length of Service	Term Expires	Occupation
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 Elected	May, 2024	Human Resources Executive
Ruby Faye Woolridge Council Member	2 Years	May, 2022 (1)	Educator, Retired
Helen Moise Council Member	4 Years	May, 2024	Financial and Asset Manager, Retired
Raul Gonzalez Council Member	2 Years	May, 2024	Administrator
Nikkie Junter Council Member	1 Years	May, 2023	Healthcare Administration
Andrew Piel Council Member	3 Years	May, 2023	Attorney
Rebecca Boxall Council Member	1 Year	May, 2023	Architect

(1) Elections for Council Member positions with terms expiring in May, 2022 was held on May 7, 2022. Council Members Moise and Gonzalez are running unopposed and their terms will be extended until May, 2024. Ms. Woodridge's council seat will be determined by a runoff election on June 18, 2022 between candidates Albert Parra and Long Pham.

Appointed Officials

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

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 S. Mesquite Street, 8th Floor
Arlington, Texas 76010
(817) 459-6303

Mr. Dave Gordon
Estrada Hinojosa & Company, Inc.
600 N. Pearl St., Suite 2100, South Tower
Dallas, Texas 75201
(214) 658-1670

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page, tables, 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 2022A 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 2022A 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 2022A BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE 2022A 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 page 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, 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 for information 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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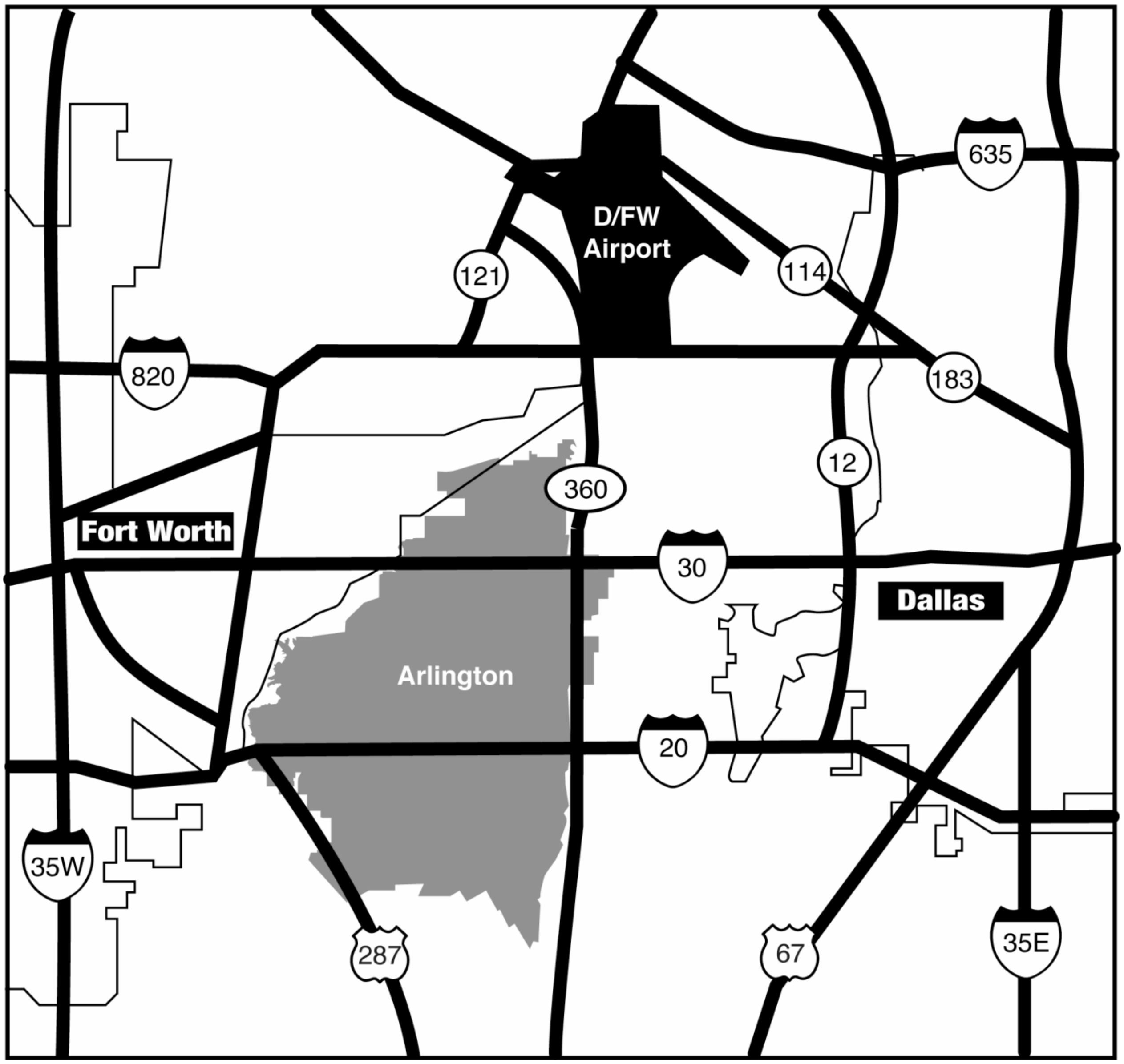
The cover page hereof, this page, the appendices included herein, the financial statements and any addenda, supplement or amendment hereto, are part of this Official Statement.

Dallas/Fort Worth/Arlington Metropolitan Area



CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)

$83,240,000
Permanent Improvement Bonds, Series 2022A

INTRODUCTION

This Official Statement, which includes the cover page, the schedule and appendices hereto, provides certain information regarding the issuance of City of Arlington, Texas (the "City") $82,240,000 Permanent Improvement Bonds, Series 2022A (the "2022A Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined below) except as otherwise indicated.

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

There follows in this Official Statement descriptions of the 2022A Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Estrada Hinojosa & Company, Inc., Dallas, Texas.

Description of the City

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

The City 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 2022 estimated population of 394,266. The City operates as a home-rule City under a Council-Manager form of government as established by its City Charter. There is a nine-member City Council (the "Council" or "City 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 odd-numbered years for the Mayor and four Council seats and even-numbered years for four Council seats. 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. The City operates its water and wastewater system, its storm water system and its sanitary landfill operation (currently outsourced) as self-supporting enterprise funds.

THE BONDS

Authority for Issuance

The 2022A Bonds are authorized and issued pursuant to authority granted by the Constitution and the general laws of the State of Texas (the "State" or "Texas"), including particularly Chapters 1331 and 1371, Texas Government Code, as amended, elections held on November 4, 2014, May 6, 2017 and November 6, 2018 and an ordinance adopted by the City Council on February 22, 2022 authorizing the issuance of the 2022A Bonds (the "Bond Ordinance") in which the City Council delegated pricing of the 2022A Bonds to an Authorized Officer who approved a pricing certificate (the "2022A Pricing Certificate," and together with the Bond Ordinance, the "ordinance") which contains the final terms of the sale and completes the sale of the 2022A Bonds.

General

The 2022A Bonds will be dated May 15, 2022, and will mature on the dates set forth on the cover page of this Official Statement. Interest on the 2022A Bonds will accrue from the date of delivery of the 2022A Bonds to the 2022A Initial Purchaser and will be paid on February 15, 2023, and on each February 15 and August 15 thereafter until maturity or prior redemption.

Security

The 2022A Bonds, when issued, will be direct obligations of the City, payable from the proceeds of the levy of a continuing, direct annual ad valorem tax levied and assessed, within the limits prescribed by law, against all taxable property within the City.

Tax Rate Limitations

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

Use of Proceeds

The proceeds from the sale of the 2022A Bonds are being used to provide funds for (i) 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; (ii) 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; (iii) acquiring, developing, renovating and improving parks and open spaces for park and recreation purposes in and for the City; (iv) 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; (v) designing, developing, constructing, equipping and furnishing an active adult recreation facility; and (vi) paying the costs of issuance of the 2022A Bonds.

Sources and Uses

The sources and uses of funds for the 2022A Bonds are approximately as follows:

Sources:		
Par amount of the 2022A Bonds	$	83,240,000.00
Net Premium		5,089,546.62
Total Sources of Funds	$	88,329,546.62
Uses:		
Deposit to Construction Fund	$	87,904,000.00
Cost of Issuance		425,546.62
Total Uses of Funds	$	88,329,546.62

Payment Record

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

Paying Agent/Registrar

The initial Paying Agent/Registrar is Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Payments of principal and interest on the 2022A Bonds will be payable by the Paying Agent/Registrar to DTC or its nominee, Cede & Co., which will then remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners of the 2022A Bonds, as described herein under "BOOK-ENTRY-ONLY SYSTEM."

The City covenants to maintain and provide a Paying Agent/Registrar at all times until the 2022A 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 or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the 2022A Bonds. Upon any change in the Paying Agent/Registrar for the 2022A Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the 2022A Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar (see "-Registration, Transfer, Exchange – Successor Paying Agent/Registrar" herein).

In the event use of the Book-Entry-Only System should be discontinued, interest on the 2022A Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner.

Principal of the 2022A Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest on the 2022A Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (See

"-Registration, Transfer, Exchange – Record Date for Interest Payment" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the 2022A Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original payment date So long as Cede & Co. is the registered owner of the 2022A Bonds, principal and interest on the 2022A Bonds will be made as described in "THE BONDS – BOOK-ENTRY-ONLY SYSTEM".

Amendments

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the 2022A Bonds, then outstanding, amend, add to, or rescind any of the provisions of the Ordinance, except that, without the consent of the registered owners of all of the 2022A Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal on any installment of interest is due payable, reduce the principal amount or the rate of interest, or in any other way modify the terms of their payment, (2) give any preference to any 2022A Bonds or 2022B Bonds, as applicable, over any other, or (3) reduce the aggregate principal amount required to be held by owners for consent to any amendment, addition or rescission.

Optional Redemption

The City reserves the right, at its option, to redeem the 2022A Bonds having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple therefore, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

MANDATORY SINKING FUND REDEMPTION… The 2022A Bonds maturing on August 15, 2042 (the "Term Bonds"), are subject to mandatory redemption in part prior to maturity on August 15, 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 August 15 of each year the principal amount of such Term Bonds as follows:

Stated to Mature on August 15, 2042	
Year	Principal Amount
2037	$ 4,160,000
2038	4,160,000
2039	4,160,000
2040	4,160,000
2041	4,160,000
2042*	4,160,000

* Maturity

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.

Defeasance

The Ordinance provide that the City may discharge its obligations to the registered owners of any or all of the 2022A Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State a sum of money equal to the principal of, premium, if any, and all interest to accrue on the 2022A 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 2022A Bonds; provided that such deposits may be invested and reinvested in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United State of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds to refund the obligations, that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the 2022A Bonds. If any such

2022A 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.

Under current State law, after such deposit as described above, the 2022A 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 2022A Bonds have been made as described above, all rights of the City to initiate proceedings to call the 2022A Bonds for redemption or take any other action amending the terms of the 2022A Bonds are extinguished; provided, however, that the right to call the 2022A 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 2022A Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the 2022A 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 2022A Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

Holders' Remedies

The Ordinance establishes the following Events of Default with respect to the 2022A Bonds: (i) failure to make payment of principal of or interest on any of the 2022A Bonds when due and payable; or (ii) defaults in the observance or performance of any other the covenants, conditions or obligations set forth in the Ordinance which materially and adversely affects the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City. Under State law, there is no right to the acceleration of maturity of the 2022A 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 2022A Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the 2022A Bonds as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. No assurance can be given that a mandamus or other legal action to enforce a default under the 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. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the 2022A Bonds.

On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. 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. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the 2022A Bonds, the City has not waived sovereign immunity in the proceedings authorizing the 2022A Bonds.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the 2022A 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, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bond holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that the rights of holders of the 2022A 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.

Registration, Transfer and Exchange

Registration and Payment. The 2022A Bonds will be initially issuable only in the name of Cede & Co., as nominee of DTC which will act as securities depository for the 2022A Bonds. Principal and semiannual interest on the 2022A 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 2022A Bonds, then the term "Owner" shall refer solely to DTC. In the event that DTC is no longer the securities depository for the 2022A Bonds, the term "Owner" shall refer to a successor securities depository or the Beneficial Owners of the 2022A Bonds which are shown as registered Owners on the registration books of the Paying Agent/Registrar.

Future Registration. In the event that DTC is no longer the securities depository for the 2022A Bonds and a successor securities depository is not appointed by the City printed certificates for the 2022A Bonds will be delivered to the owners thereof, and thereafter, the 2022A 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 2022A Bond may be assigned by execution of an assignment form on the 2022A Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new 2022A Bond or 2022A Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned 2022A Bonds in accordance with the provisions of the Ordinance. Such new 2022A Bonds must be in the denomination of $5,000 for any one maturity or any integral multiple thereof. The last assignee's claim of title to the 2022A Bonds must be proved to the satisfaction of the Paying Agent/Registrar.

Record Date for Interest Payment. The record date ("Record Date") for the interest payment on the 2022A Bonds on an interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on the 2022A Bonds on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a 2022A Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Successor Paying Agent/Registrar. Provision is made in the Ordinance for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. The Paying Agent/Registrar selected by the City shall be a commercial bank, a trust company organized under the laws of the State of Texas, or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the 2022A Bonds. A successor Paying Agent/Registrar, if any, shall be determined by the City. Upon a change in the Paying Agent/Registrar for the 2022A Bonds, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the 2022A Bonds. Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any 2022A Bond or portion thereof, called for redemption prior to maturity, within 45 days prior to the date fixed for redemption.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the 2022A Bonds is to be transferred and how the principal of, premium, if any, and interest on the 2022A Bonds are to be paid and created by the Depository Trust Company ('DTC"), New York, New York, while the 2022A 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City and the 2022A Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the 2022A 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 2022A 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 2022A Bonds. The 2022A 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 2022A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities

Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, arid clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 2022A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2022A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2022A 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 2022A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2022A Bonds, except in the event that use of the book-entry system for the 2022A Bonds are discontinued.

To facilitate subsequent transfers, all 2022A 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 2022A 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 2022A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2022A 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 2022A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2022A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of 2022A Bonds may wish to ascertain that the nominee holding the 2022A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices for the 2022A Bonds shall be sent to DTC. If less than all of the 2022A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2022A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2022A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2022A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct and Indirect Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2022A Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds 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, 2022A Bond 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 2022A 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 2022A 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 or the 2022A Initial Purchaser.

Effect of Termination of Book-Entry-Only System

In the event the Book-Entry-Only System with respect to the 2022A Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the 2022A Bonds is discontinued by the City, printed certificates will be issued to the respective holders of the 2022A Bonds, as the case may be, and the respective 2022A Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance, summarized under "Registration."

LEGAL HOLDINGS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), as amended, the 2022A Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The 2022A Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), as amended, the 2022A Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the 2022A Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the 2022A Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the 2022A Bonds for such purposes. The City has made no review of laws in other states to determine whether the 2022A Bonds are legal investments for various institutions in those states.

INVESTMENTS

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

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National credit Union Share Insurance Fund or its successor or (B) are invested through (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the City adopts or (ii) a depository institution with a main office or branch office in this state that the City selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the City's account; and (b) the full amount of the principal and accrued interest of the banking deposits is insurance by the United States or an instrumentality of the United States; and (c) the City appoints as the City's custodian of the banking deposits issued for the City's account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2256.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (8) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or a) where the funds are invested by an investing entity through: (i) a broker that has its main office or a branch office in this State and is selected from a list adopted by the City; or (ii) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity; (b) where the broker or the depository institution selected by the investing entity under (a) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (a), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the City, (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City with a third party selected and approved by the City and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-loan money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Investment Policies

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

At least quarterly the investment officers of the City shall submit an investment report to the Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council. For more discussion see APPENDIX B – Unaudited Basic Financial Statements of the City of Arlington Year Ended September 30, 2020 - Basic Financial Statements – Notes to the Financial Statements.

Additional Provisions

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

Table 1 – Current Investments

As of March 31, 2022 the following percentages of the City's operating funds were invested in the following categories of investments:

Type of Investment	% Invested
Treasury Securities	12.47%
Federal Agencies	60.11%
Statewide Local Government Investment Pools [(1)]	21.24%
Municipals	2.49%
Commercial Paper	3.29%
Cash	0.40%
Totals	100.00%

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

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

As of March 31, 2022, the weighted average maturity of the City's operating portfolio was 390 days and the market value of the operating portfolio was 98.50 percent of its book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

Table 2 - Authorized Permanent Improvement Bonds and Use of Proceeds

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

(in thousands)

Election Purpose	Authorized Amount	Previously Issued	The Bonds [(1)]	Unissued
2014 Parks and Recreation	$ 60,000	$ 59,091	$ 909	$ -
2017 Active Adult Center	45,000	4,500	40,500	-
Total	**$ 105,000**	**$ 63,591**	**$ 41,409**	**$ -**
2018 Fire and Police	$ 24,500	$ 6,000	$ 850	$ 17,650
2018 City Facilities	8,000	1,600	1,600	4,800
2018 Parks and Recreation	19,165	4,300	6,045	8,820
2018 Streets and Transportation	137,835	31,255	38,000	68,580
	$ 189,500	**$ 43,155**	**$ 46,495**	**$ 99,850**
Grand Total	**$ 294,500**	**$ 106,746**	**$ 87,904**	**$ 99,850**

Source: City of Arlington Finance Department.
(1) Includes premium on the 2022A Bonds allocated to voted authorization.

DEBT INFORMATION

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

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

Table 3 - Key Debt Ratios

Fiscal Year	Estimated Population [1]	Estimated Taxable Valuation [2]	Tax - Supported Principal Year Ended September 30	Ratio of Tax-Supported Debt Per Capita	Ratio of Tax-Supported Debt To Assessed Valuation
2013	365,930	$ 17,677,891,333	$ 312,040,000	$ 853	1.77%
2014	369,508	18,088,406,989	325,315,000	880	1.80%
2015	379,370	18,905,765,829	323,590,000	853	1.71%
2016	380,740	19,601,363,251	354,185,000	930	1.81%
2017	382,230	21,379,080,714	382,735,000	1,001	1.79%
2018	383,950	23,503,192,007	408,365,000	1,064	1.74%
2019	386,180	25,921,882,291	428,490,000	1,110	1.65%
2020	394,266	29,238,009,537	617,190,000	1,565	2.11%
2021	393,420	30,614,604,102	603,305,000	1,533	1.97%
2022	393,420	32,747,019,083	640,830,000 [3]	1,629 [3]	1.96% [3]

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Source: City of Arlington Finance Department.

[1] Population estimates are based on percent of occupancy in available residences and U.S. Census Bureau data.

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

[3] Includes the 2022A Bonds.

Table 4 – Debt Service Requirements

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

Fiscal Year Ended 9/30	Existing Debt Service [1]		2022A Bonds		Total Debt Service Requirements	% of Principal Retired	Fiscal Year Ended 9/30
	Principal	Interest	Principal	Interest			
2022	$ 46,335,000	$ 18,796,528	$ -	$ -	$ 65,131,528		2022
2023	45,250,000	17,296,265	4,165,000	4,601,951	71,313,216		2023
2024	44,290,000	15,744,500	4,165,000	3,662,550	67,862,050		2024
2025	42,505,000	14,181,277	4,165,000	3,454,300	64,305,577		2025
2026	42,665,000	12,701,365	4,165,000	3,246,050	62,777,415	34.59%	2026
2027	40,875,000	11,257,401	4,165,000	3,037,800	59,335,201		2027
2028	37,885,000	9,788,820	4,165,000	2,829,550	54,668,370		2028
2029	35,400,000	8,585,267	4,165,000	2,621,300	50,771,567		2029
2030	35,075,000	7,496,885	4,165,000	2,413,050	49,149,935		2030
2031	33,525,000	6,441,956	4,160,000	2,204,800	46,331,756	64.22%	2031
2032	32,920,000	5,425,275	4,160,000	1,996,800	44,502,075		2032
2033	31,595,000	4,451,218	4,160,000	1,788,800	41,995,018		2033
2034	28,645,000	3,524,467	4,160,000	1,580,800	37,910,267		2034
2035	26,675,000	2,718,457	4,160,000	1,372,800	34,926,257		2035
2036	25,280,000	1,979,886	4,160,000	1,164,800	32,584,686	88.36%	2036
2037	22,985,000	1,328,282	4,160,000	998,400	29,471,682		2037
2038	20,290,000	753,078	4,160,000	832,000	26,035,078		2038
2039	6,465,000	262,500	4,160,000	665,600	11,553,100		2039
2040	3,675,000	105,300	4,160,000	499,200	8,439,500		2040
2041	1,590,000	31,800	4,160,000	332,800	6,114,600	99.39%	2041
2042	-	-	4,160,000	166,400	4,326,400	100.00%	2042
	$ 603,925,000	$ 142,870,526	$ 83,240,000	$ 39,469,751	$ 869,505,277		

[1] Total may not match annual disclosure statement due to rounding.

Table 5 – Computation of Self-Supporting Debt

The City no longer designates debt as self-supporting and therefore has eliminated this table. Should the City decide to designate debt as self-supporting in the future, then it will detail it here.

Table 6 – Tax Adequacy (1)

The following analysis assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2021 Net Assessed Valuation.

Average Annual Requirement (2022 - 2042)	$	41,405,013
A tax rate of $0.1319 per $100 assessed valuation produces		41,405,013
Average Annual Requirement (10 year) (2022 - 2031)	$	59,164,662
A tax rate of $0.1885 per $100 assessed valuation produces		59,164,662
Maximinum Annual Requirement (2023)	$	71,313,216
A tax rate of $0.2272 per $100 assessed valuation produces		71,313,216

(1) Includes the 2022A Bonds.

ESTIMATED OVERLAPPING DEBT

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

Overlapping Debt

Taxing Jurisdiction	Total Tax Supported Debt as of 6/7/2022 [(1)]	Percent	Amount Overlapping
Arlington ISD	$ 1,081,249,956	78.86%	$ 852,673,715
Ft. Worth ISD	1,247,990,000	0.33%	4,118,367
Hurst-Euless-Bedford ISD	343,375,000	5.22%	17,924,175
Kennedale ISD	23,305,025	54.07%	12,601,027
Mansfield ISD	853,614,839	26.48%	226,037,209
Tarrant Co	213,675,000	15.69%	33,525,608
Tarrant Co College District	255,995,000	15.69%	40,165,616
Tarrant Co Hosp Dist	14,495,000	15.69%	2,274,266
Viridian Municipal Management District	209,000,000	100.00%	209,000,000
Total Net Overlapping Debt			$1,398,319,982
Arlington, City of	687,165,000 [(2)]	100.00%	$ 687,165,000
Total Direct and Overlapping Debt			$2,085,484,982
Total Direct and Overlapping Debt % of AV			6.37%
Total Direct and Overlapping Debt Per Capita			$ 5,340

(1) Source: Municipal Advisory Council of Texas. Net debt outstanding per representative of each jurisdiction.
(2) Includes the 2022A Bonds.

TAX-SUPPORTED CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program ("CIP") provides for multi-year improvements to the City's public facilities along with the means of financing these improvements. The City's CIP is prepared annually and primarily enabled by recent bond election results. The approved CIP is the result of a process that balances the need for public facilities against the fiscal capability of the City to provide for those needs. The City's tax-supported CIP for fiscal year 2022 is approximately $160,400,000. The proposed capital projects for the 2022 fiscal year include funds for police, parks and recreation, public works and transportation.

FINANCIAL INFORMATION

Basis of Accounting and Accounting Structure

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its Comprehensive Annual Financial Report (CAFR) for the year ended April 30, 1966 and then annually from 1977 to 2003 and 2005 to 2019. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2020.

ACCOUNTING STANDARDS

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

The following major funds are used by the City:

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

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

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

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

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

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

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

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

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

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

The City additionally reports for the following Fund types:

F. 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; technology services; workers' compensation insurance: and group health Insurance.

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

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

GENERAL FUND REVENUES AND EXPENDITURES

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

CERTAIN OPERATIONS OF THE GENERAL FUND

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

Summaries for fiscal years 2017 to 2020 have been compiled from the audited financial statements included in the respective Comprehensive Annual Financial Reports of the City and unaudited financial report for fiscal year 2021. These unaudited summaries should be read in conjunction with their related audited and unaudited financial statements and notes. For the fiscal year ended September 30, 2021, the General Fund revenues and transfers were more than expenditures by $22,970,000 or 9.25% percent of General Fund revenues, leaving a General Fund balance at September 30, 2021, of $89,650,000. The following table presents a comparison of the City's General Fund balance for fiscal years 2017 to 2021.

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

	Fiscal Years Ended September 30,				
	2021	**2020**	**2019**	**2018**	**2017**
Beginning General Fund Balance	$ 70,610	$ 65,898	$ 66,306	$ 62,849	$ 62,478
Revenues					
Taxes	188,126	181,320	175,985	162,989	153,463
Franchise Fees	21,891	22,048	24,921	25,166	24,859
Service Charges	7,791	7,940	9,743	6,686	5,680
Interest	1,217	2,356	2,556	2,148	1,825
All Other	29,109	30,858	33,097	34,231	32,815
Total Revenues	$ 248,134	$ 244,522	$ 246,302	$ 231,220	$ 218,642
Expenditures					
Total Expenditures	$ 255,164	$ 250,366	$ 251,338	$ 237,273	$ 227,375
Net Expenditures Over (Under) Expenditures	22,970	(5,844)	(5,036)	(6,053)	(8,733)
Other Financing Sources					
Issuance of Capital Leases	-	-	-	-	-
Operating Transfers	(3,930)	10,556	4,628	9,510	9,104
Ending General Fund Balance	$ 89,650	$ 70,610	$ 65,898	$ 66,306	$ 62,849

Source: Unaudited financial statements for Fiscal Year 2021 and Audited Financial Statements for Fiscal Years 2017-2020.

The following table shows the City's estimated revenues and budgeted expenditures, as reported in the adopted fiscal year 2022 Budget.

Table 8 – Debt Service Fund Budget
Fiscal Year 2022

Beginning Balance	$ 3,113,354
Property Tax Revenue	61,580,830
Transfers In	1,536,324
Total Available for Debt Service	66,230,508
Debt Service Expenditures	(62,815,672)
Estimated Ending Fund Balance	$ 3,414,836

Source: City of Arlington Finance Department

TAX DATA

State of Texas Tax Code

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Tarrant County Central Appraisal District (the "Appraisal District") with respect to City property which is a county-wide agency created under the Property Tax Code for that purpose. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal district on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See " City and Taxpayer Remedies."

State Mandated Homestead Excmptions. . . State law grants, with respect to each city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze For The Elderly and Disabled . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded..

Personal Property . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport And Goods-In-Transit Exemptions . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. The City does tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. On January 13, 1998, the Council repealed its ordinance taxing Freeport Property, which has the effect of exempting Freeport Property from taxation effective January 1, 1999. This exemption is irrevocable under current State law.

Other Exempt Property . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Financing Zones . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ" or "TIF") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "TAX DATA – City Application of Property Tax Code" for descriptions of existing TIRZ created in the City.

Tax Abatement Agreements . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "– City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements.

Temporary Exemption For Qualified Property Damaged By A Disaster … The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. For tax years beginning prior to January 1, 2022, except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For tax years beginning on or after January 1, 2022, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exception. For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

City And Taxpayer Remedies. . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code. Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate alculates by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "– Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes. . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain conditions. Currently, the City does not permit split payments, and discounts are not allowed. Notwithstanding the City's prohibition on split payments, taxpayers 65 years old or older are permitted by State law to pay taxes (without penalty and interest) on homesteads in four installments with the first due on or before January 31 of each year and the final installment due on or before July 31.

City's Right In The Event of Tax Delinquencies. . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing And Maintenance and Operations Tax Rate Limitations . . . The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter approval tax rate. A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year. The City does not collect the additional one-half percent sales tax. Taxable sales in the City are currently subject to the maximum 8.25% sales tax (1% of which is the City's portion) and the City has not implemented the additional sales tax.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the 2022A Bonds.

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

City Application of Property Tax Code. . .

The City grants an exemption of 20% of the market value of residence homesteads; the minimum exemption is $5,000.

The City grants an additional exemption to the market value of the residence homestead of persons 65 years of age or older or disabled, of $60,000; disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces are granted an exemption of $5,000 to $12,000 dependent upon the amount of disability.

The City currently has three active Tax Increment Financing Zones (TIF):

The City Council adopted an ordinance on November 3, 1998, establishing a TIF (the "TIF Zone #1") encompassing approximately 533 acres in the City's downtown area. TIF Zone #1 took effect on January 1, 1999. The TIF Zone #1 was extended in November 2018 and will terminate on December 31, 2038. The City Council can terminate TIF Zone #1 at an earlier date by subsequent ordinance. The taxable value for the TIF for the fiscal year ended September 30, 2021 was approximately $247,004,952 more than its base year value.

The City Council adopted an ordinance on December 19, 2006, establishing a TIF (the "TIF Zone #5") encompassing 2,187 acres generally defined by Lamar Boulevard to the north, the Union Pacific Railroad to the south, State Highway 360 to the east and Collins Street to the west. TIF Zone #5 took effect on January 1, 2007. The TIF Zone #5 was extended in December 2019 and will terminate on December 31, 2052.The City Council can terminate the TIF Zone #5 at an earlier date by subsequent ordinance The taxable value for the TIF for the fiscal year ended September 30, 2021 was approximately $529,011,296 more than its base year value.

The City Council adopted an ordinance on December 18, 2007, establishing a TIF (the "TIF Zone #6") encompassing approximately 2,000 acres in the northeast quadrant of the City. TIF Zone #6 took effect on January 1, 2007. The TIF Zone #6 Project and Finance Plan was amended and restated in FY2017 to extend the term of the TIF from 30 years to 35 years. The TIF is to expire on December 31, 2041 or until the City has contributed $230,000,000 in City tax increment, whichever occurs first, and will terminate on December 31, 2036. The taxable value for the TIF for the fiscal year ended September 30, 2021 was approximately $712,570,105 more than its base year value.

The 2021-2022 tax roll reflects a $0 the reduction in taxable valuation attributable to state-mandated homestead exemptions.

Chapter 311 of the Texas Tax Code allows the City Council to enter into tax abatement agreements with property owners within these zones. The abatement value loss on the FY 2021 tax roll is $856,333,877.

The 2021-2022 tax roll reflects a $2,254,722,835 reduction in taxable valuation attributable to Freeport Property exemptions.

Section 23.83 of the Property Tax Code allows taxes to be deferred on property that is restricted to scenic use. The FY 2021 tax roll reveals an exempt value of $8,344,115 due to scenic deferrals.

The 2021-2022 tax roll reflects a $7,163,422 reduction in taxable valuation attributable to valuation by Productivity Value.

The 2021-2022 tax roll reflects a $4,401,777,854 reduction in taxable valuation attributable to local option homestead exemptions.

The 2021-2022 tax roll reflects a $2,818,060,529 reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

The 2021-2022 tax roll reflects a $856,333,877 reduction in taxable valuation attributable to tax abatement agreements.

A City election was approved on February 5, 2005, which adopted a homestead property tax limitation for disabled individuals and individuals 65 years of age or older. This limitation on the residential homesteads of qualifying property owners is defined under the Texas Property Tax Code, section 11.261. The limitation cannot be repealed by any action of the City or through an election of the City under current State law. The homestead property tax ceiling limits the amount of taxes paid to the City based on the taxes paid in the first year that the property qualifies for the disabled exemption or the 65 years of age or older exemption. The limitation is a dollar amount and does not increase unless improvements (other than repairs or improvements required to comply with governmental requirements) are made to the residential homestead. For those property owners who qualified in 2005 for either exemption, the tax ceiling was set based on the taxes levied in September 2005 by the City. The tax ceiling carries forward to a surviving spouse if the surviving spouse is disabled or is age 55 or older when the original recipient of the tax limitation dies, among other residential requirements. The City has 86,219 residential homestead properties in FY 2020-2021 and 22,483 of these properties received an exemption for a disabled individual or individual 65 years of age or older.

Tarrant County bills and collects ad valorem taxes for the City pursuant to a contract. The City does not permit split payments, and discounts are not allowed. Notwithstanding the City's prohibition on split payments, taxpayers 65 years old or older are permitted by State law to pay taxes (without penalty and interest) on homesteads in four installments with the first due on or before January 31 of each year and the final installment due on or before July 31.

City's Rights in the Event of Tax Delinquencies

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

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

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

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

Tax Revenue

The following table shows the City's principal tax revenues by source for each of the last five fiscal years.

Table 9 – Tax Rate Distribution and Collection Ratios

		Tax Rate				% Collections	
Fiscal Year	Estimated Net Taxable Valuation [1]	General Fund	Debt Service Fund	Total Tax Rate	Tax Levy	Current Year	Prior Years[2]
2018	$ 23,503,192,007	$ 0.4409	$ 0.1989	$ 0.6398	$ 150,373,422	96.76	97.80
2019	25,921,882,291	0.4428	0.1920	0.6348	164,552,109	95.90	96.70
2020	29,510,132,493	0.4467	0.1773	0.6240	182,445,180	94.08	94.59
2021	30,036,634,647	0.4085	0.2140	0.6225	186,978,051	95.81	92.36
2022	31,664,722,384	0.4098	0.2100	0.6198	196,257,949	94.93 [3]	93.89 [3]

Source: City of Arlington Finance Department

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

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

(3) Collections as of March 2022.

Table 10 – Tax Base Distribution
Fiscal Years 2018 to 2022

	2021	2020	2019	2018	2017
Residential	53.1%	51.5%	50.0%	50.2%	50.0%
Commercial, Industrial, Retail	45.7%	47.1%	48.1%	47.8%	47.6%
Mineral	0.3%	0.4%	0.6%	0.5%	0.6%
Undeveloped	0.9%	1.0%	1.3%	1.6%	1.7%

Source: City of Arlington Finance Department

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Table 11 – Top Ten Taxpayers [1]

Taxpayer	Type of Business	FY 2022 Taxable Assessed Valuation
General Motors LLC	Industrial Manufacturing	$ 488,865,146
Oncor Electric Delivery	Electric Utility	217,300,562
Arlington Highlands 1LP	Shopping Center	162,657,895
S2 Forest Ridge LP	Commercial	140,035,426
BMF IV TX	Commercial	136,566,524
Parks at Arlington LP	Shopping Center	129,035,750
Hart Arlington TX LLC	Commercial	116,343,363
Polk Apartments LLC	Commercial	103,480,261
CD/Park7 Arlington Owner LP	Commercial	90,983,149
Arlington Live LLC	Commercial	85,434,557
Total		**$ 1,670,702,633**
Top ten taxpayers as % of total tax rolls		5.56%
Total tax roll		$ 30,036,634,647

(1) Source: Tarrant Appraisal District.

Municipal Sales Tax

The City has adopted the provisions of Sections 321.101 and 321.103 of the Texas Tax Code, which grants the City the power to impose and levy a one percent sales tax for general purposes of the City. Pursuant to Chapter 327 of the Texas Tax Code, voters approved an additional one-quarter cent sales and use tax for municipal street maintenance in 2003. The additional one-quarter sales and use tax was reapproved in May 2018.

In November of 2004, voters approved an additional one-half cent sales and use tax for the Dallas Cowboys Complex Development Project as permitted by Chapter 334 of the Texas Local Government Code was held and the additional one-half cent sales and use tax was approved. In November of 2016, voters extended the one-half cent sales tax previously collected for the financing of the Dallas Cowboys Complex Development Project to be used to finance a new Rangers Baseball Complex, as permitted by Chapter 334 of the Texas Local Government Code.

The Comptroller of Public Accounts of the State of Texas, after the deduction of a two percent service fee, currently remits monthly the City's portion of sales tax collections to the City. State law provides that the Comptroller must remit the sales and use at least twice annually. Revenue from sales tax levied for general purposes of the City may not be pledged, under the applicable statutes, to the payment of debt service of the City's debt obligations.

Table 12 – Municipal Sales Tax History

Fiscal Year	Sales Tax Receipts [1]	Ad Valorem Tax Levy	Sales Tax as a % of Tax Levy	Population Estimate [2]	Per Capita Sales Tax Collection
2017	$ 60,447,625	$ 137,852,312	44%	382,230	$ 158
2018	62,875,224	150,373,422	42%	383,950	164
2019	66,983,242	164,552,109	41%	395,477	173
2020	63,714,803	182,445,180	35%	394,266	162
2021	75,490,236	186,978,051	40%	393,420	192

(1) Receipts reflect the City's 1% sales tax levied pursuant to Chapter 321, Texas Tax Code.
(2) Population estimates are based on percent of occupancy in available residences and U.S. Census Bureau data.

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.

G. 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:

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**	**Long-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 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

H. 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 relatedto 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 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:

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

Changes in the Net Pension Asset

	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 Liability 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 liability 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 liability	($341,107)	($600,710)	($816,722)

Pension Plan Fiduciary Net Position

The financial statements of the plan are presented below.

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		2,688,070
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

I. 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, 2020, 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 in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	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 (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
PST DIP	(221,000)
Total	6,389,000

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.

The Thrift Savings Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 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		0

	$ 70,606
	24,823
DEDUCTIONS	
Benefits	
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	81
	$35,467

7. OTHER EMPLOYEE AND POST EMPLOYMENT 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 total 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 Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions and other inputs	-	-
Contributions subsequent to the measurement date	58,915	n/a
Excess Investment Returns	-	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 atleast 70.
- Elect to receive their TMRS pension at the time of separation from the City of Arlington.
- Be hired/re-hired OR transferred to a Full-time status prior to January 1, 2006.

Retiree Health Insurance City Contributions

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

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

Benefit Payments The City Council through the budget process has the authority to establish and amend contribution requirements of the plan. Currently the plan is funded on a pay-as-you-go basis. The City's contributions 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 OPEB Liability

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

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 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.

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
Total OPEB Liability – end of year	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 net 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 Rate Assumption

The following presents the total OPEB liability of the City, calculated using the assumes 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 Rate	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 experience	8,581,597	2,489,278
Changes in assumptions and other inputs	14,984,246	1,417,660
Benefit payments subsequent to the measurement date	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 contributions 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).

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	406
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 OPEB 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 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 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 experience	(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 net 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	$162,197,852	$10,029,946

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 in 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 contributions made subsequent to the measurement date):

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City made the following agreement for the benefit of the owners and beneficial owners of the 2022A Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the 2022A 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 12, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, 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 Exhibit B hereto or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Securities and Exchange Commission Rule 15c2-12, 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 12 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 2022A 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 2022A Bonds, or other material events affecting the tax status of the 2022A Bonds; (7) Modifications to rights of holders of the 2022A Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the 2022A 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 define "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 a failure by the City to provide required annual financial information and notices of material events in accordance with their agreement described under "-Annual Reports" and "Notice of Certain Events" above. All documents provided to the MSRB pursuant to this section shall be 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 certain 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 2022A 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 2022A 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 2022A 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 2022A 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.

ADDITIONAL INFORMATION

For additional information regarding this document please contact Ms. Kathleen Depweg, Interim Director of Finance, City of Arlington, Texas, at (817) 459-6100.

TAX MATTERS

Tax Exemption

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the 2022A Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the 2022A Bonds.

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the 2022A 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 2022A 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 2022A 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 2022A Bonds could become includable in gross income from the date of delivery of the 2022A 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 2022A 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 2022A 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 2022A 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 2022A Bonds could adversely affect the value and liquidity of the 2022A Bonds, regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Consequences

Collateral Tax Consequences

Prospective purchasers of the 2022A 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 2022A Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the 2022A 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 2022A Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium Bonds

The issue price of a portion of the 2022A Bonds exceeds the stated redemption price payable at maturity of such 2022A Bonds. Such 2022A 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 Bonds 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 2022A 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 Bonds

The issue price of a portion of the 2022A Bonds is less than the stated redemption price payable at maturity of such 2022A 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 2022A 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 2022A 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 Initial Purchaser has purchased the 2022A 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 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 2022A 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 2022A 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 2022A Bonds. Prospective purchasers of the 2022A Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

OTHER INFORMATION

Ratings

The 2022A Bonds are 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 tax supported debt of the City has underlying ratings of "Aa1" by Moody's, "AAA" by S&P and "AAA" by Fitch.

An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the 2022A 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.

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.

On March 2, 2021, the Governor issued Executive Order GA-34, effective March 10, 2021, which among other things rescinds and supersedes various prior executive orders and provides that in all counties not in an "area with high hospitalizations" as defined in Executive Order GA-34 (i) there are no COVID-19 related operating limits for any business or other establishment and (ii) no person may be required by any jurisdiction to wear or to mandate the wearing of a face covering. In "areas with high hospitalizations" a county judge may impose COVID-19 related mitigation strategies, including reinstituting business occupancy limits, subject to certain limitations. Tarrant County is not currently an "area with high hospitalizations." 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. These negative impacts may reduce or negatively affect the growth of property values and/or the collection of sales and other excise taxes, charges, and fees within the City, as well as assets of the City's pension funds. The 2022A Bonds are secured by a limited ad valorem tax, and a reduction in property values may result in an increase in the ad valorem tax rate required to pay the 2022A Bonds as well as the City's share of operations and maintenance expenses payable from ad valorem taxes. See "Table 9 – Tax Rate Distribution and Collection Ratios."

The financial and operating data contained herein are as of the dates and for the periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not 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 long-term impact of Pandemic on the City cannot be quantified at this time, the continued spread of COVID-19 could have an adverse effect on the City's operations and financial condition.

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.

Legal Matters

The City will furnish the Initial Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the 2022A Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the 2022A 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 2022A Bonds are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the 2022A 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 2022A Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the 2022A 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 2022A 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 firms have reviewed the information describing the 2022A 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 have they 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 2022A Bonds are contingent on the sale and delivery of the 2022A Bonds.

The various legal opinions to be delivered concurrently with the delivery of the 2022A 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.

Registration and Qualification

The sale of the 2022A Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon exemptions provided therein; the 2022ABonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the 2022A Bonds been registered or qualified under the securities act of any jurisdiction. The City assumes no responsibility for registration or qualification of the 2022A Bonds under the securities laws of any jurisdiction in which the 2022A 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 2022A 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.

Initial Purchaser of the 2022A Bonds

After requesting competitive bids for the 2022A Bonds, the City accepted the bid of Piper Sandler & Co. (the "2022A Initial Purchaser") to purchase the 2022A Bonds at the interest rates shown on the cover page of the Official Statement at a price of 106.11% of par. The 2022A Bonds Initial Purchaser can give no assurance that any trading market will be developed for the 2022A Bonds after their sale by the City to the 2022A Initial Purchaser. The City has no control over the price at which the 2022A Bonds are subsequently sold and the initial yield at which the 2022A Bonds will be priced and reoffered will be established by and will be the responsibility of the 2022A Initial Purchaser.

Financial Advisor

Estrada Hinojosa & Company, Inc. is employed as Financial Advisor to the City in connection with the issuance of the 2022A Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2022A Bonds is contingent upon the issuance and delivery of the 2022A 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 2022A 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.

Forward - Looking Statements

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

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

Certification of the Official Statement

At the time of payment for and delivery of the 2022A Bonds, the 2022A Initial Purchaser 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 2022A Bonds, on the date of such Official Statement, on the date of sale of said 2022A 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 last 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 and 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 the 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 sources 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 2022A Initial Purchaser's use of this Official Statement in connection with the public offering and the sale of the 2022A 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 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 odd-numbered years for the Mayor and four Council seats and even-numbered years for four Council 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.

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ECONOMIC AND DEMOGRAPHIC FACTORS

Population

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

Year	Arlington	Annual Rate of Change	United States	Annual Rate of Change
1980	160,113	7.66%	226,545,805	1.15%
1990	261,721	6.35%	248,765,170	0.98%
2000	332,969	2.72%	281,421,906	1.31%
2010	365,438	0.98%	308,745,538	0.97%
2011	365,530	0.03%	312,759,230	1.30%
2012	365,860	0.09%	314,395,013	0.52%
2013	365,930	0.02%	316,128,839	0.55%
2014	369,508	0.98%	318,857,056	0.86%
2015	379,370	2.67%	321,418,820	0.80%
2016	380,740	0.36%	323,127,513	0.53%
2017	382,230	0.39%	326,474,013	1.04%
2018	383,950	0.45%	327,747,936	0.39%
2019	386,180	0.58%	328,886,114	0.35%
2020	394,266	2.09%	330,376,491	0.45%
2021	390,540	-0.95%	332,208,099	0.55%

Source: U.S. Census and City of Arlington Finance Department.

Employment

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

Unemployment Rate
Annual Average Rates
2018 to 2022

	March 2022	March 2021	March 2020	March 2019	March 2018
Arlington	3.5%	6.4%	4.9%	3.3%	3.6%
Texas	3.9%	6.5%	5.4%	3.5%	4.1%
United States	3.8%	6.2%	4.5%	3.9%	4.1%

Source: Texas Workforce Commission

Arlington Major Employers [1]

Employer	Type of Business	Number of employees
Arlington Independent School District	Public Education	8,200
University of Texas at Arlington	Higher Education	5,300
General Motors	Automobile Assembly	4,484
Texas Health Resources	Medical	4,063
Six Flags Over Texas	Amusement Park	3,800
The Parks Mall at Arlington	Retail	3,500
GM Financial	Automobile Financing	3,300
City of Arlington	Municipality	2,393
J.P. Morgan Chase	Banking Services	1,965
Texas Rangers Baseball Club	Major League Baseball	1,881
Total		**38,886**

[1] 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 Commercial)	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

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

ARLINGTON℠

THE AMERICAN DREAM CITY

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

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**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

Governmental Activities	Business-type Activities	Total	Component Units
Net (Expense) Revenue and Changes in Net Position			
Primary Government			
$ (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.

UNAUDITED DRAFT

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

	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[SM]

THE AMERICAN DREAM CITY

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. Financial Statement Presentation

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

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. The accrual basis of accounting and the economic resources measurement focus is utilized by proprietary fund types and the pension trust fund.

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):

		Fair Value Measurements Using		
	9/30/2021	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:

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	Balance at Beginning Of Year	Transfers and Additions	Transfers and Retirements	Balance at End Of Year
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.

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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:

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

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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

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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.

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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)

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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.

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:

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	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:

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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.

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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

General Obligation Pension Bonds

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

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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 Principal	Water/Wastewater Interest	Water/Wastewater TWDB Principal	Water/Wastewater TWDB Interest	Storm Water Utility Principal	Storm Water Utility 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 utility	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.

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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):

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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 BOND COUNSEL OPINION

June 7, 2022

$83,240,000
CITY OF ARLINGTON, TEXAS
PERMANENT IMPROVEMENT BONDS
SERIES 2022A

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

CITY OF ARLINGTON, TEXAS PERMANENT IMPROVEMENT BONDS, SERIES 2022A, dated May 15, 2022, in the principal amount of $83,240,000.

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; 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.

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In providing the opinions set forth herein, we have relied on representations and certifications of the City and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the City 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 obligations of the Issuer;

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