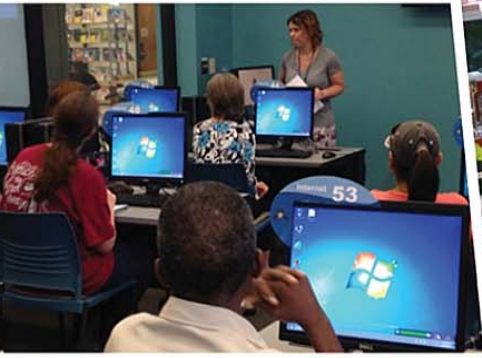


CITY OF ARLINGTON

Comprehensive Annual Financial Report

Year ended September 30, 2016



CITY OF ARLINGTON, TEXAS



CITY OF ARLINGTON, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2016

PREPARED BY THE FINANCE DEPARTMENT,
ACCOUNTING DIVISION



Jeff Williams
Mayor

Trey Yelverton
City Manager

Mike Finley, CGFO
Finance Director/CFO

Amy Trevino, CGFO
Controller



**CITY OF ARLINGTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
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February 21, 2017

Dear Reader:

The City of Arlington's (City) Comprehensive Annual Financial Report (CAFR or report) for the fiscal year ended September 30, 2016, is submitted for review and analysis and in compliance with Texas law. City management is responsible for the accuracy, completeness and reliability of the presented data, based upon a comprehensive framework of internal control established for this purpose. Grant Thornton LLP has issued an unmodified opinion on the City's financial statements for the year ended September 30, 2016. The independent auditor's report is located at the front of the financial section of this report. Management's discussion and analysis (MD&A), which follows the independent auditor's report, complements this letter and should be read in conjunction with it. Immediately following this letter is a brief summary of local economic indicators.

City Overview and Governance

Arlington was incorporated in 1884 and is located in the center of Dallas/Fort Worth/Arlington metro area, 8 miles south of D/FW International Airport. The City operates under home rule charter as a Council-Manager government. The Mayor and eight City Council Members (Council) are vested with local legislative authority. The Mayor and three Council Members are elected citywide and five Council Members are elected by district. Elected officials serve staggered two-year terms.

The City Manager is appointed by the Mayor and Council as the chief executive of the municipal government. The Council also appoints members to certain boards, commissions, and authorities, as it deems necessary for the operation of the City.

Arlington provides a full range of municipal services including police and fire protection, water and wastewater utility services, construction and maintenance of highways, streets and infrastructure, and recreational activities and cultural events.

The City includes seven component units, six of which are discretely presented. Five of the six discretely presented component units have activity in the current year and are discussed in the MD&A and the notes to the financial statements.

Financial Planning and Policies

Arlington is proactive in managing its budget and financial position. Legislative budgetary control is at the fund level. Some of the tools used to manage City finances include a multi-year financial plan, capital budget, and annual budget. The City has comprehensive financial policies, which are evaluated annually. These policies are reported on as part of each annual budget. The City strives to take an innovative approach to management. City staff works to identify areas for improvement in processes and policies, and management focuses on developing strong relationships with local and regional partners in nonprofit and for profit industries. City services and programs are developed according to community and citizen needs in conjunction with an evaluation of long-term sustainability. City of Arlington management and staff are committed to maintaining a high quality of life for residents of Arlington.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements.

Long Term Financial Planning

The Arlington economy is broad and diverse. Major employers include Arlington Independent School District, University of Texas at Arlington, General Motors Company, Texas Health Resources and Six Flags Over Texas. Major taxpayers

include General Motors, The Parks at Arlington, Arlington Highlands LLP, Oncor Electric Delivery, and Lincoln Square TX LP; making up approximately 4.9% of the City's assessed value. Arlington has proactively managed its financial condition over the years, with a built-in conservative bias. City leaders are continuing to carefully manage its financial condition and will continue to take feasible steps within their control to preserve Arlington's general obligation bond ratings of Aa1 from Moody's Investors Service, AAA from Standard and Poor's and AAA from Fitch.

The economy has stabilized. For several years, the City's needs outweighed available resources. In order to balance the budget, many proposed investments had to go unfunded. While it is not anticipated there will ever be enough new revenue to fund every need, the FY 2016-17 budget was developed with reinvestment in mind, a reinvestment in our employees, technology, and public safety. Arlington prides itself on providing an elevated level of service at the lowest cost possible. We are continuously looking for new ways to innovate, to save, and to provide the highest value to our residents.

Council has identified the following key priorities for the coming year:

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

The 2017 budget focuses on these priorities and maintains the City's core value of quality and cost effective service delivery. In 2017, the property tax rate will be decreased to 64.48 cents. The new 2017 rate is .32 cents lower than the previous rate of 64.80 cents, which was the rate in effect for the previous 13 years.

Major Initiatives/Highlights

Best Big City in the South

Money Magazine has named Arlington as the "Best Big City" in the South. The highlights of the article include Arlington's Entertainment District, job opportunities, education options, thriving downtown, affordable housing, the exciting time at UT Arlington, Viridian, and River Legacy Park.

Texas Rangers Major League Baseball Team

In November 2016, Arlington voters voted overwhelmingly yes to construct a new ballpark with a retractable roof. The ballpark is scheduled to open in time for the 2020 season. The project will be a joint venture with the Rangers and the City of Arlington, with Arlington's funding capped at \$500 million. Construction of the new ballpark is scheduled to begin in 2017 and the deal calls for the Rangers to remain in Arlington until 2054. In 2016, the Texas Rangers won the American League West Division for the second year in a row and playoff games were held in October 2016 at the Ballpark. Also, for the sixth year in a row, the Ballpark hosted the City's annual Christkindl German Christmas Market during the holidays.

Texas Live!

In October of 2016, the groundbreaking occurred for the first phase of Texas Live!, which is anticipated to open in 2018. The site, located in between the Texas Rangers' Globe Life Park and the Dallas Cowboys' AT&T Stadium, will feature over 100,000 square feet of premier dining and entertainment space, a 5,000 capacity outdoor event pavilion; a full-service 300-room convention hotel, and a 35,000 square foot meeting/convention facility. Tenants announced include Rangers Republic, Live! Arena and Arlington Backyard, Guy Fieri's restaurant, and Texas-based Revolver Brewing.

General Motors/GM Financial

GM Financial completed a new addition to its Arlington Operations Center campus. The \$35 million facility is the company's fourth office location in Arlington and house 1,300 employees. The Arlington General Motors plant announced a \$1.4 billion investment for a range of improvements to the Arlington Assembly Plant, and allows the plant to continue to competitively build high-quality, full-size SUVs which include the Chevy Tahoe and Suburban, Cadillac Escalade, and GMC Yukon.

Central Library

Construction has begun on the new building in downtown north of City Hall, which will include an 80,000 square foot library and a 6,500-square foot combined community room and meeting room for the City Council. The \$30 million Downtown Library is expected to open in 2018.

AT&T Stadium

The Dallas Cowboys made it to the NFL playoffs, winning the NFC East division title for 2016. The stadium annually hosts the Cotton Bowl, as well as numerous other special events. In April 2016, Wrestle Mania 32 was held at the stadium and set an attendance record of 101,763 fans and was the highest-grossing live event in WWE history. AT&T Stadium will host the Big 12 Football Championship which will be held in Arlington in 2017-2021. In addition, the Dallas Cowboys and Legends Hospitality opened the Stadium Club-a 19,000 square foot restaurant that is open to the public for lunch and dinner.

Trammell Crow

Trammell Crow has been appointed by Arlington as the developer of an 18 acre site located on I-30 and N. Collins Street. The site has the ability to accommodate up to 1 million square feet of premier, Class A office space.

Summit Racing Equipment

Summit Racing Equipment, which bills itself as the world's largest direct marketer of performance automotive parts and accessories, announced it will open a new \$82 million warehouse distribution facility, retail super store and customer support center in Arlington. The 700,000 square foot facility is expected to open in 2017 at the southwest corner of I-20 and SH360. Summit expects to employ an estimated 330 workers by 2021.

Other notable 2016 accomplishments include:

- **Interstate 30/State Highway 360 Interchange Project**

Work began on the \$233 million Interstate 30/SH 360 Interchange Project in Arlington. The project is designed to reduce traffic congestion on both high-volume highways and improve safety for the public and is scheduled for completion in 2020.

- **Center Street Bridge Project**

The Texas Department of Transportation (TxDOT), in partnership with the City of Arlington is working on the Center Street bridge project over Interstate 20. The project will improve mobility, safety and connectivity from the existing Center Street north of I-20 and extending south to Bardin Road. The project is scheduled to be completed in early 2017.

- **Women's National Basketball Association (WNBA)**

Arlington became the home for the WNBA team, the Dallas Wings and played home games at the UT Arlington College Park Center.

- **Arlington Tomorrow Foundation**

This foundation oversees an endowment fund created with gas lease revenues and royalties derived from natural gas drilling on City-owned property, and is dedicated to enhancing the quality of life in Arlington. The interest earned annually from the endowment is awarded as grants to local non-profits and governmental entities. In 2016, the Foundation approved over \$2.1 million for projects building safe and strong neighborhoods and promoting quality leisure, learning, and culture activities. In 2016, the foundation contributed \$50 million of corpus to help fund the development of Texas Live! in cooperation with the Texas Rangers.

- **Viridian**

Developer construction continued on the Viridian mixed-use development. The residential development is ahead of its announced 10-15 year schedule. Viridian will grow to a \$2 billion investment by the time it is completed. It will eventually house approximately 15,000 people in its upscale residences.

- **D.R. Horton**

D. R. Horton, America's Builder and a Fortune 500 company, is constructing its headquarters in Arlington, bringing 500 jobs. The facility will open in Spring 2017.

- **Bell Helicopter**
Bell Helicopter, which has conducted flight testing, research and development at the Arlington Municipal Airport for nearly 50 years, signed another lease with the City.
- **Champions Park**
Champions Park, which is scheduled to open in the first quarter of 2017, is under construction at the intersection of Interstate 30 and Collins Street. The project will include four retail/restaurant buildings. Several restaurants have signed leases so far. The restaurant pads will be nestled into a half-acre festival park area.
- **101 Center**
Significant progress was made on 101 Center, a six-story redevelopment project located in Downtown Arlington. The project will include 244 residential units over 18,000 square-feet of ground-level retail, restaurants and loft office space will open in 2017.

Government Finance Officers Association (GFOA) Awards

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its CAFR for the year ended September 30, 2015. This was the 38th year the City has earned this prestigious award. A Certificate of Achievement is valid for a period of one year. The City believes the current CAFR continues to meet the certificate requirements and will be submitting the document to the GFOA to determine ongoing eligibility for the certificate.

The GFOA also awarded to the City of Arlington a Certificate for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2015. This was the eighth year the City applied for and received this prestigious award. The Certificate is valid for a period of one year. The City will submit a Popular Annual Financial Report which meets requirements for the award again this year.

The GFOA awarded the City a Distinguished Budget Presentation Award for the FY 2016 budget. The City has earned this award for the past 30 years and expects to earn this award again for the upcoming FY 2017 budget.

Other Awards and Accreditations

The City has received awards and accreditations for departments other than the GFOA awards mentioned above. Among those are:

- Transparency Star for Traditional Finances-Awarded by Texas Comptroller of Public Accounts
- Commission for Accreditation of Park and Recreation Agencies (CAPRA)
- National Gold Medal Finalist for excellence in the field of Park and Recreation Management
- Commission on Accreditation for Law Enforcement Agencies (CALEA)
- Emergency Management Accreditation Program (EMAP) Accredited
- American Public Works Association (APWA) Accredited Agency
- ProLiteracy Accreditation
- Association of Metropolitan Water Agencies (AMWA) Gold Award winner for exceptional utility performance
- Achievement of Excellence in Procurement

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the Finance Department, especially Amy Trevino, Honora Bracken, Deloise Edwards, Daryl Holder, Kristi Janes, Cynthia Moss, Joan Wilson, Linda Beavers, Ethan Klos, Mark Davies, Lisa Williams, Trina Taylor, Karen Irwin, and Deven Mercer, who assisted and contributed to the preparation of this report.

Respectfully submitted,



Trey Yelverton
City Manager



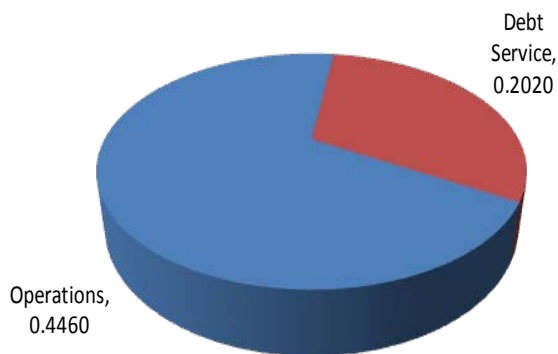
Mike Finley, CGFO
Finance Director/CFO

Local Economic Indicators

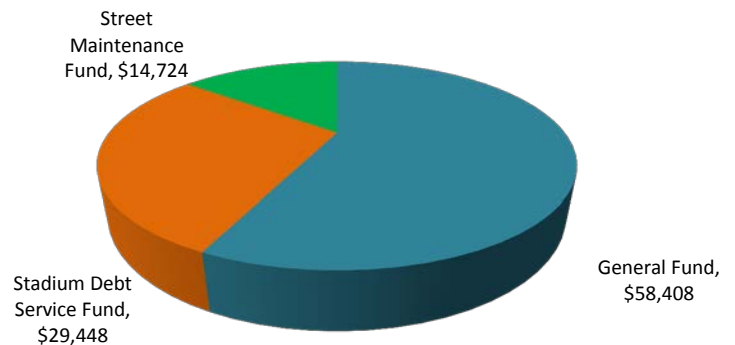
	2016	2015	2014
	(tax year 2015)	(tax year 2014)	(tax year 2013)
Property Tax Base (in thousands)*			
Personal	2,656,276	2,477,568	2,402,947
Real Estate	16,610,745	16,086,058	15,475,841
Mineral Lease Properties	372,976	356,660	277,746
Agricultural Properties	632	519	531
Total	19,640,629	18,920,805	18,157,065
Property Tax Rate			
Operations	0.4460	0.4353	0.4423
Debt Service	0.2020	0.2127	0.2057
Total	0.6480	0.6480	0.6480
Sales Tax (in thousands)			
Collections	102,580	97,895	93,127
Annual Growth	4.79%	5.12%	-1.00%
Population	380,740	379,370	369,508
General Obligation Debt per Capita	988	871	892
Labor Force	208,526	202,431	202,189
Unemployment Rate	4%	4%	5%
Housing starts permits issued	352	388	472
Foreclosure (residential and commercial)	353	361	500
Occupancy Rates			
Office	88.6%	88.2%	88.4%
Industrial	93.2%	95.6%	96.4%
Retail	95.8%	94.7%	94.6%

*Certified Appraisal Roll; does not include properties under protest or supplemental information

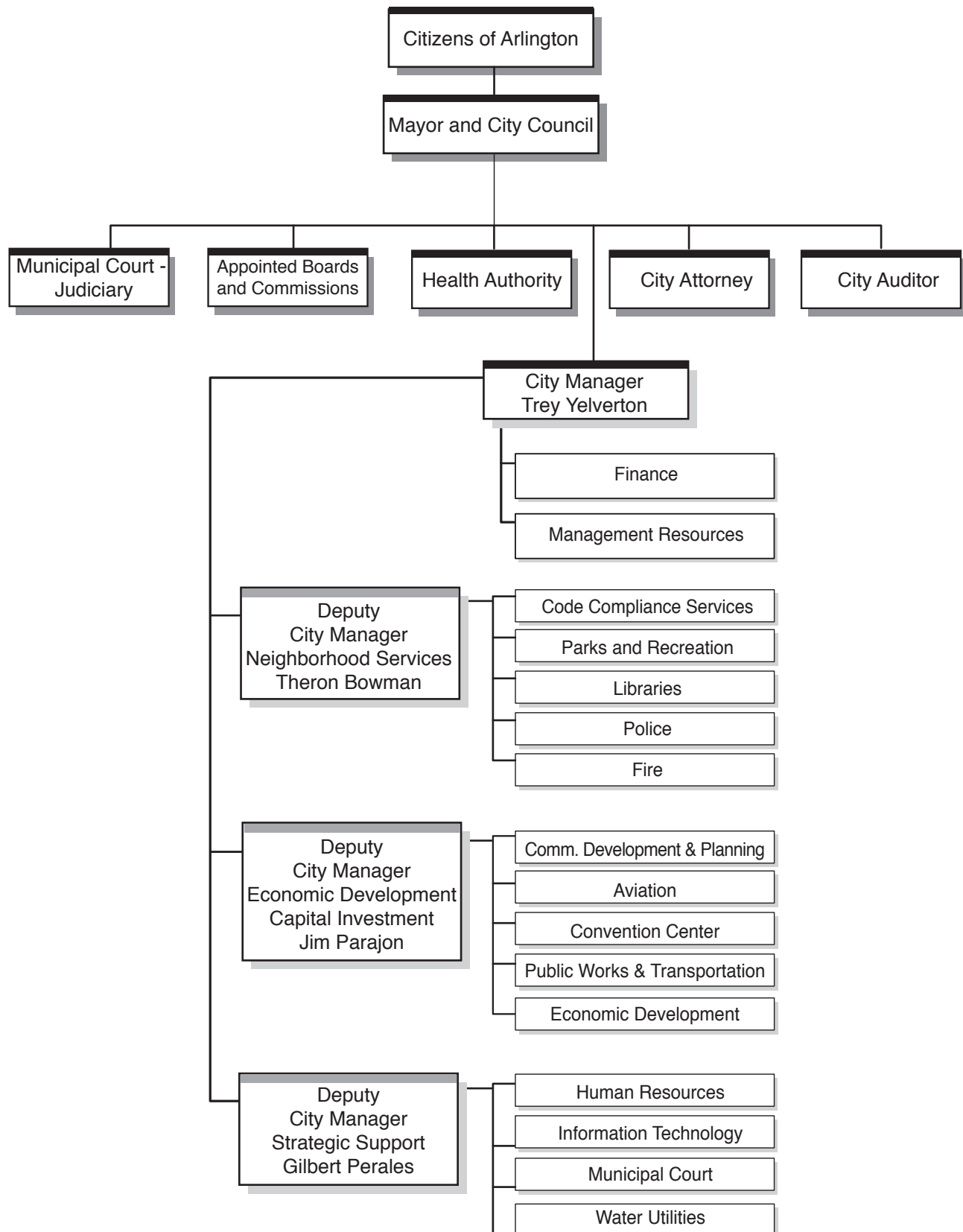
2016 Property Tax Rate



2016 Sales Tax (In Thousands)



City of Arlington Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Arlington
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Arlington, Texas
City Council

Jeff Williams
Mayor
Term expires May 2017

Sheri Capehart, District 2
Mayor Pro Tem
Term expires May 2018

Charlie Parker District 1
Term expires May 2018

Robert Rivera, District 3
Term expires May 2017

Kathryn Wilemon, District 4
Term expires May 2017

Lana Wolff, District 5
Term expires May 2017

Robert Shepard, District 6 At Large
Term expires May 2018

Victoria Farrar-Myers, District 7 At Large
Term expires May 2018

Michael Glaspie, District 8 At Large
Term expires May 2017



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arlington Housing Authority or the Arlington Convention and Visitors Bureau, Inc. (the "component units"), discretely presented component units, which statements reflect 9%, 8%, and 89% of assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Arlington Convention and Visitors Bureau, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation

of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 19, the Budgetary Comparison Schedule – General Fund, the Schedule of Changes in the City's Net Pension Liability and Related Ratios – TMRS, the Schedule of the City's Contributions – TMRS, the Schedule of Changes in the City's Net Pension Liability and Related Ratios – Part-Time Deferred Income Trust Plan, the Schedule of the City's Contributions – Part-Time Deferred Income Trust Plan, the Schedule of Funding Progress – Disability Income Plan, and the Schedule of Funding Progress – Postemployment Healthcare Plan on pages 79 through 85, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements, individual fund budgetary comparison schedules, and the schedules of capital assets used in the operation of governmental funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived

from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

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

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 21, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

GRANT THORNTON LLP

Dallas, Texas
February 21, 2017



CITY OF ARLINGTON, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2016 (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the City of Arlington's (City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities and financial position of the City of the fiscal year ended September 30, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal (p. vii - xi of report) and statistical section (p. 127 - 154 of report), as well as information found on the City's website at www.arlington-tx.gov including City Council's Priorities, the annual budget and business plan, and other community information. It should be noted that the Independent Auditors' Report describes the auditors' association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through 73, 76, 78, and 79.

FINANCIAL HIGHLIGHTS

- The City's **increase** in total net position of \$74.7M for the year was \$37.3M higher than the \$37.4M net position reported last year. The increase is primarily related to increased revenues in property and sales tax, operating grants and contributions, and charges for services increase in the proprietary funds. The Water and Sewer and Storm Water Utility's net position increased by \$26M in fiscal year 2016 compared to \$19M in fiscal year 2015.
- The City's governmental funds reported combined ending fund balances of \$335.7M, an **increase** of \$48.9M over last year. This increase is due to a combination of:
 - An **increase** of \$65.6M of fund balance committed for capital projects and special revenues.
 - A **decrease** of \$17.7M restricted for debt service and capital projects.
 - A **decrease** in unassigned General Fund balance of \$.06M.
- The 2016 General Fund assigned fund balance was \$60.9M with \$.48M unassigned, an overall **increase** in the aggregate from prior year. In 2015, the comparable balances were \$56.3M and \$.54M. Fund balance assignment changes in the General Fund include decreases in park performance and court security of \$.02M, and \$.01M respectively. Increases to encumbrances, working capital, and subsequent years' expenses of \$2.9M, 1.5M, and .4M respectively were also noted.
- Total debt of \$696.5M **increased** \$30.4M during the year. Debt issues in 2016 include \$34.4M in Permanent Improvement Bonds and \$47.4M in Permanent Improvement Refunding bonds, \$30.2M in Combination Tax and Revenue Certificate of Obligation Bonds, \$39.2M in Water and Wastewater System Revenue bonds, and \$2.1M bonds related to the Texas Water Development Board (TWDB) Clean and Drinking Water Programs. Bond principal payments for 2016 total \$122.5M on existing obligations with an additional \$47.4M in principal refunded. Exclusive of Cowboy's Stadium debt, City of Arlington debt is allocated 63% for general government, with the remaining 37% to water, wastewater and storm water activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This is the portion of the CAFR on which the

auditors express an opinion. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

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

- **Governmental Activities** – Functions of the City that are principally supported by taxes and intergovernmental revenues are reported here including general government, public safety, public works, public health, parks and recreation, public welfare, convention and event services and interest and fiscal charges. Property taxes, sales taxes, and franchise fees provide the majority of funding for these activities, with the addition of charges for services, grants and contributions.
- **Business-type Activities** – Functions that are intended to recover all or a significant portion of their costs through user fees and charges are reported here. The City's water and sewer system and storm water utilities are reported here.
- **Component Units** – The City includes one blended component unit with financial activity in 2016 in its report – Arlington Property Finance Authority, Inc. For fiscal year 2016, the City includes six discretely presented component units in its report – Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB), Arlington Housing Finance Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Economic Development Corporation (new, no activity) and the Arlington Convention Center Development Corporation (ACCDC). Although legally separate, these component units are important because the City is financially accountable for them.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole.

Governmental Funds

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

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

Proprietary Funds

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

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

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

NOTES TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION

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

THE CITY AS A WHOLE – Government-wide Financial Analysis

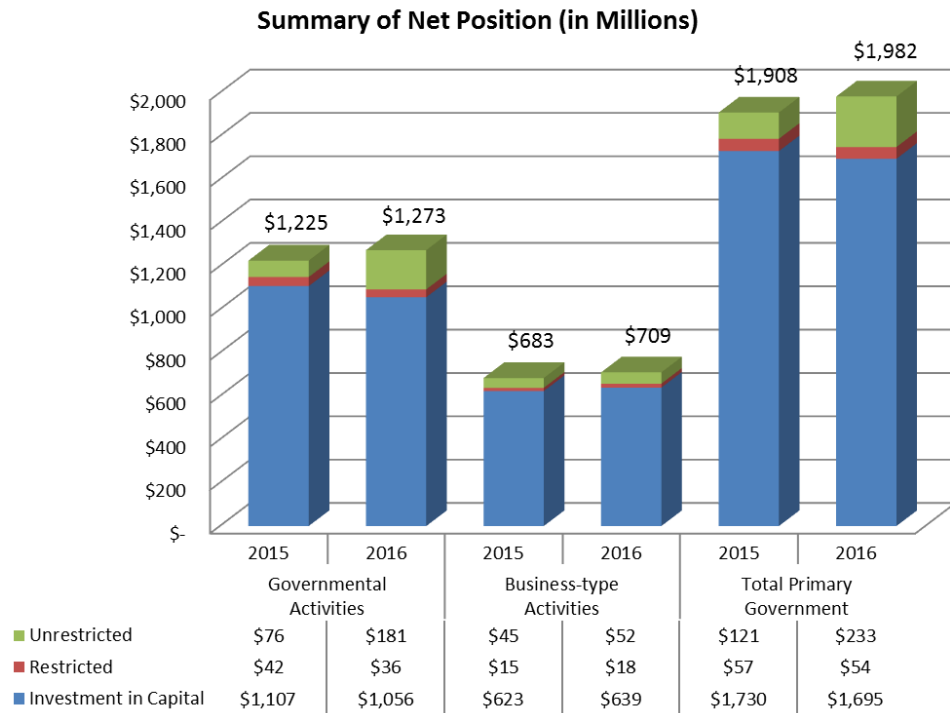
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position was \$2B as of September 30, 2016. The largest portion of the City's net position

\$1.7B (85%) reflects its investments in capital assets (e.g. land, building, equipment, improvements, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future.

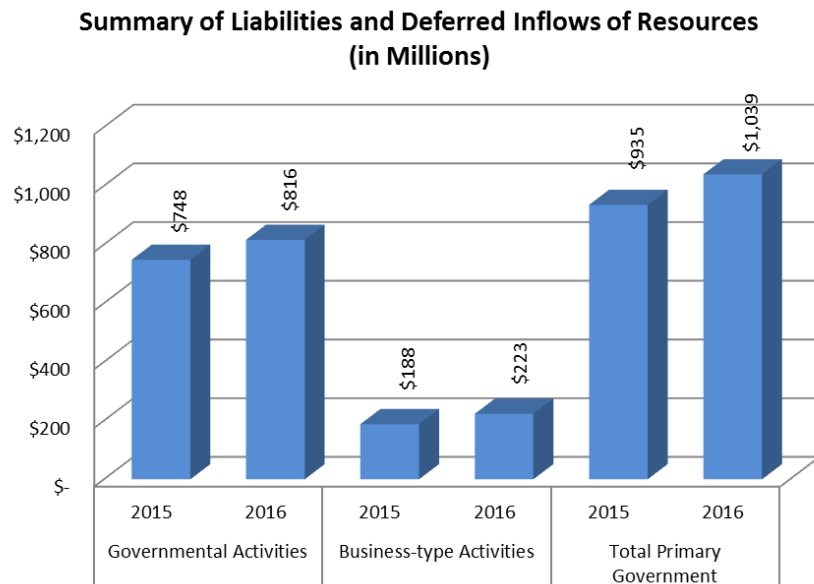
Table 1
Summary of Net Position
(Amounts Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Current and other assets	\$370	\$424	\$138	\$174	\$508	\$598
Capital assets	1,571	1,576	728	751	2,299	2,327
Deferred outflows of resources	32	90	4	7	36	97
Total assets and deferred outflows of resources	1,973	2,090	870	932	2,843	3,022
Long-term liabilities	666	775	160	206	826	981
Other liabilities	71	27	27	16	98	43
Deferred inflows of resources	11	14	-	1	12	15
Total liabilities and deferred inflows of resources	748	816	187	223	935	1039
Net position:						
Net investment in capital assets	1,107	1,056	623	639	1,730	1,695
Restricted	42	36	15	18	57	54
Unrestricted	76	181	45	52	121	233
Total net position	\$1,225	\$1,273	\$683	\$709	\$1,908	\$1,982

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



An additional portion of the City's net position of \$54M (3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$233M (12%) may be used to meet the government's ongoing obligations to citizens and creditors.

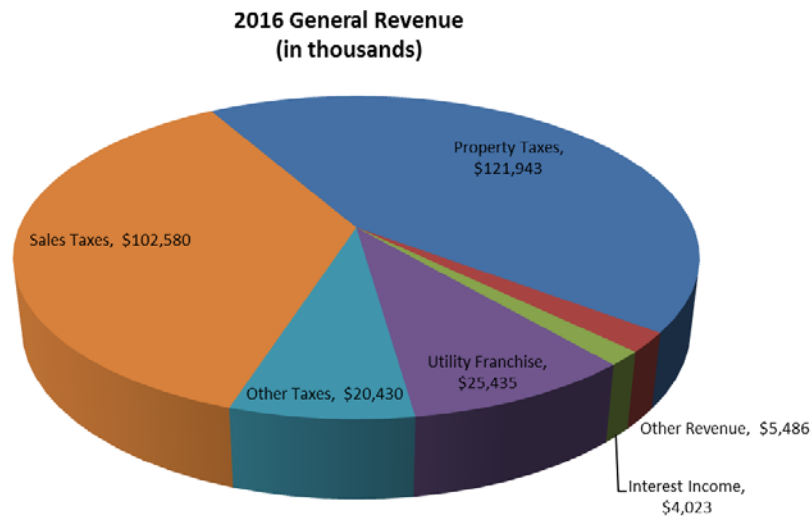


Liabilities and deferred inflows of resources increased from \$936M to \$1.04B for the total government, an increase of 10%. The increase, of which the majority is primarily shown in the governmental activities, results from the change in net pension liability from the prior to the current year of the City on the Statement of Net Position. Additional information on GASB 68 is discussed elsewhere in the notes to the financial statements.

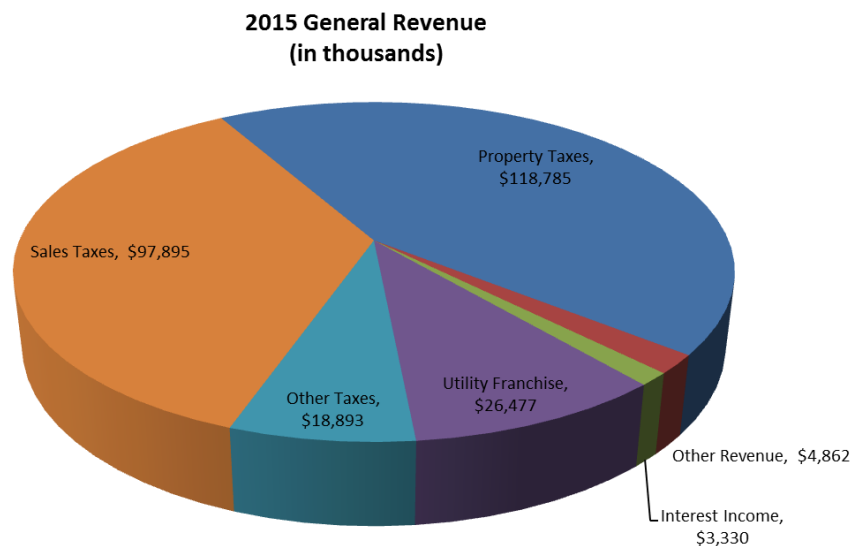
Governmental Activities

The City's general revenues increased compared to the prior year, increasing overall by 3.6%. Sales and property tax revenue accounted for the majority of the increase this year compared to last.

Property tax collections were up from the prior year by about \$3.2M. The residential property values increased by 3.7% and commercial property values increased by 1.9% compared to the prior year. The City anticipates property values to increase with continued state of economic conditions. The property tax rate for 2016 was set at \$0.6480 per \$100 assessed valuation; remaining unchanged for the thirteenth consecutive year.



Sales tax revenue increased by \$4.7M, up 4.8% from the prior year. Consumer confidence continued to strengthen during the year and the dramatic drop in gasoline prices created more disposable income for the average consumer. The City also benefited from major events at AT&T Stadium and the Texas Rangers playoff berth. Taking these factors into consideration, strong sales tax collections in 2016 indicate the economy in Arlington is continuing to improve. Utility franchise fee collections decreased 3.94% in 2016, primarily due to decreased revenue for electrical and gas utilities.



Governmental activities increased the City's net position by \$48.3M, and business-type activities increased net position by \$26M, for a total increase of \$74.4M. Changes from 2015 to 2016 are shown in Table 2.

Table 2
Changes in Net Position
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Revenues						
Program Revenues:						
Charges for services	\$ 62,095	\$ 58,809	\$ 136,030	\$ 144,661	\$ 198,125	\$ 203,470
Operating grants and contributions	12,700	62,107	-	-	12,700	62,107
Capital grants and contributions	10,479	5,814	1,148	1,820	11,627	7,634
General Revenues:						
Taxes	235,573	244,953	-	-	235,573	244,953
Utility franchise fees	26,477	25,435	-	-	26,477	25,435
Interest income	3,330	4,023	564	652	3,894	4,675
Other	4,862	5,486	-	-	4,862	5,486
Total revenues	355,516	406,627	137,742	147,133	493,258	553,760
Expenses						
General government	69,680	75,486	-	-	69,680	75,486
Public Safety	142,489	156,414	-	-	142,489	156,414
Public Works	64,549	61,115	-	-	64,549	61,115
Public Health	2,849	2,741	-	-	2,849	2,741
Parks and recreation	33,410	32,449	-	-	33,410	32,449
Public welfare	10,019	14,978	-	-	10,019	14,978
Convention and event services	8,387	8,384	-	-	8,387	8,384
Interest and fiscal charges	22,299	23,016	-	-	22,299	23,016
Water, sewer and storm water	-	-	102,158	104,437	102,158	104,437
Total expenses	353,682	374,583	102,158	104,437	455,840	479,020
Increase in net position before transfers	1,834	32,044	35,584	42,696	37,418	74,740
Transfers and capital contributions	16,535	16,619	(16,535)	(16,619)	-	-
Increase in net position	18,369	48,663	19,049	26,077	37,418	74,740
Net Position, October 1	1,206,486	1,224,855	664,043	683,092	1,870,529	1,907,947
Impact of change in accounting principle	-	-	-	-	-	-
Net Position, September 30	\$ 1,224,855	\$ 1,273,518	\$ 683,092	\$ 709,169	\$ 1,907,947	\$ 1,982,687

Tax revenues were up \$9.4M from 2015, largely attributable to strong sales tax revenues and property tax collections. Operating grants and contributions increased \$49.4M compared to the prior year due to increased revenue in the Innovation and Venture Capital fund.

Overall, expenditures increased approximately \$23.5M (5.2%) from the prior year. Increases over all categories are primarily attributed to increased pension expenses. In addition, in general and public safety categories there were salary and benefit increases, expenditures for the demolition of a dangerous building, and increased expenditures for building maintenance. Public welfare expenses increased primarily due to the payback of a loan to the Water fund and the purchase of the LaJoya apartment complex.

The revenue increase of \$9.4M in business activities (Water and Wastewater/Storm Water Utility) is largely a result of an increase in water sales and sewer service revenues in the current year. Increases in expenses were primarily for the cost of purchasing water and sewage treatment.

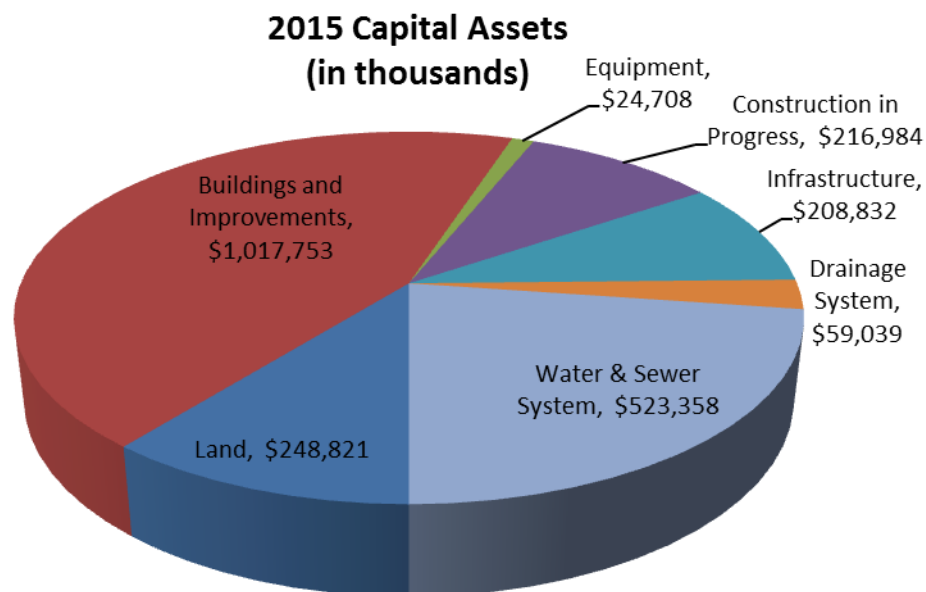
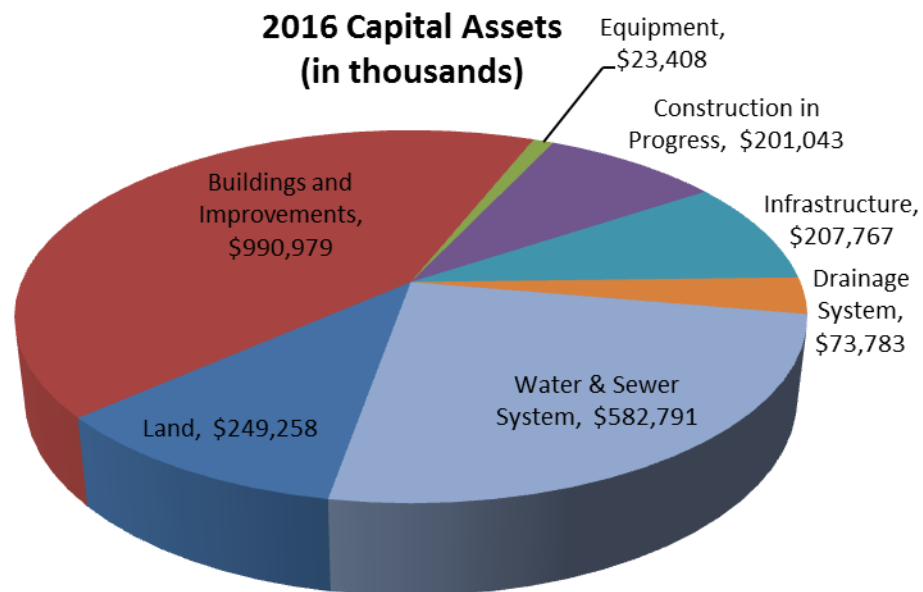
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2016, the City had \$2.3B invested in a broad range of capital assets. This amount is a slight increase from the prior fiscal year. Footnote 5 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.

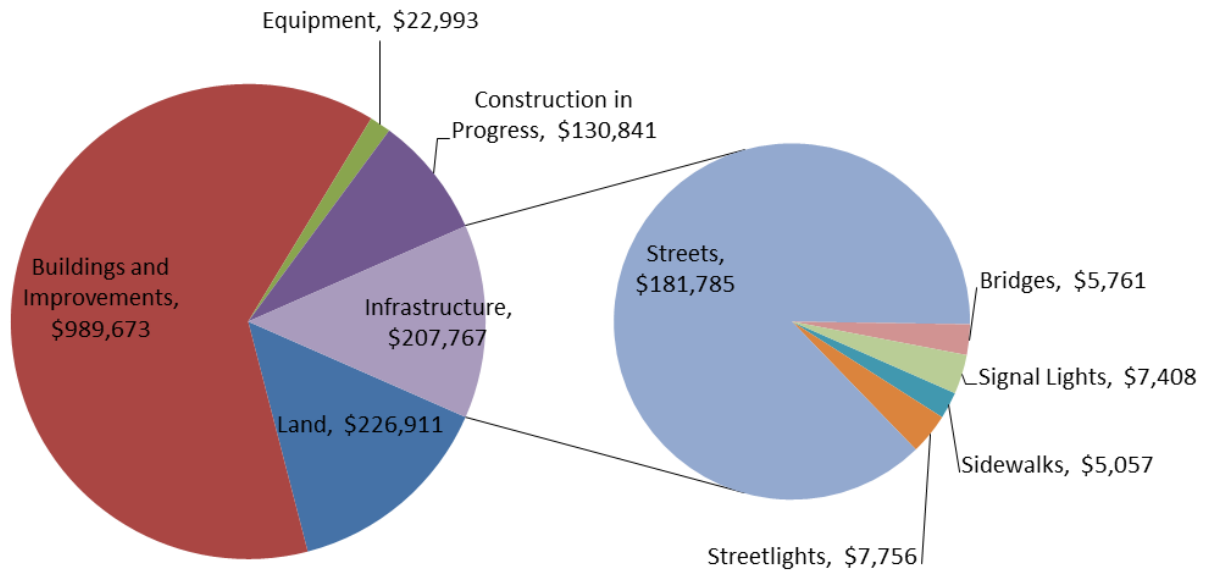
Table 3
Capital Assets, net of Accumulated Depreciation
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land	\$ 226,911	\$ 226,911	\$ 21,910	\$ 22,347	\$ 248,821	\$ 249,258
Buildings and improvements	1,016,389	989,673	1,364	1,306	1,017,753	990,979
Equipment	24,124	22,993	584	415	24,708	23,408
Construction in progress	95,045	130,841	121,939	70,202	216,984	201,043
Infrastructure	208,832	207,767	0	-	208,832	207,767
Drainage system	-	-	59,039	73,783	59,039	73,783
Water and sewer system	-	-	523,358	582,791	523,358	582,791
Totals	\$1,571,301	\$1,578,185	\$728,194	\$750,844	\$2,299,495	\$2,329,029



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

2016 Capital Assets – Governmental Infrastructure Detail (in thousands)

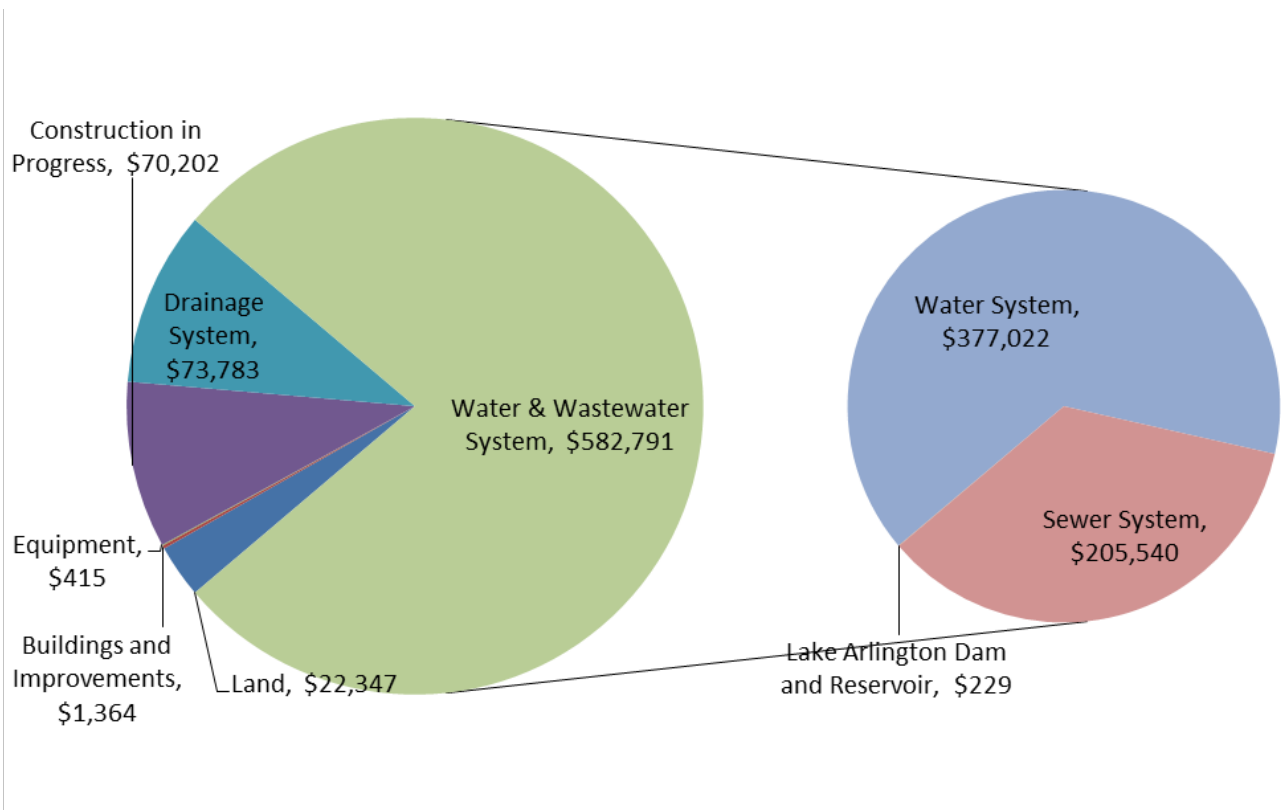


Asset	Book Value	Accumulated Depreciation	Net Value
Sidewalks	\$ 68,887	\$ (63,830)	\$ 5,057
Streetlights	19,202	(11,446)	7,756
Streets	735,844	(554,059)	181,785
Bridges	32,097	(26,336)	5,761
Signal Lights	17,032	(9,624)	7,408
	<u>\$ 873,062</u>	<u>\$ (665,295)</u>	<u>\$ 207,767</u>

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

Asset	Book Value	Accumulated Depreciation	Net Value
Lake Arlington	\$ 2,619	\$ (2,390)	\$ 229
Water System	568,530	(191,508)	377,022
Sewer System	308,560	(103,020)	205,540
	<u>\$ 879,709</u>	<u>\$ (296,918)</u>	<u>\$ 582,791</u>

2016 Capital Assets – Enterprise Infrastructure Detail (in thousands)



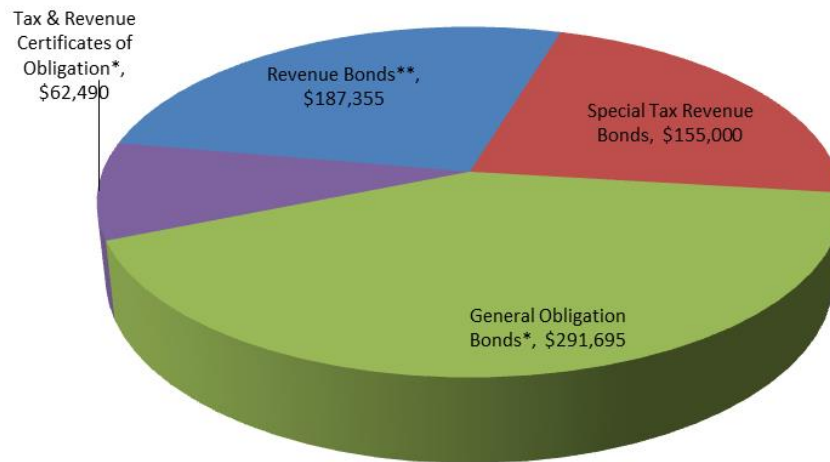
Major capital asset additions during the fiscal year include the following:

- Private developer capital contributions of \$1.8M to the City's water and sewer infrastructure in connection with various residential and commercial developments
- Water and sewer system capital improvements and expansion of \$33.1M
- Storm drainage system capital improvements and expansion of \$25.6M
- Street construction projects capital outlay totaling \$34.1M
- Improvements to parks and recreation facilities of \$6.9M

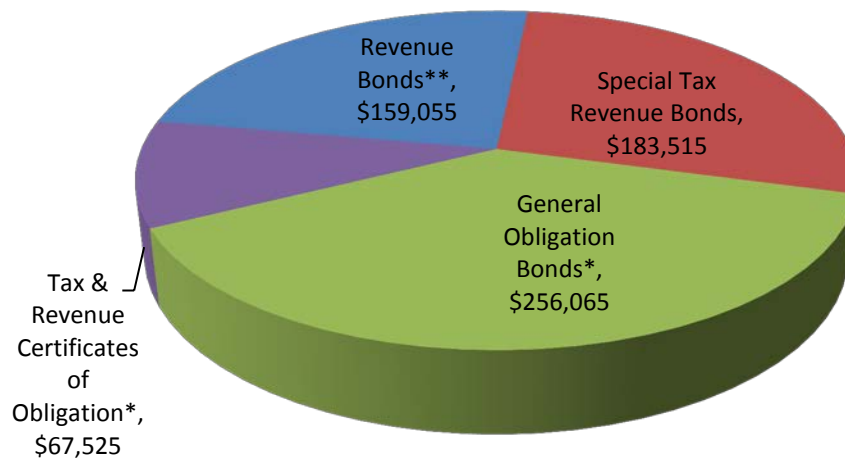
Debt

At year-end, the City had \$696.5M in debt, an increase of \$30.4M from 2015. The City refunded \$47.4 in Permanent Improvement Bonds.

**2016 Outstanding Debt
(in thousands)**



**2015 Outstanding Debt
(in thousands)**



**Secured by City Tax Base*

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

Table 4
Outstanding Debt
(Amounts Expressed In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
General obligation bonds (backed by the City)	\$256,065	\$291,695	\$ -	\$ -	\$256,065	\$291,695
Combination tax and revenue certificates of obligation (backed by the City)	67,525	62,490	-	-	67,525	62,490
Special tax revenue bonds	183,515	155,000	-	-	183,515	155,000
Revenue bonds (backed by fee revenues)	-	-	159,055	187,355	159,055	187,355
Totals	\$507,105	\$509,185	\$ 159,055	\$187,355	\$666,160	\$696,540

During the current fiscal year, the City issued \$34.4M in Permanent Improvement and \$47.4 in Permanent Improvement Refunding bonds to make various capital improvements, and to pay costs related to the issuance of the bonds. In 2016, the City issued \$39.2M in Water and Sewer Revenue Bonds for the purpose of improving and expanding existing water and wastewater infrastructure. Additionally, the City issued \$2.1M related to debt issues held by the Texas Water Development Board (TWDB) as part of the TWDB Clean and Drinking Water Programs. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2016, the City's debt ratings were as follows by type and agency:

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

General bonded debt per capita increased from \$871 in 2015 to \$988 in 2016.

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net bonded debt to assessed value of all taxable property is 1.92%.

The City maintains a self-insurance program for bodily injury, property damage, personal injury, advertising injury, regulatory injury and worker's compensation. Claims for worker's compensation over \$750,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors which can vary considerably from year to year. Total estimated claims liability at September 30, 2016 was \$9.47M.

THE CITY'S FUNDS

The governmental funds of the City reported a combined fund balance of \$335.7M. The General Fund balance was \$62.4M, an increase of \$4.4M from prior year. The Debt Service fund balance decreased \$6.4M, ending the year with \$28.1M. The decrease was a result of the refunding and retirement of principal on existing debt. Other changes in fund balances should be noted:

- Street Capital Projects fund spending increased in fiscal year 2016, up from \$26.7M to \$34M. The \$34M in capital outlay was offset by capital contributions and interest revenue totaling \$3.7M and a debt issuance of \$29.5M, resulting in a \$2.6M decrease in fund balance.
- The City's water and sewer fund net position of \$614.2M increased by \$19.2M in the current year. The increase in net position is primarily due to increased operating revenues exceeding expenses by \$33M.
- The Storm Water Utility fund, created in 2009 to address the City's need to manage issues associated with storm water runoff, saw an increase of \$6.8M to net position in 2016; storm water fee revenues exceeded fund expenses by \$7.9M, increasing net position to \$98.1M at the end of the fiscal year.

GENERAL FUND BUDGET HIGHLIGHTS

During fiscal year 2016, there were no budget amendments in the General Fund.

Actual expenditures on a budgetary basis of \$224.5M were slightly less than budgeted expenditures of \$241.9M. Position vacancies resulted in significant salary and benefit savings in the fund.

Revenues on a budgetary basis were higher than the budgeted amount of \$232.9M by \$2.7M. Licenses and permits, and leases, rents, and concessions were higher than expected by \$3.3M and \$2.3M respectively. Utility franchise fees were down due to decreased electrical and gas utility revenues.

ECONOMIC FACTORS AND FISCAL YEAR 2017

Each year, the City Council and appointed officials consider many factors when setting the fiscal year's budget, tax rates, and fees that will be charged for the business-type activities. The City of Arlington continues to see the need for services and programs outpacing economic growth. While the City has experienced some growth over the past several years, the City must constantly innovate, improve processes, and search for prudent opportunities for investment. General Fund property tax revenues increased to \$121.9M and sales taxes were strong in 2016. Nevertheless, City Council and management remain committed to prudent, conservative fiscal planning. Key budget priorities in 2017 are:

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

The City's total General Fund revenues and transfers for 2017 are budgeted at \$234.4M, and total General Fund expenditures are expected to be \$234.4M, a net increase of \$12.5M over 2016.

The General Fund's largest single revenue source is property taxes. This revenue represents 38.8% of the General Fund budget. The property tax rate for 2017 is \$0.6448 per \$100 valuation, the first time it has changed since 2001. The tax rate is broken into two pieces, operations and maintenance, \$0.4538 per \$100 valuation, to the General Fund, and interest and sinking, \$0.1910 per \$100 valuation, for debt service. The General Fund property tax revenue for 2017 is estimated to be \$91.7M, up \$8.2M (9.8%) from last year's estimate.

The City's portion of the local 8 cent sales tax rate is one and three-quarter cents. The General Fund receives one cent, one-quarter cent is dedicated to the Street Maintenance Fund, and one-half cent provides for debt service for the AT&T Stadium debt. Sales tax revenue for the General Fund for fiscal year 2017 is estimated at \$60.4M, an increase from 2016 collections.

The City's Water and Sewer Fund accounts for nearly 30% of the City's revenue. The mission of the Water Utilities Department is to provide a continuous supply of high quality drinking water and ensure safe disposal of wastewater in a responsive, cost-effective manner while continuing to improve service to citizens and planning for future needs. The largest revenue sources for the Water and Sewer Fund is water sales and wastewater treatment budgeted at \$74M and \$57.9M respectively for FY 2017. The City maintains a rate structure designed to ensure that each category of service is self-supporting.

Details of the City of Arlington Fiscal Year 2017 Operating Budget can be accessed on the City's website: <http://www.arlington-tx.gov/budget/>.

CONTACTING THE FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's fiscal accountability. If you have questions about this report or need additional information, contact Amy Trevino, Controller (amy.trevino@arlingtontx.gov), in the Finance Department, at the City of Arlington, 101 S. Mesquite St., Suite 800, Arlington, TX 76010. The City is also an active member of MSRB's Electronic Municipal Market Access (EMMA), which keeps the Arlington CAFR on file. Additionally, the CAFR can be found on the City's website at <http://www.arlington-tx.gov/finance/financial-reports/>.



CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash-like investments	\$ 340,540	\$ 41,940	\$ 382,480	\$ 12,628
Investments	-	-	-	54,575
Land Held for Resale	7,653	-	7,653	-
Receivables (net of allowance for uncollectibles):				
Taxes	8,275	-	8,275	-
Sales taxes	15,693	-	15,693	-
Trade accounts	49	10,657	10,706	-
Franchise fees	6,680	-	6,680	-
Unbilled trade accounts	-	7,655	7,655	-
Loan receivable	-	1,833	1,833	-
Special assessments	135	-	135	-
Accrued interest	917	-	917	-
Ballpark lease	11,310	-	11,310	-
Settlement agreement	5,644	-	5,644	-
Other	6,611	41	6,652	265
Internal balances	3,198	(3,198)	-	-
Due from other governments	4,140	-	4,140	-
Inventory of supplies	1,547	1,824	3,371	-
Prepaid expenses	3,066	2,160	5,226	62
Net other post employment benefit asset	411	-	411	-
Restricted assets-				
Bond contingency-				
Investments	-	17,416	17,416	-
Capital construction-				
Investments	-	83,075	83,075	-
Escrow	-	3,129	3,129	-
Meter deposits-				
Investments	-	5,429	5,429	-
Loan receivable	-	1,833	1,833	-
Closure/Post-closure trust fund				
Investments	8,160	-	8,160	-
Capital Assets-				
Land	226,911	22,347	249,258	-
Buildings and improvements	1,298,689	2,833	1,301,522	563
Water and sewer system	-	879,709	879,709	-
Machinery and equipment	109,792	11,983	121,775	1,354
Infrastructure	873,062	-	873,062	-
Drainage systems	-	113,333	113,333	-
Construction in progress	130,841	70,202	201,043	-
Accumulated depreciation	(1,062,831)	(349,563)	(1,412,394)	(1,467)
Total Assets	2,000,493	924,638	2,925,131	67,980
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	10,653	1,909	12,562	-
Deferred outflow-Contributions Pension	16,943	1,178	18,121	-
Deferred outflow-Investment Earnings Pension	61,863	3,982	65,845	-
Total Assets and Deferred Outflows of Resources	2,089,952	931,707	3,021,659	67,980

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, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 22,222	\$ 3,909	\$ 26,131	\$ 2,593
Retainage payable	2,048	-	2,048	-
Accrued interest	2,625	-	2,625	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	3,356	3,356	-
Retainage payable	-	1,331	1,331	-
Accrued interest	-	1,967	1,967	-
Meter deposits	-	5,429	5,429	-
Non-current liabilities				
Due within one year:				
Estimated claims payable	5,158	-	5,158	-
General obligation and certificates of obligation debt	34,155	-	34,155	-
Special tax revenue debt	1,035	-	1,035	-
Accrued compensated absences	1,404	144	1,548	-
Revenue bonds	-	12,482	12,482	-
Capital lease obligation	1,020	-	1,020	-
Due in more than one year:				
Estimated claims payable	4,314	-	4,314	-
Net other post-employment benefit obligation	37,334	-	37,334	-
General obligation and certificates of obligation debt	335,566	-	335,566	-
Special tax revenue debt	155,535	-	155,535	-
Landfill closure accrued liabilities	8,160	-	8,160	-
Accrued compensated absences	27,967	1,656	29,623	-
Revenue bonds	-	180,863	180,863	-
Net pension liability	155,932	10,840	166,772	-
Capital lease obligation	7,844	-	7,844	-
Total Liabilities	802,319	221,977	1,024,296	2,593
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow-actuarial assumption pension	12,310	561	12,871	-
Deferred inflow - lease & settlement agreements	1,805	-	1,805	89
Total Liabilities and Deferred Inflows of Resources	816,434	222,538	1,038,972	2,682
NET POSITION				
Net investment in capital assets	1,055,902	639,243	1,695,145	450
Restricted for debt service	28,124	18,150	46,274	-
Restricted for use of impact fees	7,944	-	7,944	-
Restricted for housing assistance	-	-	-	670
Restricted for endowments	-	-	-	59,784
Unrestricted	181,548	51,776	233,324	4,394
Total Net Position	\$ 1,273,518	\$ 709,169	\$ 1,982,687	\$ 65,298

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, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 75,486	\$ 21,863	\$ 50,537	\$ 1,729
Public safety	156,414	16,392	4,682	-
Public works	61,115	2,085	360	3,308
Public health	2,741	3,393	42	-
Parks and recreation	32,449	11,180	125	27
Public welfare	14,978	216	6,361	750
Convention and event services	8,384	3,680	-	-
Interest and fiscal charges	23,016	-	-	-
Total Governmental Activities	374,583	58,809	62,107	5,814
Business-Type Activities:				
Water and sewer	98,697	131,086	-	1,820
Storm water utility	5,740	13,575	-	-
Total Business-Type Activities	104,437	144,661	-	1,820
Total Primary Government	\$ 479,020	\$ 203,470	\$ 62,107	\$ 7,634
Component Units:				
Arlington Housing Authority	\$ 27,468	\$ -	\$ 28,211	\$ -
Arlington Convention and Visitors Bureau	5,921	5,794	175	-
Arlington Tomorrow Foundation	1,728	-	-	-
Arlington Housing Finance Corporation	1	-	3	-
Arlington Industrial Development Corporation	-	-	-	-
Arlington Convention Center Development Corp	83	-	-	-
Arlington Economic Development Corp	-	-	-	-
Total Component Units	\$ 35,201	\$ 5,794	\$ 28,389	\$ -

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

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,357)	\$ -	\$ (1,357)	\$ -
(135,340)	-	(135,340)	-
(55,362)	-	(55,362)	-
694	-	694	-
(21,117)	-	(21,117)	-
(7,651)	-	(7,651)	-
(4,704)	-	(4,704)	-
(23,016)	-	(23,016)	-
(247,853)	-	(247,853)	-
-	34,209	34,209	-
-	7,835	7,835	-
-	42,044	42,044	-
\$ (247,853)	\$ 42,044	\$ (205,809)	\$ -
\$ -	\$ -	\$ -	\$ 743
-	-	-	48
-	-	-	(1,728)
-	-	-	2
-	-	-	-
-	-	-	(83)
-	-	-	-
\$ -	\$ -	\$ -	\$ (1,018)
121,943	-	121,943	-
102,580	-	102,580	-
409	-	409	-
1,828	-	1,828	-
82	-	82	-
7,273	-	7,273	-
10,838	-	10,838	-
25,435	-	25,435	-
4,023	687	4,710	2,220
(598)	(35)	(633)	1,942
6,084	-	6,084	(47,255)
16,619	(16,619)	-	-
296,516	(15,967)	280,549	(43,093)
48,663	26,077	74,740	(44,111)
1,224,855	683,092	1,907,947	109,409
\$ 1,273,518	\$ 709,169	\$ 1,982,687	\$ 65,298

**CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	General	Debt Service	Street Capital Projects	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash-like investments	\$ 49,213	\$ 22,193	\$ 69,130	\$ 174,622	\$ 315,158
Land held for resale	-	-	-	7,653	7,653
Closure/Post-closure restricted cash	8,160	-	-	-	8,160
Receivables (net of allowance for uncollectibles)					
Taxes	2,835	691	-	4,749	8,275
Sales taxes	10,459	5,230	-	4	15,693
Franchise fees	6,680	-	-	-	6,680
Special assessments	-	-	135	-	135
Accrued interest	907	10	-	-	917
Lease and settlement agreements	16,954	-	-	-	16,954
Other	3,459	-	-	2,936	6,395
Due from other funds	2,966	-	-	-	2,966
Due from other governments	-	-	-	4,140	4,140
Inventory of supplies, at cost	1,265	-	-	237	1,502
Prepaid Expenditures	1,345	-	-	1,685	3,030
Total Assets	\$ 104,243	\$ 28,124	\$ 69,265	\$ 196,026	\$ 397,658

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND FUND BALANCES**

Liabilities:					
Accounts payable and accrued liabilities	\$ 7,889	\$ -	\$ 5,201	\$ 8,874	\$ 21,964
Retainage payable	40	-	1,397	611	2,048
Unearned Revenue	-	-	135	962	1,097
Due to other funds	-	-	-	2,966	2,966
Closure/Post-closure trust fund	8,160	-	-	-	8,160
Total Liabilities	16,089	-	6,733	13,413	36,235

Deferred inflows of resources:

Taxes	2,898	-	-	-	2,898
Landfill lease	3,887	-	-	-	3,887
Gas lease	1,933	-	-	1	1,934
Lease and settlement agreements	16,954	-	-	-	16,954
Other	4	-	-	-	4
Total Deferred Inflows of Resources	25,676	-	-	1	25,677

Fund Balances:

Nonspendable:					
Inventory	1,265	-	-	237	1,502
Prepays	117	-	-	1,685	1,802
Restricted for:					
Debt service	-	28,124	-	-	28,124
Capital projects	-	-	62,532	35,252	97,784
Special revenue	-	-	-	26,453	26,453
Committed to:					
Utility rate case	-	-	-	-	-
Capital projects	-	-	-	44,867	44,867
Special revenue	-	-	-	73,800	73,800
Assigned to:					
Encumbrances	8,515	-	-	-	8,515
Working capital	19,717	-	-	-	19,717
Subsequent years' expenditures	6,918	-	-	-	6,918
Compensated absences	1,402	-	-	-	1,402
Other post employment benefits	1,718	-	-	-	1,718
Future initiatives	17,151	-	-	-	17,151
Dispatch	830	-	-	-	830
Information technology	305	-	-	-	305
Business continuity	4,062	-	-	-	4,062
Park performance	-	-	-	318	318
Court security	-	-	-	-	-
Unassigned	478	-	-	-	478
Total Fund Balances	62,478	28,124	62,532	182,612	335,746

**Total Liabilities, Deferred Inflows of Resources
and Fund Balances**

\$ 104,243	\$ 28,124	\$ 69,265	\$ 196,026	\$ 397,658
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The notes to the financial statements are an integral part of this statement.

**CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF NET POSITION
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

Total fund balance per balance sheet **\$ 335,746**

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 \$15,000 recorded in the internal service funds). 1,560,803

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	\$ 2,898	\$ -	
Landfill	3,887	3,887	
Gas lease	1,934	1,934	
Grant revenue	300	(2,082)	
Ballpark lease	11,310	-	
Ballpark Settlement	5,644	-	
Unearned	3,397	-	
	<u>29,370</u>	<u>3,739</u>	25,631

Internal service funds are used by management to charge the cost of fleet services, general services, APFA, technology services, workers' compensation and group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 34,533

Long-term liabilities, including bonds payable, arbitrage and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds (excluding \$9,136 recorded in the internal service funds).

Bonds payable		\$ (509,185)	
Premium general obligation debt		(19,081)	
Discount on bonds		1,975	
Deferred outflow of resources (refunding)		10,653	
Accrued interest payable		(2,625)	
Compensated absences		(29,341)	
Net other post-employment benefit obligation		(37,334)	
Net other post-employment asset		411	
TMRS:			
Net pension liability	\$(155,932)		
Deferred inflow-actuarial gain	(12,310)		
Deferred outflow-investment loss	61,861		
Deferred outflow-contributions 1/1-9/30/16	16,943	(89,438)	
Estimated claims		(366)	
Capital Leases		(8,864)	
		<u>(683,195)</u>	

Net position of governmental activities **\$ 1,273,518**

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, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 143,563	\$ 71,636	\$ -	\$ 30,479	\$ 245,678
Licenses and permits	9,063	-	-	-	9,063
Utility franchise fees	25,435	-	-	-	25,435
Fines and forfeitures	11,996	-	-	-	11,996
Leases, rents and concessions	8,348	1,500	-	-	9,848
Service charges	6,320	-	-	15,769	22,089
Interest revenue	1,705	677	465	1,089	3,936
Net increase (decrease) in fair value of investments	(52)	(416)	(61)	(63)	(592)
Contributions	1,665	-	3,236	472	5,373
Intergovernmental revenues	50,537	-	-	12,320	62,857
Gas lease royalty	-	-	-	5,056	5,056
Gas lease other	-	-	-	140	140
Other	44	56	46	4,857	5,003
Total Revenues	<u>258,624</u>	<u>73,453</u>	<u>3,686</u>	<u>70,119</u>	<u>405,882</u>
EXPENDITURES					
Current-					
General government	39,754	-	-	5,938	45,692
Public safety	139,395	-	-	6,338	145,733
Public works	20,219	-	-	21,996	42,215
Public health	2,148	-	-	489	2,637
Public welfare	-	-	-	9,768	9,768
Parks and recreation	14,763	-	-	11,584	26,347
Convention and event services	-	-	-	8,283	8,283
Capital outlay	-	-	34,067	21,748	55,815
Debt service-					
Principal retirement	-	60,500	-	-	60,500
Redemption premium	-	701	-	-	701
Interest and fiscal charges	-	24,119	-	-	24,119
Total Expenditures	<u>216,279</u>	<u>85,320</u>	<u>34,067</u>	<u>86,144</u>	<u>421,810</u>
Excess (deficiency) of revenues over (under) expenditures	<u>42,345</u>	<u>(11,867)</u>	<u>(30,381)</u>	<u>(16,025)</u>	<u>(15,928)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	14,150	28,235	6,205	48,590
Issuance of refunding bonds	-	47,365	-	-	47,365
Issuance of certificates of obligation	-	-	-	15,995	15,995
Amount used to fund escrow account	-	(53,710)	-	-	(53,710)
Bond premium	-	6,520	1,320	1,095	8,935
Transfers in	23,202	5,140	-	62,170	90,512
Transfers out	(61,092)	(14,000)	(1,766)	(15,995)	(92,853)
Total Other Financing Sources and Uses	<u>(37,890)</u>	<u>5,465</u>	<u>27,789</u>	<u>69,470</u>	<u>64,834</u>
Net Change in Fund Balances	<u>4,455</u>	<u>(6,402)</u>	<u>(2,592)</u>	<u>53,445</u>	<u>48,906</u>
Fund Balances, October 1,	<u>58,023</u>	<u>34,526</u>	<u>65,124</u>	<u>129,167</u>	<u>286,840</u>
Fund Balances, September 30	<u>\$ 62,478</u>	<u>\$ 28,124</u>	<u>\$ 62,532</u>	<u>\$ 182,612</u>	<u>\$ 335,746</u>

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, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

Net change in fund balance - total governmental funds **\$ 48,906**

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. 55,394

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. (52,106)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 390

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

Interest on bond payoff	(919)	
Repayment of general obligation debt	114,210	
Proceeds from issuance of bonds	(111,950)	
Amortization of deferred loss on bond refunding	(919)	
Amortization of bond premium	(5,294)	
Repayment of capital lease	996	
	(3,876)	(3,876)

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	(1,155)	
Accrued interest expense	118	
Post-employment benefit obligation expense	(762)	
TMRS net pension liability	(8,106)	
Estimated salary expense	(3,693)	
	(13,598)	(13,598)

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. 13,553

Change in net position of governmental activities **\$ 48,663**

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
ASSETS				
Current Assets:				
Cash and cash-like investments	\$ 23,709	\$ 18,231	\$ 41,940	\$ 25,382
Receivables (net of allowances for uncollectibles):				
Trade accounts	9,534	1,123	10,657	49
Unbilled trade accounts	7,097	558	7,655	-
Loan receivable	1,833	-	1,833	-
Other	41	-	41	216
Prepaid Expenditures	2,160	-	2,160	36
Inventory of supplies, at cost	1,824	-	1,824	45
Subtotal	46,198	19,912	66,110	25,728
Restricted Assets:				
Bond contingency-cash and cash-like investments	11,757	718	12,475	-
Capital construction-cash and cash-like investments	29,541	-	29,541	-
Total Current Assets	87,496	20,630	108,126	25,728
Non-Current Assets:				
Restricted Assets:				
Bond contingency- Investments	4,941	-	4,941	-
Capital construction- Investments	53,534	-	53,534	-
Escrow	3,129	-	3,129	-
Meter deposit investments	5,429	-	5,429	-
Loan receivable	1,833	-	1,833	-
Capital Assets:				
Land	7,486	14,861	22,347	-
Buildings and improvements	2,833	-	2,833	467
Water and sewer system	879,709	-	879,709	-
Machinery and equipment	11,960	23	11,983	45,013
Drainage system	-	113,333	113,333	-
Construction-in-progress	59,889	10,313	70,202	-
Accumulated depreciation	(310,003)	(39,560)	(349,563)	(30,480)
Total Capital Assets Net of Accumulated Depreciation	651,874	98,970	750,844	15,000
Total Noncurrent Assets	720,740	98,970	819,710	15,000
Total Assets	808,236	119,600	927,836	40,728
Deferred Outflows of Resources:				
Deferred charges on debt refunding	1,909	-	1,909	-
Deferred outflow - contributions GASB 68	1,178	-	1,178	-
Deferred outflow - investment/actuarial GASB 68	3,982	-	3,982	-
Total Assets and Deferred Outflows of Resources	\$ 815,305	\$ 119,600	\$ 934,905	\$ 40,728

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

(continued)

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 2,918	\$ 991	\$ 3,909	\$ 257
Accrued compensated absences	123	21	144	-
Revenue bonds payable from unrestricted assets	10,139	1,280	11,419	-
Current Liabilities Payable From				
Restricted Assets:				
Accounts payable and accrued liabilities	3,356	-	3,356	-
Retainage payable	1,235	96	1,331	-
Accrued interest	1,676	291	1,967	-
Estimated claims payable	-	-	-	4,792
Revenue bonds payable	1,063	-	1,063	-
Meter deposits	5,429	-	5,429	-
Total Current Liabilities	25,939	2,679	28,618	5,049
Noncurrent Liabilities:				
Estimated claims payable	-	-	-	4,314
Compensated absences	1,470	186	1,656	30
Revenue bonds payable from unrestricted assets	162,283	18,580	180,863	-
Net pension liability	10,840	-	10,840	-
Total Noncurrent Liabilities	174,593	18,766	193,359	4,344
Total Liabilities	200,532	21,445	221,977	9,393
Deferred Inflows of Resources:				
Deferred inflow - investment/actuarial GASB 68	561	-	561	-
Total Liabilities and Deferred Inflows of Resources	201,093	21,445	222,538	9,393
NET POSITION				
Net investment in capital assets	560,229	79,014	639,243	15,000
Restricted for debt service	18,150	-	18,150	-
Unrestricted	35,833	19,141	54,974	16,335
Total Net Position	\$ 614,212	\$ 98,155	\$ 712,367	\$ 31,335
Reconciliation to government-wide statements of net position:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(3,198)	
Net position of business-type activities			<u>\$ 709,169</u>	

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, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
Operating Revenues:				
Water sales	\$ 69,628	\$ -	\$ 69,628	\$ -
Sewer service	55,188	-	55,188	-
Storm water fee - commercial	-	6,261	6,261	-
Storm water fee - residential	-	7,314	7,314	-
Service charges	-	-	-	34,599
Sundry	6,270	-	6,270	-
Total Operating Revenues	131,086	13,575	144,661	34,599
Operating Expenses:				
Purchase of water	19,743	-	19,743	-
Purchase of sewage treatment	29,383	-	29,383	-
Salaries and wages	12,323	1,681	14,004	451
Employees' retirement	1,967	249	2,216	63
Supplies	2,499	62	2,561	2,604
Maintenance and repairs	4,724	747	5,471	417
Utilities	3,090	17	3,107	81
Claims (net of adjustments)	12	-	12	28,740
Legal and professional	84	-	84	140
Depreciation	16,783	2,159	18,942	3,834
Miscellaneous services	4,463	674	5,137	4,423
Total Operating Expenses	95,071	5,589	100,660	40,753
Operating Income (Loss)	36,015	7,986	44,001	(6,154)
Nonoperating Revenues (Expenses):				
Interest revenue	571	116	687	49
Net increase in the fair value of investments	(25)	(10)	(35)	(6)
Gain on sale of assets	-	-	-	313
Interest expense and fiscal charges	(3,235)	(151)	(3,386)	-
Total Nonoperating Revenues (Expenses)	(2,689)	(45)	(2,734)	356
Income (loss) before transfers and contributions	33,326	7,941	41,267	(5,798)
Contributions in aid of construction	1,820	-	1,820	-
Transfers in	-	-	-	19,729
Transfers out	(15,513)	(1,106)	(16,619)	(769)
Change in Net Position	19,633	6,835	26,468	13,162
Total Net Position, October 1	594,579	91,320	685,899	18,173
Total Net Position, September 30	\$ 614,212	\$ 98,155	\$ 712,367	\$ 31,335
Net change in net position - total proprietary funds			\$ 26,468	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(391)	
Change in net position of business-type activities			\$ 26,077	

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, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 132,916	\$ 13,431	\$ 146,347	\$ 34,461
Cash payments to suppliers	(65,320)	(1,488)	(66,808)	(36,303)
Cash payments to employees	(14,133)	(1,980)	(16,113)	(527)
Net Cash Provided By (Used For) Operating Activities	53,463	9,963	63,426	(2,369)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	19,729
Transfers out	(15,513)	(1,106)	(16,619)	(769)
Net Cash Provided By (Used For) Noncapital Financing Activities	(15,513)	(1,106)	(16,619)	18,960
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(32,836)	(4,885)	(37,721)	(5,722)
Increase/Decrease in escrow balance	(924)	-	(924)	-
Proceeds from sales of capital assets	-	-	-	326
Proceeds from issuance of long-term debt	44,694	-	44,694	-
Repayment of long-term debt	(11,870)	(1,280)	(13,150)	-
Interest payment long-term debt	(6,023)	(963)	(6,986)	-
Net Cash Provided By (Used For) Capital Related Financing Activities	(6,959)	(7,128)	(14,087)	(5,396)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from interest earnings	775	116	891	49
Net decrease in the fair value of investments	(25)	(10)	(35)	(6)
Purchase of investments	(148,423)	-	(148,423)	-
Maturities/sales of investments	121,507	8	121,515	-
Net Cash Provided By (Used For) Investing Activities	(26,166)	114	(26,052)	43
Net Increase In Cash And Cash Equivalents	4,825	1,843	6,668	11,238
Cash and cash-like investments, October 1	60,182	16,388	76,570	14,144
Cash and cash-like investments, September 30	\$ 65,007	\$ 18,231	\$ 83,238	\$ 25,382
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 36,015	\$ 7,986	\$ 44,001	\$ (6,154)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	16,783	2,159	18,942	3,834
Amortization of bond premium	751	88	839	-
Amortization of deferred loss on bond refunding	(238)	-	(238)	-
Provision for bad debts	(144)	5	(139)	-
(Increase) decrease in-				
Receivables	1,831	(144)	1,687	(138)
Inventory of supplies	(594)	-	(594)	-
Prepaid expenses	(2,160)	-	(2,160)	2
Increase (decrease) in-				
Accounts payable and accrued liabilities	442	243	685	(239)
Net pension liability	697	-	697	-
Estimated claims payable	-	-	-	338
Retainage payable	210	(324)	(114)	-
Meter deposits	78	-	78	-
Accrued compensated absences	(208)	(50)	(258)	(12)
Total adjustments	17,448	1,977	19,425	3,785
Net Cash Provided By (Used For) Operating Activities	53,463	9,963	63,426	(2,369)
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	1,820	-	1,820	-

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash-like investments	\$ 61	\$ 9,344
Investments		
Investment retired city mgr 401(k) plan	64	-
Money market fund	44,780	-
Corporate bonds	2,439	-
Fixed income mutual bond funds	17,412	-
Common stock mutual bond funds	75,169	-
Balanced mutual funds	27,914	-
Participant borrowing	5,082	-
Self directed brokerage accounts	5,773	-
Total Investments	178,633	-
Total Assets	\$ 178,694	\$ 9,344
LIABILITIES		
Accounts payable and accrued liabilities	\$ 6	\$ 9,344
Retired city mgr 401(k) plan payable	64	-
Total Liabilities	\$ 70	\$ 9,344
NET POSITION		
Restricted for pensions	\$ 178,563	
Assigned pension trust	61	
Total Net Position	\$ 178,624	

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds
ADDITIONS	
Employer contributions	\$ 3,139
Employee contributions	7,616
Net appreciation in fair value of investments	16,664
Other additions	191
Total Additions	<u>27,610</u>
DEDUCTIONS	
Benefits	12,783
Plan administration	179
Other deductions	89
Total Deductions	<u>13,051</u>
Increase in Net Position	14,559
Net Position, October 1	164,065
Net Position, September 30	<u><u>\$ 178,624</u></u>

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



CITY OF ARLINGTON, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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 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 GASB 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. A budgetary comparison statement is presented that compares the originally adopted and final General Fund budget with actual results, and schedules of funding progress for pension and retirement plans are provided, as required, in the Required Supplementary Information section.

B. Reporting Entity

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

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

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

- The component unit is both:
 - 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.

Arlington Property Finance Authority, Inc.

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

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

Arlington 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 \$51.9 million created by natural gas revenues to be used for the benefit of the Arlington community. The City Council acts as the board of directors. The ATF's management is designated by the City, and City employees are responsible for the daily activities of the ATF; accordingly, the City has financial accountability over ATF's activities. Separate ATF component unit financial statements are not prepared.

Arlington Housing Finance Corporation

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

Arlington Convention Center Development Corporation

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

Arlington Economic Development Corporation

The Arlington Economic Development Corporation was formed in 2015 for the purpose of undertaking projects that contribute to the quality of life and economic growth. The board of directors is made up of the mayor, three council members, and three citizens. There was no activity in fiscal year 2016.

C. Government-wide and Fund Financial Statements

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

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

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

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

Internal Service Funds, which 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) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

D. Measurement Focus and Basis of Accounting

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

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

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

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

The following major funds are reported by the City:

1. Governmental Funds:

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

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

- b. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. Street Capital Projects Fund accounts for the purchase of rights of way and land, construction of streets and related facilities, and to account for various other projects related to street construction. Funds are provided primarily through bond sales, interest earnings, and impact fees.
- d. Other Governmental Funds is a summarization of all of the nonmajor governmental funds, including capital project and special revenue funds.

2. Enterprise Funds:

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

3. Other Fund Types:

The City additionally reports for the following fund types:

- a. Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis. These services include printing, mailing and duplicating; fleet services; self-insurance; workers' compensation insurance; and group health insurance.
- b. Agency Funds are used to account for assets held by the City in an agency capacity for payroll related benefits, escheat property for the state, and other assets held for individuals, local law enforcement agencies and developers.
- c. Pension Trust Funds are used to account for the accumulation of resources to be used for the retirement and disability benefit payments to qualified City employees and for thrift savings plans for City employees.

E. Cash, Cash-like Investments and Investments

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

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

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

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

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

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

F. Inventories and Prepaid Items

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

G. Capital Assets

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

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

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

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

H. Capitalization of Interest

The City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2016, \$1,423,631 of interest cost, net of \$185,171 interest earned, was capitalized as capital assets in the Water and Sewer Fund as part of the costs of constructing various projects. Interest expensed (net of capitalized interest) and interest earned in fiscal 2016 for the Water and Sewer Fund amounted to approximately \$3,235,000 and \$571,000, respectively. In the Storm Water Utility Fund \$626,952 of interest cost, net of \$425 interest earned, was capitalized as capital assets as part of the costs of constructing various projects. Interest earned in fiscal 2016 for the Storm

Water Utility Fund amounted to approximately \$116,000 and interest expensed (net of capitalized interest) was \$151,000.

I. Arbitrage Liability

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

J. Pensions

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

Beginning in fiscal year 2015, and in accordance with GASB 68 and 71, the City's net pension liability is now recorded on the face of the financial statements. The City elected to allocate the net pension liability among governmental and business type activities based on measurement year contribution percentages. The City elected to absorb fund allocations of less than 1.25% of total contributions to Governmental activities. Component units' contributions total 1.0% 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 \$1.67M. The City also elected not to show a deferred inflow/outflow for changes in proportion from year to year between governmental and business type activities and simply let those changes flow through expense in the year of occurrence. Detailed pension information is discussed in footnote 6.

K. Compensated Absences

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

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

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

L. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are

deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Nature and Purpose of Classifications of Fund Equity

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

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

N. Minimum Fund Balance Policy

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

O. Net Position

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

P. Deferred Outflows/Inflows of Resources

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

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

Q. New Accounting Pronouncements

During fiscal year 2016, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*. This statement clarifies the application of certain provisions of Statements 67 and 68 regarding required supplementary information and accounting and financial reporting.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement supersedes Statement No. 55. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or event is not specified within a source of authoritative GAAP.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of Statement 68.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

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

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, which is effective for the City beginning in fiscal year 2017. This statement replaces GASB Statements 43 and 57. This statement addresses enhanced note disclosures and required supplementary information to improve financial reporting.

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

Statement No. 77, *Tax Abatement Disclosures*, which is effective for the City beginning in fiscal year 2017. This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues.

Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, which is effective for the City beginning in fiscal year 2017. This statement amends the blending requirements established in Statement No. 14 for the financial statement presentation of component units of all state and local governments.

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

Statement No. 82, *Pension Issues – An Amendment of GASB statements No. 67, No. 68, and No. 73*, which is effective for the City beginning in fiscal year 2017. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, the Enterprise Funds, and certain Special Revenue Funds (Park Performance, Convention and Event Services and Street Maintenance). All unencumbered appropriations lapse at fiscal year-end, except certain of those of the Special Revenue Funds. The budgets for the General Fund, the Debt Service Fund, and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as expenditures on the budgetary basis and interdepartmental expenses which are eliminated. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include encumbrances, debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. The schedules comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other revenue and expenditure items which are reported in the City's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the fund level. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures of the General Fund, Debt Service Fund, and certain Special Revenue funds must be approved by the City Council. During fiscal year 2016, there were no budget amendments.

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

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

Certain interdepartmental revenues and expenses are included in budgetary basis revenues and expenditures, but are eliminated from actual revenues and expenditures.

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

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

General <u>Fund</u>	Street Capital <u>Projects Fund</u>	Other Nonmajor <u>Funds</u>	<u>Total</u>
\$ 8,515	\$ 34,603	\$ 38,746	\$ 81,864

B. Excess of expenditures over appropriations

For the year ended September 30, 2016, 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, 2016.

III. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH-LIKE INVESTMENTS AND INVESTMENTS

Deposits - At September 30, 2016, the carrying amount of the City's demand deposits was \$31,667,000 (bank balance, \$35,199,000). The balance in cash on hand was \$33,000 at year end.

Investments - State statutes, the City's Investment Policy and the City's Depository Agreement govern the investments of the City. The City is authorized to invest in United States Treasuries, its agencies or instrumentalities, other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities, obligations of Texas and its agencies, counties and cities, and other political subdivisions rated not less than AA, obligations of other states, its agencies, counties, cities, and other political subdivisions rated not less than AA, fully insured or collateralized certificates of deposit, fully collateralized repurchase agreements, Guaranteed Investment Contracts, commercial paper rated A-1+, P-1 with an underlying long-term rating of AA or better, government pools and money market funds consisting of any of these securities listed. Major provisions of the City's investment policy include the following: depositories must be FDIC-insured institutions, depositories must fully insure or collateralize all deposits, and investments must be purchased in the name of the City and be delivered to the City's agent for safekeeping. For additional information see the City of Arlington Investment Policy at www.arlingtontx.gov. The City elects to exclude investments with an original maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost. The City does not invest in derivatives.

Cash, Cash-like investments and investments include: (amounts in thousands) Governmental Activities (\$348,700), Business-type Activities (\$147,860), and Agency Funds (\$9,344).

As of September 30, 2016, the City had the following investments (amounts in thousands):

Investments	Fair Value	Weighted Avg Maturity (in days)	Credit Risk
Agency	352,684	570	AAA
Local Gov't Invest Pools	63,042	1	AAA
Texas Municipal	4,916	137	AA+
Non-Texas Municipal	32,534	564	AA+
Certificates of Deposit	-	-	AAA
Money Market Fund	21,028	1	AAA
Total Fair Value	474,204		

The City has investments in government pools at September 30, 2016 totaling \$63,042,000, which are recorded at amortized cost.

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

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

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

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

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

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

The City's investments in local government investment pools include investments in TexPool, TexasDaily and TexStar. These are public funds investment pools operating as an SEC 2a-7 like pool in full compliance with the Public Funds Investment Act and are rated as AAA money market funds by Standard & Poor's. The City has Local Government Investment Pools of \$63,042 and Money Market Funds of \$21,028 (amounts in thousands).

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2016 (amounts in thousands):

Fair Value Measurements Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
9/30/2016				
Investments by fair value level				
Debt Securities				
Agency	352,684	-	352,684	-
Texas Municipal	4,916	-	4,916	-
Non-Texas Municipal	32,534	-	32,534	-
	390,134	-	390,134	-

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

2. PROPERTY TAXES

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

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Chief Appraiser. The total market value for FY16 was \$26,930,429,000 which encompasses all properties in Arlington, including real estate, personal, and mineral properties prior to any exemptions or abatements. The assessed value for the tax roll of September 1, 2015, upon which the original FY16 levy was based, was \$19,601,363,000.

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

For the fiscal year ended September 30, 2016, the City had a tax rate of \$0.6480 (\$0.4460 for general government and \$0.2020 for debt service) per \$100 assessed valuation with a tax margin of \$1.8520 per \$100 valuation based upon a maximum ad valorem tax of \$2.50 per \$100 valuation permitted by Article XI, Section 5, of the State of Texas Constitution. Additional revenues up to approximately \$363,017,243 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately \$19,601,363,000.

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

3. COWBOYS COMPLEX DEVELOPMENT PROJECT/AT&T STADIUM

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

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the "Tenant") for lease of the Complex. The Lease Agreement calls for an initial term of 30 years. Monthly lease payments of \$166,666.67 began in June, 2009 for an annualized rental rate of \$2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of \$1 million per year for the first 10 years and \$1.25 million per year for all remaining renewals. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the Tenant, capped at \$500 thousand per year. 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 \$172,751,129.

City Debt – In 2005, the City issued \$297,990,000 Cowboys Complex Special Obligations to fund the City's share of the project costs for the Complex, including \$164,265,000 Cowboys Complex Special Obligation Tax-Exempt Special Tax Bonds, Series 2005B (the "Multi-Modal Bonds"). In December, 2008 the City issued \$112,185,000 in Special Tax Revenue Bonds to refund \$104,265,000 of the Series 2005B bonds and in May 2009 issued \$62,820,000 to refund the remaining \$60,000,000 of the Series 2005B bonds.

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, 2016, outstanding conduit debt was \$137,515,000.

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.

4. RECEIVABLES

Receivables at September 30, 2016 for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (amounts expressed in thousands):

	General	Debt Service	Storm Water Utility	Water & Sewer	Street Capital Projects	Other Nonmajor Governmental Funds	Internal Service Funds	Total
Receivables:								
Taxes	\$ 10,650	\$ 691	\$ -	\$ -	\$ -	\$ 4,749	\$ -	\$ 16,090
Franchise Fees	6,680	-	-	-	-	-	-	6,680
Trade Accounts	-	-	1,184	11,296	-	-	49	12,529
Unbilled Trade Accounts	-	-	558	7,354	-	-	-	7,912
Special Assessments	-	-	-	-	135	-	-	135
Sales Taxes	10,459	5,230	-	-	-	4	-	15,693
Lease and settlement agreements	16,954	-	-	-	-	-	-	16,954
Accrued Interest	907	10	-	-	-	-	-	917
Loan Receivable	-	-	-	3,666	-	-	-	3,666
Other	3,459	-	-	41	-	2,936	216	6,652
Gross Receivables	49,109	5,931	1,742	22,357	135	7,689	265	87,228
Less: Allowance for Uncollectibles	(7,815)	-	(61)	(2,019)	-	-	-	(9,895)
Net total Receivables	\$ 41,294	\$ 5,931	\$ 1,681	\$ 20,338	\$ 135	\$ 7,689	\$ 265	\$ 77,333

The only receivables not expected to be collected within one year are \$1,833,000 of the loan receivable in the water and sewer fund.

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 226,911	\$ -	\$ -	\$ 226,911
Construction in progress-other	95,045	56,555	(20,759)	130,841
Total capital assets, not being depreciated	321,956	56,555	(20,759)	357,752
Capital assets, being depreciated:				
Buildings and improvements	1,294,861	3,828	-	1,298,689
Equipment	105,727	7,138	(3,073)	109,792
Infrastructure	858,708	14,354	-	873,062
Total capital assets, being depreciated	2,259,296	25,320	(3,073)	2,281,543
Less accumulated depreciation for:				
Buildings and improvements	278,472	31,850	-	310,322
Equipment	81,603	8,671	(3,060)	87,214
Infrastructure	649,876	15,419	-	665,295
Total accumulated depreciation	1,009,951	55,940	(3,060)	1,062,831
Total capital assets, being depreciated, net	1,249,345	(30,620)	(13)	1,218,712
Governmental activities capital assets, net	\$ 1,571,301	\$ 25,935	\$ (20,772)	\$ 1,576,464
	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 21,910	\$ 437	\$ -	\$ 22,347
Construction in progress	121,939	40,058	(91,795)	70,202
Total capital assets, not being depreciated	143,849	40,495	(91,795)	92,549
Capital assets, being depreciated:				
Buildings and improvements	2,833	-	-	2,833
Drainage System	96,435	16,898	-	113,333
Water and sewer system	803,789	75,920	-	879,709
Machinery and equipment	11,909	74	-	11,983
Total capital assets, being depreciated	914,966	92,892	-	1,007,858
Less accumulated depreciation for:				
Buildings and improvements	1,469	58	-	1,527
Drainage System	37,396	2,154	-	39,550
Water and sewer system	280,431	16,487	-	296,918
Machinery and equipment	11,325	243	-	11,568
Total accumulated depreciation	330,621	18,942	-	349,563
Total capital assets, being depreciated, net	584,345	73,950	-	658,295
Business-type activities capital assets, net	\$ 728,194	\$ 114,445	\$ (91,795)	\$ 750,844

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

Governmental activities:	
General Government	\$ 25,941
Public Safety	3,382
Parks and recreation	5,798
Public works	16,985
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>3,834</u>
Total depreciation expense – governmental activities	<u>\$55,940</u>
Business-type activities:	
Storm Water Utility	2,159
Water and sewer	<u>\$ 16,783</u>
Total depreciation expense – business-type activities	<u>\$ 18,942</u>

Discretely presented component units:

(amounts expressed in thousands)

	<u>Balance at</u> <u>Beginning of</u> <u>Year</u>	<u>Transfer and</u> <u>Additions</u>	<u>Transfers and</u> <u>Retirements</u>	<u>Balance at End</u> <u>of Year</u>
Arlington Housing Authority, Inc.				
Capital assets, being depreciated:				
Buildings and improvements	\$ 563	\$ -	\$ -	\$ 563
Machinery and equipment	376	18	-	394
Total capital assets, being depreciated	<u>939</u>	<u>18</u>	<u>-</u>	<u>957</u>
Less accumulated depreciation for:				
Buildings and improvements	(293)	(14)	-	(307)
Machinery and equipment	(375)	(13)	-	(388)
Total accumulated depreciation	<u>(668)</u>	<u>(27)</u>	<u>-</u>	<u>(695)</u>
Arlington Housing Authority, Inc. Capital assets, net	<u>\$ 271</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ 262</u>
	<u>Balance at</u> <u>Beginning of</u> <u>Year</u>	<u>Transfer and</u> <u>Additions</u>	<u>Transfers and</u> <u>Retirements</u>	<u>Balance at End</u> <u>of Year</u>
Arlington Convention and Visitors Bureau, Inc.				
Capital asset, being depreciated:				
Machinery and equipment	\$ 894	\$ 66	\$ -	\$ 960
Total capital assets, being depreciated	<u>894</u>	<u>66</u>	<u>-</u>	<u>960</u>
Less accumulated depreciation for:				
Machinery and equipment	(717)	(55)	-	(772)
Total accumulated depreciation	<u>(717)</u>	<u>(55)</u>	<u>-</u>	<u>(772)</u>
Arlington Convention and Visitors Bureau, Inc. Capital assets, net	<u>\$ 177</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 188</u>

6. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

A. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 866 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.tmr.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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,558
Inactive employees entitled to but not yet receiving benefits	1,015
Active Employees	<u>2,460</u>
	5,033

C. Contributions

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

Employees for the City of Arlington were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Arlington were 15.62% and 15.08% in calendar years 2015 and 2016,

respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$24,833,575 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate:

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2014	\$ 1,037,982,210	\$ 933,378,081	\$ 104,604,129
Changes for the year:			
Service cost	24,035,779	-	24,035,779
Interest	71,780,403	-	71,780,403
change of benefit terms	-	-	-
Difference between expected and actual experience	(8,105,420)	-	(8,105,420)
Changes of assumptions	9,851,969	-	9,851,969
Contributions - employer	-	24,012,910	(24,012,910)
Contributions - employee	-	10,884,708	(10,884,708)
Net investment income	-	1,377,207	(1,377,207)
Benefit payments, including refunds			
of employee contributions	(49,131,541)	(49,131,541)	-
Administrative expense	-	(838,887)	838,887
Other changes	-	(41,433)	41,433
net changes	48,431,190	(13,737,036)	62,168,226
Balance at 12/31/15	\$ 1,086,413,400	\$ 919,641,045	\$ 166,772,355

Plan fiduciary net position as a percentage of the total pension liability	84.65%
Covered-employee payroll	\$154,372,375
Net pension liability as a percentage of covered employee payroll	108.03%

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	321,204,438	166,772,355	40,211,579

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.tmr.com

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

For the year ended September 30, 2016, the city recognized pension expense of \$33,719,831.

At September 30, 2016, 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	\$ -	\$12,871,012
Changes in actuarial assumptions	7,807,992	-
Difference between projected and actual investment earnings	58,036,609	-
Contributions subsequent to the measurement date	18,121,051	-
Total	\$83,965,652	\$12,871,012

\$18,121,051 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2016	\$ 13,244,503
2017	13,244,503
2018	13,395,604
2019	13,088,979
2020	-
Thereafter	-
Total	\$ 52,973,589

Part-Time, Seasonal and Temporary Employees Deferred Income Plan

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

Plan Description

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

**Part-time, Seasonal and Temporary
Employees Deferred Income Plan**

**Statement of Fiduciary Net Position
June 30, 2016**

Assets

Cash and deposits	\$ -
Receivables	33,686
Accrued Interest	31
Investments	
Mutual funds - bonds	2,023,974
Mutual funds - equities	673,188
Total investments	<u>2,697,162</u>
Total assets	<u><u>\$ 2,730,879</u></u>

Liabilities

Accrued expenses	<u>\$ 2,910</u>
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Net position restricted for pensions	<u><u>\$ 2,727,969</u></u>
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**Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2016**

Additions

Contributions:

Employer	\$ 53,802
Employees	<u>100,575</u>
Total contributions	<u>154,377</u>

Net investment income

Interest and dividends	10,557
Net appreciation in fair value of investments	<u>88,004</u>
Total investments	<u>98,561</u>
Total additions	<u>252,938</u>

Deductions

Benefit payments	149,233
Administrative expenses	<u>56,783</u>
Total deductions	206,016
Net increase in net position	46,922

Net position restricted for pensions

Beginning of year	<u>2,681,047</u>
End of year	<u><u>\$ 2,727,969</u></u>

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

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

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	3,573
Active plan members	<u>785</u>
	4,370

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. Compensation earned prior to July 1, 1991 is excluded. 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 benefit commencing as of the first day of the month after the participant is determined disabled. With the approval of the Retirement Committee, the Disability Retirement Pension shall be paid as a lump sum in lieu of a life annuity. A life only annuity in an amount actuarially equivalent to a lump sum payment equal to 2.5 time employee contributions with interest is paid upon declaration of the disability. Death benefits are the same as for disability.

Contributions. The Retirement Committee establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2016, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 2.1 percent of annual payroll.

Fiscal Year	Actuarially		Contribution		Actual Contribution	
Ending	Determined	Actual	Deficiency	Covered	as a % of	
<u>June 30,</u>	<u>Contribution</u>	<u>Contribution</u>	<u>(Excess)</u>	<u>Payroll</u>	<u>Covered Payroll</u>	
2015	\$ 22,419	\$ 22,419	\$ -	\$ 2,849,197		0.8%
2016	53,802	53,802	-	2,590,679		2.1%

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Committee. It is the policy of the Committee to pursue an investment strategy with the primary focus on current income generation and capital preservation while allowing for modest consideration for capital growth. The majority of assets are to be held in fixed income securities or other income producing investments with moderate levels of principal volatility. The following was the Committee's adopted asset allocation policy as of June 30, 2016:

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

Rate of return. For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 2.81 percent. For all assets, a total return is calculated (including market value appreciation or depreciation, plus interest and dividends). The monthly rates of return are then geometrically linked.

Net Pension Asset of the City

The components of the net pension asset of the City at June 30, 2016 were as follows:

Total pension liability	\$ 2,527,272
Plan fiduciary net position	<u>(2,727,969)</u>
City's net pension asset	<u>\$ (200,697)</u>

Plan fiduciary net position as a percentage of the total pension liability	108.0%
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Actuarial Assumption. The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Mortality Table projected to 2003 with Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Cash & Cash Equivalents	0.00%
Fixed Income	6.10%
Domestic Large Cap Equity	5.16%
Domestic Mid Cap Equity	5.77%
Domestic Small Cap Equity	5.99%
International Developed Equity	4.98%
International Emerging Equity	6.45%

Discount rate. A single discount rate of 5.0 percent was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 5.0 percent and a municipal bond rate of 2.85 percent (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2016). The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position and the future contributions were sufficient to finance the future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (4.0%)</u>	<u>Current Discount Rate (5.0%)</u>	<u>1% Increase (6.0%)</u>
City's net pension asset	\$ 48,676	\$(200,697)	\$(404,956)

The actuarial assumptions used in the July 1, 2016 actuarial valuation included were (a) 5.0 percent investment return, (b) 2.5 percent inflation rate adjustment, and (c) 3.0 percent salary increases. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. Because the assets of the plan exceed the actuarial liability, amortization of the unfunded liability is discontinued and the contribution required for the plan was developed under the aggregate cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities; the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

Thrift Savings Plan

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution savings are adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401(k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2016, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$174,533,000.

The City's total payroll during fiscal 2016 was \$170,336,000. The current year contribution was calculated based on a covered payroll of \$114,994,000, resulting in a required and actual employer contribution of \$3,020,000 and actual employee contributions of \$7,514,000. The employer contribution represents 2.60 percent of the covered payroll. The employee contribution represents approximately 6.5 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2016. 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, 2016. (amounts in thousands):

ASSETS	
Investments	174,597
Total Assets	<u>\$ 174,597</u>
LIABILITIES	
Retired City Mgr 401(k) plan payable	64
Total Liabilities	<u>\$ 64</u>
NET POSITION	
Held in trust for pension benefits	174,472
Assigned pension trust	61
Total Net Position	<u>174,533</u>

Changes in Net Position
Thrift Savings Plan

ADDITIONS	
Employer contributions	\$ 3,020
Employee contributions	7,514
Net appreciation in fair value of investments	16,471
Other additions	100
	<u>27,105</u>
DEDUCTIONS	
Benefits	12,517
Plan administration	100
Other deductions	89
	<u>12,706</u>
Increase in Net Position	14,399
Net Position, October 1	160,134
Net position, September 30	<u>\$ 174,533</u>

City contributions for the above plans for the year ended September 30, 2016, are as follows (amounts in thousands):

TMRS	\$24,834
THRIFT	3,020
PTDIT	54
	<u>\$27,908</u>

7. OTHER POST EMPLOYMENT BENEFITS

Disability Income Plan

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

Summary of Significant Accounting Policies

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

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

Plan Description and Contribution Information

Membership of the plan consisted of the following at July 1, 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits: 13

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

Contributions. The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City's contribution is determined through an actuarial valuation. For the year ended September 30, 2016, the City contributed \$65,000 to the plan. Administrative costs of DIP are financed through investment earnings.

Funded Status and Funding Progress

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

As of July 1, 2016, the most recent actuarial valuation date, the plan was 92.9 percent funded. The actuarial accrued liability for benefits was \$1,423,143, and the actuarial value of assets was \$1,322,507, resulting in an unfunded actuarial accrued liability (UAAL) of \$100,636.

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

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

Valuation date	7/1/2016
Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization
Remaining amortization period	6 years (closed)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.0 percent
Inflation rate	2.5 percent

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

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial

liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset (dollar amounts in thousands):

Annual required contribution	\$ 59
Interest on net OPEB asset	(25)
Adjustment to annual required contribution	79
Annual OPEB cost (expense)	113
Contributions made	(65)
Decrease in net OPEB asset	48
Net OPEB asset - beginning of year	(459)
Net OPEB asset - end of year	<u>\$ (411)</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2015 and the six preceding years are as follows:

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

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

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

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

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

<u>Net Position</u>	
Assets	
Investments	\$ 1,329
Total assets	<u>1,329</u>
Net position, held in trust for	
Other postemployment benefits	<u>\$ 1,329</u>
 <u>Changes in Net Position</u>	
Additions	
Employer contributions	\$ 65
Net appreciation in fair value	
Of investments	-
Other additions	<u>91</u>
Total additions	<u>\$ 156</u>
Deductions	
Benefits	(134)
Plan Administration	<u>(15)</u>
Total deductions	<u>(149)</u>
Increase in net position	7
Net position, October 1, 2015	<u>1,322</u>
Net position, September 30, 2016	<u>\$ 1,329</u>

Retiree Health Insurance

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

To be eligible for retiree health insurance, an employee must be eligible to retire from the City of Arlington based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer based coverage terminates. As of July 1, 2016, there were 849 retired employees who met this requirement.

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

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

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

Retiree Health Insurance City Contributions

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

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

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

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

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (dollar amounts in thousands):

Annual required contribution	\$ 7,949
Interest on net OPEB Obligation	1,465
Adjustment to annual required contribution	<u>(2,076)</u>
Annual OPEB cost (expense)	7,338
Contributions made	<u>(6,624)</u>
Increase in net OPEB obligation	714
Net OPEB obligation – beginning of year	<u>36,620</u>
Net OPEB obligation – end of year	<u>\$ 37,334</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the six preceding years are as follows (dollar amounts in thousands):

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contribution	Net OPEB Obligation
9/30/16	\$ 7,338	90.27%	\$ 37,334
9/30/15	\$ 7,998	62.50%	\$ 36,620
9/30/14	\$ 8,366	59.31%	\$ 33,633
9/30/13	\$ 8,723	65.31%	\$ 30,229
9/30/12	\$ 12,133	46.66%	\$ 27,203
9/30/11	\$ 8,379	56.14%	\$ 20,731
9/30/10	\$ 8,398	31.80%	\$ 17,056

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$99.6 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$99.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$143.2 million, and the ratio of the UAAL to the covered payroll was 69.5 percent.

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

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

Valuation date	7/1/2016
Investment rate of return	4.0% per annum, net of expenses
Actuarial cost method	Projected Unit Credit
amortization method	Level dollar, open
Remaining amortization period	30 years
Healthcare Cost trend rate - medical	7.50% initial (2016) 4.25% ultimate (2031)
Inflation rate	2.50%

Supplemental Death Benefits Plan

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

Funding Policy. Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently .15 percent of covered payroll. The TMRS Board of Trustees sets the employer contribution rate based on the mortality and service experience of all employees covered by the plan and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. Contributions are made monthly based on covered payroll of employee members of the City. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net position available for OPEB. The City's contributions to SDBF for the years ended September 30, 2016, 2015, and 2014, were \$247,020, \$230,122, and \$181,872, respectively, which equaled the required contributions each year.

8. DEBT AND LIABILITIES

General Obligation Bonds

On May 1, 2016, the City issued Permanent Improvement Bonds, Series 2016A of \$34,440,000 with an interest rate of 2.00 to 3.0 percent and serial maturities on August 15 from 2017 through 2036. Interest on the bonds is due every February and August 15, beginning February 15, 2017. The bonds were issued for designing, developing,

constructing, improving, extending and expanding streets, thoroughfares, sidewalks, bridges and other public ways of the City, including street lighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith; acquiring, developing, renovating, and improving parks, park facilities and open spaces for park and recreation purposes in and for the City; including the acquisition of land therefor; and paying the costs of issuing the 2016A Bonds. Total interest requirements for the Series 2016A bonds at a rate from 2.00 to 3.00 percent is \$10,958,726 in the aggregate.

In March 2016, the City issued \$47,365,000 in Permanent Improvement Refunding Bonds, Series 2016 for the purpose of refunding a portion of the City's outstanding debt, and paying the cost of issuing the 2016 bonds. The 2016 Series bonds mature on August 15 over a period from 2019 to 2035. Interest is payable February 15 and August 15 of each year commencing August 15, 2016. Total interest requirements for the Series 2016 bonds at a rate from 2.50 to 5.00 is \$17,825,038 in the aggregate. The refunding was undertaken to achieve a present value savings on debt service payments of 4,964,718.

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

Purpose	Interest Rates	Amount
Governmental activities	2.00-5.50%	\$ 124,435
Governmental activities - refunding	1.0-5.000%	167,259
Total Governmental		<u>\$ 291,694</u>

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

Year Ending September 30	Principal	Interest
2017	\$ 27,835	\$ 10,803
2018	24,810	9,739
2019	24,840	8,810
2020	21,965	7,915
2021	20,250	7,066
2022-2026	84,950	24,338
2027-2031	62,124	10,002
2032-2036	24,920	1,870
	<u>\$ 291,694</u>	<u>\$ 80,543</u>

General obligation debt authorized and unissued as of September 30, 2016, amounted to \$218,344,000.

Certificates of Obligation

On May 1, 2016 the City issued Combination Tax and Revenue Certificates of Obligation Series 2016B of \$15,995,000 with an interest rate of 2.00 to 5.00. The Series 2016B Certificates will mature on August 15 over a period from 2017 to 2033. Interest is payable February 15 and August 15. The total interest requirement for the Series 2016B at a rate of 2.00 to 5.00 is 5,198,716 in the aggregate. The certificates were issued with the purpose of acquiring, developing, renovating and improving park and recreation facilities and open spaces for park and recreation purposes in and for the City, including municipal golf course facilities and including the acquisition of land therefor; designing, developing, constructing, improving and equipping the City's solid waste facilities, including the City's landfills and to pay for professional services of attorney's financial advisors and other professionals in connection with the Project and the issuance of the Certificates.

On June 1, 2016 the City issued Combination Tax and Revenue Certificates of Obligation Series 2016C of \$14,150,000 with an interest rate of .60 to 2.35. The Series 2016 C Certificates will mature on August 15 over a period from 2017 to 2026. Interest is payable February 15 and August 15. The total interest requirement for the Series 2016C at a rate of 0.60 to 2.35 is 1,496,067 in the aggregate. 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 and to pay for professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates.

Annual debt service requirements to maturity for certificates of obligation of the primary government as of 9/30/16 are as follows (amounts in thousands):

Governmental Activities, Certificates of Obligation	
Principal	Interest
\$ 6,320	\$ 2,150
5,280	1,818
3,840	1,638
3,840	1,527
3,840	1,414
19,200	5,143
11,840	2,518
8,330	706
<u>\$ 62,490</u>	<u>\$ 16,914</u>

Special Obligation Bonds

In 2005, the City issued \$297,990,000 Dallas Cowboys Complex Special Obligations to fund the City's share of the project costs for the Complex, including \$164,265,000 Dallas Cowboys complex Special Obligation Tax-Exempt Special Tax bonds, Series 2005B (the "Multi-Modal Bonds"). In 2008-2009, the City issued \$112,185,000, Series 2008, and \$62,820,000, Series 2009, in Special Tax Revenue Bonds, refunding a total of \$164,265,000 of the 2005B issue principal.

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

Year Ending September 30	Governmental Activities, Special Revenue	
	Principal	Interest
2017	\$ 1,035	\$ 8,050
2018	11,060	7,998
2019	11,530	7,488
2020	14,455	6,955
2021	15,300	6,267
2022-2026	90,160	18,126
2027-2031	11,460	630
	<u>\$ 155,000</u>	<u>\$ 55,514</u>

The City has pledged revenues consisting of one-half cent sales tax, two percent hotel occupancy tax, five percent car rental tax, stadium base rental revenue of \$2 million per year and five percent of any naming rights up to a maximum of \$500,000 annually. Annual principal and interest payments are expected to require 100 percent of these revenues. Series 2005A are subject to mandatory sinking fund redemption to the extent that there are moneys on deposit available for such purpose. The 2005C Bonds have now been completely redeemed. The total principal and interest remaining to be paid on the Dallas Cowboys Stadium Bonds is \$210,514,000. Principal and interest payments and total pledged revenues for the year ended September 30, 2016 were \$8,050,000 and \$32,874,000, respectively, exclusive of the redemption.

Revenue Bonds

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

In fiscal 2016, the City issued Water & Wastewater System Revenue Bonds Series 2016 in the amount of \$2,080,000 less bond origination fee of \$37,781 and Loan Forgiveness of \$359,700. The purpose is improving and extending the System and paying the costs of the issuing Bonds. These bonds are held by the Texas Water Development Board (TWDB). These bonds will mature June 2017 to June 2036 at interest rates of 0.0 to .750.

In fiscal year 2016, the City drew down \$1,478,173 related to previously issued 2014 TWDB Clean Water Debt. Funds from the 2014 debt are held in escrow until the City requests a drawdown of funds for a specific purpose. This brings the total outstanding TWDB balance to \$3,680,000. These bonds will mature June 2017 to June 2034 at interest rates from 0.0 to 3.25 percent.

In June 2016, the City issued \$39,185,000 in Water and Wastewater System Revenue Bonds, Series 2016A. Proceeds from the sale of these bonds will be used to provide funds to improve and extend the System and to pay cost of issuance associated with the Bonds. These bonds mature June 1 over a period from 2017 to 2036. Interest, at a rate of 2.00 to 5.00 percent, is \$13,178,496 in the aggregate.

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

Year Ending September 30	Business Activities					
	Water/Wastewater		Water/Wastewater TWDB		Storm Water Utility	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 10,410	\$ 4,342	\$ 2,875	\$ 791	\$ 1,280	\$ 822
2018	10,390	4,086	2,875	748	1,280	771
2019	9,960	3,743	2,875	702	1,280	720
2020	10,005	3,417	2,875	650	1,280	656
2021	8,915	3,071	2,870	594	1,280	605
2022-2026	36,475	11,374	14,350	2,025	6,400	2,192
2027-2031	27,170	5,592	7,945	412	6,400	832
2032-2036	17,150	1,444	1,015	30	-	-
	<u>\$ 130,475</u>	<u>\$ 37,069</u>	<u>\$ 37,680</u>	<u>\$ 5,952</u>	<u>\$ 19,200</u>	<u>\$ 6,598</u>

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, 2016, net pledged revenues for the water enterprise fund were \$53,369,000 and debt service on the revenue bonds was \$16,520,000. The same pledge for repayment applies to the City's Storm Water Utility revenue of \$10,261,000 for the bonds issued in fiscal year 2016.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2016 (amounts expressed in thousands):

	<u>10/1/2015</u>	<u>Increases</u>	<u>Reductions</u>	<u>9/30/2016</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation debt	\$ 256,064	\$ 81,805	\$ (46,175)	\$ 291,694	\$ 27,835
Certificates of obligation	67,525	30,145	(35,180)	62,490	6,320
Special tax revenue debt	183,515	-	(28,515)	155,000	1,035
Premium on general bonds	9,369	8,936	(2,768)	15,537	-
Premium on special bonds	3,797	-	(252)	3,545	-
Discount on special bonds	(2,263)	-	288	(1,975)	-
Net governmental bonds payable	<u>518,007</u>	<u>120,886</u>	<u>(112,602)</u>	<u>526,291</u>	<u>35,190</u>
Compensated absences	28,228	2,588	(1,445)	29,371	1,404
Claims	9,045	4,736	(4,309)	9,472	5,158
Landfill Closure	7,703	457	-	8,160	-
Net other post-employ benefit obl.	36,620	714	-	37,334	-
Net pension liability*	97,355	58,577	-	155,932	-
Capital lease	9,860	-	(996)	8,864	1,020
Total governmental long-term liabilities	<u>\$ 706,818</u>	<u>\$ 187,958</u>	<u>\$ (119,352)</u>	<u>\$ 775,424</u>	<u>\$ 42,772</u>
Business-type activities:					
Water and sewer bonds	\$ 138,575	\$ 41,450	\$ (11,870)	\$ 168,155	\$ 13,285
Premium on water and sewer bonds	2,836	2,885	(751)	4,970	-
Storm water utility bonds	20,480	-	(1,280)	19,200	1,280
Premium on storm water utility bonds	748	-	(88)	660	-
Net water and sewer bonds payable	<u>162,639</u>	<u>44,335</u>	<u>(13,989)</u>	<u>192,985</u>	<u>14,565</u>
Compensated Absences	2,058	-	(258)	1,800	144
Net pension liability*	<u>7,249</u>	<u>3,591</u>	<u>-</u>	<u>10,840</u>	<u>-</u>
Total business-type long term liabilities	<u>\$ 171,946</u>	<u>\$ 47,926</u>	<u>\$ (14,247)</u>	<u>\$ 205,625</u>	<u>\$ 14,709</u>

*as restated

9. PRIOR YEAR BOND REFUNDINGS

In FY16 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, 2016, previously defeased debt still outstanding amounted to \$49,370,000.

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

Bonds		Original Maturity Date	Interest Rate	Amount Refunded
Permanent Improvement and Refunding Bonds, Series 2008				
	Serials	8/15/2019	4.000	\$ 1,995
		8/15/2020	4.000	1,995
		8/15/2021	4.125	1,995
		8/15/2022	4.250	1,995
		8/15/2023	4.300	1,995
		8/15/2024	4.375	1,995
		8/15/2025	4.400	1,990
		8/15/2026	4.500	1,990
	Term Bonding Maturing 2028	8/15/2027	4.600	1,990
		8/15/2028	4.600	<u>1,990</u>
				\$19,930
Combination Tax and Revenue Certificates of Obligation, Series 2008A				
	Serials	8/15/2019	4.000	\$ 210
		8/15/2020	4.000	210
		8/15/2021	4.000	210
		8/15/2022	4.125	210
		8/15/2023	4.250	210
		8/15/2024	4.250	210
		8/15/2025	4.375	210
		8/15/2026	4.500	210
		8/15/2027	4.500	210
		8/15/2028	4.500	<u>210</u>
				\$ 2,100
Combination Tax and Increment Reinvestment Zone Revenue Certificate of Obligation, Series 2008B				
	Serials	8/15/2019	4.000	\$ 1,295
		8/15/2020	5.000	1,345
		8/15/2121	5.000	1,415
		8/15/2022	4.500	1,485
		8/15/2023	5.000	1,550
		8/15/2024	4.625	1,625
		8/15/2025	5.000	1,705
		8/15/2026	5.000	1,790
		8/15/2027	5.000	1,875
		8/15/2028	4.500	1,970
		8/15/2029	4.500	2,060
	Term Bond Maturing 2033	8/15/2030	4.625	2,155
		8/15/2031	4.625	2,250
		8/15/2032	4.625	2,355
		8/15/2033	4.625	<u>2,465</u>
				\$ 27,340
Total Refunded Obligations				<u><u>\$49,370</u></u>

10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2016, is as follows (amounts in thousands):

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$2,966	\$ -
Nonmajor Funds	<u>-</u>	<u>2,966</u>
	<u>\$2,966</u>	<u>\$2,966</u>

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2017.

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

	<u>Transfers Out</u>	<u>Transfers In</u>
Major Governmental Funds:		
General Fund	\$ 61,092	\$ 23,202
Street Capital Projects	1,766	-
Debt Service Fund	<u>14,000</u>	<u>5,140</u>
Total Major Governmental Funds	76,858	28,342
Major Enterprise Fund-Water and Sewer	15,513	-
Major Enterprise Fund-Storm Water Utility	1,106	-
Other Funds:		
Nonmajor Governmental Funds	15,995	62,170
Internal Service Funds	<u>769</u>	<u>19,729</u>
Total All Funds	<u>\$110,241</u>	<u>\$110,241</u>

The Water and Sewer, Storm Water Utility, and Convention and Event Services transferred \$4,937,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred \$7,797,000 to Street Maintenance Fund, Special Transportation (Handitran), Parks Performance Fund and Arlington Property Finance Authority to cover budgeted operating expenses.

The General Fund transferred \$50,000,000 for Texas Live.

The Enterprise Funds transferred \$12,096,000 to cover their budgeted operating costs.

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

The Debt Service Fund received transfers of \$3,997,000 from the Convention and Event Services and Water and Sewer Funds to cover debt service repayments.

The Debt Service fund transferred \$14,000,000 to APFA to cover current and future year claims.

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

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

State and federal laws and regulations require the City to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and post-closure care costs as a liability on the Statement of Net position in each period based on landfill capacity used as of each balance sheet date. This liability is offset by an asset recorded for a trust account established for the purpose of paying the closure and post-closure costs as

more fully described below. In 2014 the City received a permit for vertical expansion and to open an additional 80 acres, which increased the capacity and the life of the landfill. The \$8,160,000 reported as a landfill closure and post-closure accrued liability at September 30, 2016, represents the cumulative amount reported to date based on the use of approximately 36 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$3,778,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2016. The City expects to close the landfill in 2065. Actual costs may change due to inflation, changes in technology, or changes in regulations.

On March 18, 2005, the City entered into a contract with Republic Waste Services of Texas, Ltd. (Republic) for a 20 year renewable operating lease of the landfill. The City received an initial payment of \$15 million; the remaining balance of deferred revenue of \$3,887,000 will be amortized over the life of the lease. Republic is responsible for the funding of monthly contributions to a trust account that will pay closure and post-closure costs as required by state and federal laws and regulations. Republic is in compliance with these requirements and at September 30, 2016, investments are held for these purposes.

12. COMMITMENTS AND CONTINGENCIES

Trinity River Authority

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

Grant Audits

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

Construction Commitments

The City has various active construction projects as of September 30, 2016. The projects include construction in streets, parks, traffic, and water and sewer facilities. At year-end the City's significant commitments with contractors are as follows (amounts in thousands):

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Street Construction	\$ 84,185	\$ 32,125
Park Construction	13,655	4,392
Traffic Construction	8,065	284
Storm Water Utility Construction	10,313	5,667
Water and Sewer Construction	59,889	22,170
	<u>\$ 176,107</u>	<u>\$ 64,638</u>

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

Litigation

The City is currently involved in several lawsuits in which some liability is probable. The potential liability as of September 30, 2016, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at \$250,000.

The City is currently involved in an employment lawsuit in which the plaintiff alleges that the City's termination of an Arlington police officer was a violation of the City's personnel policies. The plaintiff elected to appeal his termination to an arbitrator. The arbitrator ruled that the officer be reinstated with back pay. The City appealed the arbitrator's decision. The Court ordered the City to reinstate the officer provided he

passes certain requirements, which he has done. In June 2014, the court ruled to award the officer \$164,471 in back pay, but the City has appealed the ruling. In August 2015, the Fort Worth Court of Appeals issued an opinion requiring the trial court to set aside the judgment in accordance with the Court of Appeals' decision. The case is currently waiting for the judge's ruling. It is uncertain whether "set aside" requires the trial judge to uphold the termination or order another arbitration. Liability with regard to the officer's back wages is probable. To the extent owed, back pay continues to accrue and a \$318,000 accrual has been recorded at September 30, 2016.

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

13. RISK MANAGEMENT

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

Risk Management Fund (RMF)

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

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

The payments out of the RMF for all purposes cannot exceed \$1,500,000 per occurrence and \$3,000,000 in aggregate in one annual period. Should claims exceed this amount, the excess claims are to be funded by other available City resources.

The RMF claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of \$750,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. Over the past three years there have been five claims which settlements have been received totaling \$892,457 through the commercial insurance. All City departments participate in the workers' compensation program. Payments to the WCF from such departments are based on actuarial estimates of the amounts needed to pay prior and current year claims and related administrative expenses. The WCF claims liabilities are actuarially determined annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

Group Health

Group medical benefits are paid through the Group Health Fund. Revenues are recognized from payroll deductions and from City contributions for employee and dependent coverage. Changes in the balances of claims liabilities during fiscal 2016 and 2015 were as follows (amounts in thousands):

	Workers							
	Compensation		Health		APFA		Other	
	2016	2015	2016	2015	2016	2015	2016	2015
Unpaid claims, Oct 1	\$4,464	\$3,953	\$ 1,954	\$ 2,135	\$2,350	\$2,201	\$ -	\$ -
Incurring Claims (including IBNRs and changes in estimates)	-	2,599	25,428	24,489	3,700	950	366	277
Claim payments	(707)	(2,088)	(25,233)	(24,670)	(2,850)	(801)	-	-
Unpaid claims, Sept 30	<u>\$3,757</u>	<u>\$4,464</u>	<u>\$ 2,149</u>	<u>\$ 1,954</u>	<u>\$3,200</u>	<u>\$2,350</u>	<u>\$366</u>	<u>\$277</u>

14. LEASES

As Lessee

As lessee, the City is committed under a lease for fire radio equipment. This lease is considered for accounting purposes to be a capital lease. The liability for future capital lease payments totals approximately \$9,860,000 and is reported as capital lease obligations current liabilities (approximately \$1,020,000) and capital lease obligations non-current liabilities (approximately \$7,844,000) in the General Fund.

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

Year Ending	
<u>September 30</u>	
2017	\$ 1,228
2018	1,228
2019	1,228
2020	1,228
2021	1,228
2022-2024	<u>3,684</u>
	9,824
Less Interest	<u>960</u>
Minimum future lease rentals	<u>\$8,864</u>

The City's investment in equipment under the capital lease arrangement as of September 30, 2016 is \$10,814,000.

As Lessor

Effective October 1, 1983, the City entered into a contract to lease a tract of land for the purpose of constructing and developing a hotel. The term of the lease is for an initial period of fifty years with renewal options for two additional terms of fifteen years each. The rental payments are based upon a percentage (ranging from 1.0 percent - 1.75 percent) of gross revenues (as defined in the agreement) through December 31, 2006. After December 31, 2006, the lessee shall pay the total annual rent of \$250,000. For each year thereafter the lessee shall pay an annual rent amount equal to the previous year's rent plus an increase not to exceed the effective percentage change in the Consumer Price Index (Specifically CPI-U for Dallas-Fort Worth region) for the previous 12 month period. Total rental payments received in 2016 were approximately \$287,200.

15. SETTLEMENT AGREEMENT

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

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

<u>Year</u>	<u>Amount</u>
2016	\$ 727,500
2017	727,500
2018	727,500
2019	727,500
2020	727,500
2021 to 2024	2,898,329
	6,535,829
Less Discount	<u>891,643</u>
	<u>\$5,644,186.</u>

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

16. CAPITAL LEASE

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

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

Minimum future rentals are as follows:

<u>September 30</u>	
2017	\$ 2,000,000
2018	2,000,000
2019	2,000,000
2020	2,000,000
2021	2,000,000
2022-2024	<u>5,055,556</u>
	15,055,556
Less Discount	<u>3,745,878</u>
Minimum future lease rentals	<u>\$11,309,678</u>

In November 2016, Arlington citizens voted yes to build a new Rangers stadium. The details of the lease contract are still being finalized. As agreements are finalized, modifications to the existing lease agreement may be required.

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, 2016, for all discretely presented component units is as follows (amounts in thousands):

Condensed Schedule of Net Position

	<u>Arlington Tomorrow Foundation</u>	<u>Housing Authority</u>	<u>Other Discretely Presented Component Units</u>	<u>Total Discretely Presented Component Units</u>
Current and other assets	\$61,184	\$4,992	\$1,354	\$ 67,530
Capital assets	<u>-</u>	<u>262</u>	<u>188</u>	<u>450</u>
Total assets	<u>61,184</u>	<u>5,254</u>	<u>1,542</u>	<u>67,980</u>
Other liabilities	<u>1,400</u>	<u>728</u>	<u>554</u>	<u>2,682</u>
Total liabilities	<u>1,400</u>	<u>728</u>	<u>554</u>	<u>2,682</u>
Net position:				
Net investment in capital assets	-	262	188	450
Restricted	59,784	670	-	60,454
Unrestricted	<u>-</u>	<u>3,594</u>	<u>800</u>	<u>4,394</u>
Total net position	<u>\$59,784</u>	<u>\$4,526</u>	<u>\$988</u>	<u>\$65,298</u>

Condensed Schedule of Activities

	<u>Arlington Tomorrow Foundation</u>	<u>Housing Authority</u>	<u>Other Discretely Presented Component Units</u>	<u>Total Discretely Presented Component Units</u>
Expenses	<u>\$1,728</u>	<u>\$27,468</u>	<u>\$6,005</u>	<u>\$35,201</u>
Program Revenues:				
Charges for services	-	-	5,794	5,794
Operating grants and contributions	-	28,211	178	28,389
Capital grants and Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Program (Expense) Revenue	<u>(1,728)</u>	<u>743</u>	<u>(33)</u>	<u>(1,018)</u>
Interest Revenues	2,206	11	3	2,220
Other NonTax General Revenues	<u>(45,436)</u>	<u>123</u>	<u>-</u>	<u>(45,313)</u>
Change in Net position	(44,958)	877	(30)	(44,111)
Net position, October 1,	<u>104,742</u>	<u>3,649</u>	<u>1,018</u>	<u>109,409</u>
Net position, September 30	<u>\$59,784</u>	<u>\$ 4,526</u>	<u>\$ 988</u>	<u>\$65,298</u>

**CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Budgeted Amounts		Actual Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
REVENUES						
Taxes	\$ 145,129	\$ 145,129	\$ 143,563	\$ -	\$ 143,563	\$ (1,566)
Licenses and permits	5,804	5,804	9,063	-	9,063	3,259
Utility franchise fees	38,057	38,057	25,435	7,546	32,981	(5,076)
Fines and forfeitures	13,393	13,393	11,996	-	11,996	(1,397)
Leases, rents and concessions	6,063	6,063	8,348	-	8,348	2,285
Service charges	23,218	23,218	6,320	15,132	21,452	(1,766)
Interest revenue	300	300	1,705	(1,134)	571	271
Other revenue	998	998	52,246	(50,000)	2,246	1,248
Net increase (decrease) in the fair value of investments	-	-	(52)	52	-	-
Total Revenues	<u>232,962</u>	<u>232,962</u>	<u>258,624</u>	<u>(28,404)</u>	<u>230,220</u>	<u>(2,742)</u>
EXPENDITURES						
Current-						
General government	52,753	52,753	39,754	2,521	42,275	10,478
Public safety	150,822	150,822	139,395	3,788	143,183	7,639
Public works	21,313	21,313	20,219	1,862	22,081	(768)
Public health	2,242	2,242	2,148	(29)	2,119	123
Parks and recreation	14,836	14,836	14,763	117	14,880	(44)
Total Expenditures	<u>241,966</u>	<u>241,966</u>	<u>216,279</u>	<u>8,259</u>	<u>224,538</u>	<u>17,428</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>(9,004)</u>	<u>(9,004)</u>	<u>42,345</u>	<u>(36,663)</u>	<u>5,682</u>	<u>14,686</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	11,588	11,588	23,202	(11,648)	11,554	(34)
Transfers out	(11,248)	(11,248)	(61,092)	50,178	(10,914)	334
Total Other Financing Sources (Uses)	<u>340</u>	<u>340</u>	<u>(37,890)</u>	<u>38,530</u>	<u>640</u>	<u>300</u>
Net Change In Fund Balances	<u>(8,664)</u>	<u>(8,664)</u>	<u>4,455</u>	<u>1,867</u>	<u>6,322</u>	<u>14,986</u>
Fund Balances, October 1	<u>58,023</u>	<u>58,023</u>	<u>58,023</u>	<u>50,000</u>	<u>108,023</u>	<u>50,000</u>
Fund Balances, September 30	<u>\$ 49,359</u>	<u>\$ 49,359</u>	<u>\$ 62,478</u>	<u>\$ 51,867</u>	<u>\$ 114,345</u>	<u>\$ 64,986</u>

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS-TMRS
LAST 10 FISCAL YEARS (will ultimately be displayed)

Fiscal year ending December 31,	<u>2014</u>	<u>2015</u>
Total pension liability		
Service Cost	\$ 22,819,492	\$ 24,035,779
Interest on total pension liability	69,393,550	71,780,403
Difference between expected and actual experience	(10,846,092)	(8,105,420)
Changes of assumptions	-	9,851,969
Benefit payments and refunds	(46,622,851)	(49,131,541)
Net change in total pension liability	34,744,099	48,431,190
Total pension liability-beginning	1,003,238,111	1,037,982,210
Total pension liability-ending	\$ 1,037,982,210	\$ 1,086,413,400
Plan fiduciary net position		
Contribution-employer	\$ 24,198,117	\$ 24,012,910
Contribution-member	10,501,146	10,884,708
Net investment income	51,180,304	1,377,207
Benefit payments and refunds	(46,622,851)	(49,131,541)
Administrative expense	(534,366)	(838,887)
Other	(43,934)	(41,433)
Net change in plan fiduciary net position	38,678,416	(13,737,036)
Plan fiduciary net position-beginning	894,699,665	933,378,081
Plan fiduciary net position-ending	\$ 933,378,081	\$ 919,641,045
 Net pension liability	 104,604,129	 166,772,355
 Plan fiduciary net position as a percentage of total pension liability	 89.92%	 84.65%
 Covered employee payroll	 149,837,550	 154,372,375
 Net pension liability as a percentage of covered employee payroll	 69.81%	 108.03%

Note: GASB 68 requires 10 fiscal years of data. The City will build this schedule over the next 10-year period.

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF THE CITY'S CONTRIBUTIONS-TMRS
LAST 10 FISCAL YEARS (will ultimately be displayed)

	2015	2016
Actuarially Determined Contribution	\$ 23,963,340	\$ 24,833,575
Contributions in relation to the		
actuarially determined contribution	\$ 24,327,508	\$ 24,587,350
Contribution deficiency (excess)	\$ (364,168)	\$ 246,225
Covered employee payroll	\$ 153,414,470	\$ 164,680,024
Contributions as a percentage of		
covered employee payroll	16.24%	14.93%

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied at 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.
GASB 68 requires 10 fiscal years of data. The City will build this schedule over the remaining 10-year period.

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
PART-TIME, SEASONAL AND TEMPORARY EMPLOYEES DEFERRED INCOME PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (will ultimately be displayed)

Fiscal year ending June 30	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability			
Service cost	\$ 110,970	\$ 115,148	\$ 184,052
Interest on total pension liability	115,570	123,377	128,068
Difference between expected and actual experience	957	(64,695)	(71,751)
Assumption changes	-	-	125,033
Benefit payments and refunds	(78,517)	(96,757)	(149,233)
Net change in total pension liability	148,980	77,073	216,169
Total pension liability-beginning	2,085,050	2,234,030	2,311,103
Total pension liability-ending	<u>\$ 2,234,030</u>	<u>\$ 2,311,103</u>	<u>\$ 2,527,272</u>
Plan fiduciary net position			
Contribution-employer	\$ 21,324	\$ 22,419	\$ 53,802
Contribution-member	99,684	98,985	100,575
Net investment income	220,495	63,092	98,561
Benefit payments and refunds	(78,517)	(96,757)	(149,233)
Administrative expense	(46,485)	(75,217)	(56,783)
Net change in plan fiduciary net position	216,501	12,522	46,922
Plan fiduciary net position-beginning	2,452,024	2,668,525	2,681,047
Plan fiduciary net position-ending	<u>\$ 2,668,525</u>	<u>\$ 2,681,047</u>	<u>\$ 2,727,969</u>
Net pension asset	(434,495)	(369,944)	(200,697)
Plan fiduciary net position as a percentage of total pension asset	119.4%	116.0%	108.0%
Covered employee payroll	\$ 2,849,197	\$ 2,590,679	\$ 3,352,500
Net pension asset as a percentage of covered employee payroll	15.2%	14.3%	6.0%

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
PART-TIME, SEASONAL AND TEMPORARY EMPLOYEES DEFERRED INCOME PLAN
SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAST 10 FISCAL YEARS (will ultimately be displayed)

Fiscal year ending June 30,	2014	2015	2016
Actuarially determined contribution	\$ 21,324	\$ 22,419	\$ 53,802
Actual contribution	21,324	22,419	53,802
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,849,197	\$ 2,590,679	\$ 3,352,500
Contribution as a percentage of covered employee payroll	0.7%	0.9%	1.6%

Notes to Schedule

Valuation date:

The actuarially determined contribution rate documented in the schedule is calculated as of July 1, 2015. The actuarial methods and assumptions used to determine the contribution rates reported in that schedule include:

Actuarial cost method	Aggregate cost method
Amortization method	Level percent of payroll, open
Asset valuation method	Market value
Investment rate of return	5.0%
Projected salary increases	3.0%
Inflation rate	2.5%
Cost of living increases	none
Mortality	RP-2000 Combined tables with Blue Collar adjustment, projected with scale BB

SCHEDULE OF INVESTMENT RETURNS

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	8.29%	1.73%	2.81%

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/16	\$1,323	\$1,423	92.9%	100	*Not applicable	*Not applicable
7/1/15	1,364	1,588	85.9%	224	*Not applicable	*Not applicable
7/1/14	1,432	1,692	84.6%	260	*Not applicable	*Not applicable
7/1/13	1,344	1,708	78.7%	364	*Not applicable	*Not applicable
7/1/12	1,197	1,774	67.4%	577	*Not applicable	*Not applicable
7/1/11	1,008	2,663	37.9%	1,655	125,371	1.3%
7/1/10	798	2,532	31.5%	1,734	119,943	1.4%
7/1/09	581	2,770	21.0%	2,189	122,952	1.8%
7/1/08	482	2,734	17.6%	2,252	117,128	1.9%

An actuarial valuation was not performed as of 7/1/2005 or 7/1/2006.

*In September of 2012, the City amended the Disability Income Plan to close the plan to any future disabled employees. There is no longer any liability attributable to the City's active employees.

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/16	-	99.6	-	99.6	143.2	69.5%
7/1/15	-	101.3	-	101.3	138.2	73.3%
7/1/14	-	103.5	-	103.5	132.2	78.3%
7/1/13	-	107.5	-	107.5	131.8	81.6%
7/1/12	-	147.7	-	147.7	123.3	119.8%
1/1/11	-	109.0	-	109.0	95.6	114.0%
1/1/10	-	100.9	-	100.9	99.5	101.4%
1/1/09	-	104.5	-	104.5	106.0	98.6%
1/1/07	-	101.8	-	101.8	138.8	73.8%

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



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

FEDERAL TRANSIT ADMINISTRATION FUND - This fund accounts for money received from the Urban Mass Transportation Administration and related expenditures for the operation of a transportation system for the elderly and handicapped and various capital expenditures for transportation related projects.

STREET MAINTENANCE FUND - This fund accounts for money received from the Street Maintenance Fee to be used for the maintenance, rehabilitation, and repair of existing city streets.

DOWNTOWN TAX INCREMENT FINANCING (DOWNTOWN TIF) - This fund was established to facilitate redevelopment in the downtown area.

TEXAS DEPARTMENT OF TRANSPORTATION FUND - This fund accounts for money received from the State Department of Highways and Public Transportation and summarizes related expenditures for statewide transportation enforcement programs.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - This fund accounts for money received from the Federal Department of Housing and Urban Development through the block grant program. These funds are used to help the City as a whole and specific sectors for various projects as allowable in the grant funding guidelines.

HOME INVESTMENT PARTNERSHIP FUND - This fund accounts for money received from the Federal Department of Housing and Urban Development through the HOME program grant. These funds are to expand the supply of decent, affordable housing for the low and very-low income families in Arlington.

FEDERAL EMERGENCY MANAGEMENT AGENCY FUND (FEMA) - This fund accounts for money received from the Department of Homeland Security. These funds are used to support the Emergency Operations Center.

GAS LEASE – This fund accounts for the money received for various gas leases throughout the City.

INNOVATION AND VENTURE CAPITAL - This fund supports costs associated with the City's economic development and various Chapter 380 agreements.

PARK PERFORMANCE FUND - This fund accounts for the revenues and expenditures from golf and other recreational activities.

CONVENTION AND EVENT SERVICES FUND - This fund accounts for the operations of the Convention Center.

OTHER SPECIAL REVENUE FUNDS - Other Special Revenue Funds consist of special revenue funds which are individually insignificant to the Special Revenue Fund's assets,

liabilities, revenues, expenditures, and fund balance as a whole. These funds are the Texas Department of Aviation, Federal Drug Enforcement Administration, North Central Texas Council of Governments, Emergency Physicians' Advisory Board, Emergency Shelter Grant, Arlington Telecable, Law Enforcement Officers Standards and Education, Court Security, Police Restricted Fund, Texas Criminal Justice Division, U.S. Department of Justice, Local Law Enforcement Block Grant, Court Technology Fund, Texas State Library, Gifts and Donations, Auto Theft Prevention, Historic Preservation, Tax Increment Reinvestment Zone #5, Core Tax Increment Reinvestment Zone #5, Highlands TIF, Juvenile Case Manager, Environmental Protection Agency, Texas Parks and Wildlife, Viridian TIRZ #6, Downtown BID, Disaster Assistance, Miscellaneous Grants, and Building Rehabilitation.

CAPITAL PROJECTS FUNDS

MUNICIPAL OFFICE FACILITIES CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for expenditures connected with the planning, construction, and refurbishing of various municipal office buildings.

AIRPORT CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for terminal expansion, runways, or other airport construction and related projects.

PARK CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for parkland acquisition, construction of swimming pools, and other park and recreation related construction, as well as various other park and recreation related projects.

TAX INCREMENT REINVESTMENT ZONE #5 – The purpose of this fund is to account for the infrastructure construction and other capital project expenditures related to flood control, transportation, streetscape, public safety and other amenity improvements within the surrounding TIRZ Core Area to unify the Arlington Entertainment Area.

TRAFFIC CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for construction of the City's streetlight and traffic signal systems, to perform thoroughfare analysis and to design and install various other traffic related projects.

OTHER CAPITAL PROJECTS FUNDS – Other Capital Projects Funds consist of capital project funds which are individually insignificant to the Capital Projects Fund's assets, liabilities, revenues, expenditures, and fund balance as a whole. These funds are Police Capital Projects, Fire Capital Projects, Library Capital Projects, Technical Capital Projects, and Infrastructure Maintenance Reserve.

CITY OF ARLINGTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Special Revenue				
	Federal Transit Administration	Street Maintenance	Downtown TIF	Texas Department of Transportation	Community Development Block Grant
ASSETS					
Cash and cash-like investments	\$ -	\$ 13,151	\$ 4,727	\$ -	\$ -
Land held for resale	-	-	-	-	-
Receivables (net of allowances for uncollectibles)					
Taxes	-	2,615	-	-	-
Sales taxes	-	-	-	-	-
Other	-	1	-	-	108
Inventory, at cost	-	-	-	-	-
Due from other governments	735	-	-	437	340
Prepaid expenditures	-	-	-	-	-
Total Assets	\$ 735	\$ 15,767	\$ 4,727	\$ 437	\$ 448
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 107	\$ 1,083	\$ -	\$ 11	\$ 144
Retainage payable	-	65	-	-	1
Unearned Revenue	-	-	-	-	158
Due to other funds	581	-	-	251	145
Total Liabilities	688	1,148	-	262	448
Deferred Inflows of Resources:					
Gas lease	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	-	-
Prepays	-	-	-	-	-
Restricted for:					
Capital projects	-	-	-	-	-
Special revenue	47	14,619	4,727	175	-
Committed to:					
Capital projects	-	-	-	-	-
Special revenue	-	-	-	-	-
Assigned to:					
Park Performance	-	-	-	-	-
Court Security	-	-	-	-	-
Total Fund Balance	47	14,619	4,727	175	-
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 735	\$ 15,767	\$ 4,727	\$ 437	\$ 448

Special Revenue							Capital Projects	
Home Investment Partnership	FEMA	Gas Lease	Innovation and Venture Capital	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Airport
\$ -	\$ -	\$ 13,247	\$ 56,128	\$ 866	\$ 4,737	\$ 11,193	\$ 370	\$ 1,576
-	-	-	-	-	-	-	-	-
-	-	-	-	-	2,134	-	-	-
-	-	-	4	-	-	-	-	-
-	-	175	-	51	29	340	-	-
-	-	-	-	237	-	-	-	-
97	1,268	-	-	-	-	1,263	-	-
-	-	-	-	-	-	1,685	-	-
<u>\$ 97</u>	<u>\$ 1,268</u>	<u>\$ 13,422</u>	<u>\$ 56,132</u>	<u>\$ 1,154</u>	<u>\$ 6,900</u>	<u>\$ 14,481</u>	<u>\$ 370</u>	<u>\$ 1,576</u>
\$ 41	\$ 172	\$ -	\$ 3,667	\$ 395	\$ 170	\$ 394	\$ 4	\$ 88
5	-	-	-	-	12	2	-	-
-	-	-	-	204	458	142	-	-
51	1,040	-	-	-	-	897	-	-
<u>97</u>	<u>1,212</u>	<u>-</u>	<u>3,667</u>	<u>599</u>	<u>640</u>	<u>1,435</u>	<u>4</u>	<u>88</u>
-	-	1	-	-	-	-	-	-
-	-	1	-	-	-	-	-	-
-	-	-	-	237	-	-	-	-
-	-	-	-	-	-	1,685	-	-
-	56	-	-	-	-	-	-	-
-	-	-	-	-	-	6,885	-	-
-	-	-	-	-	-	2,822	366	1,488
-	-	13,421	52,465	-	6,260	1,654	-	-
-	-	-	-	318	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>56</u>	<u>13,421</u>	<u>52,465</u>	<u>555</u>	<u>6,260</u>	<u>13,046</u>	<u>366</u>	<u>1,488</u>
<u>\$ 97</u>	<u>\$ 1,268</u>	<u>\$ 13,422</u>	<u>\$ 56,132</u>	<u>\$ 1,154</u>	<u>\$ 6,900</u>	<u>\$ 14,481</u>	<u>\$ 370</u>	<u>\$ 1,576</u>

(continued)

CITY OF ARLINGTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Capital Projects			Total Nonmajor Governmental Funds
	Park	TIRZ #5	Traffic	Other Capital Projects
ASSETS				
Cash and cash-like investments	\$ 41,108	\$ 1,926	\$ 1,049	\$ 24,544
Land held for resale	-	-	-	7,653
Receivables (net of allowances for uncollectibles)				
Taxes	-	-	-	-
Sales tax	-	-	-	-
Other	-	-	-	2,232
Inventory, at cost	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenditures	-	-	-	-
Total Assets	<u>\$ 41,108</u>	<u>\$ 1,926</u>	<u>\$ 1,049</u>	<u>\$ 34,429</u>
				<u>\$ 196,026</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 686	\$ 190	\$ 4	\$ 1,719
Retainage payable	231	92	-	203
Unearned Revenue	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>917</u>	<u>282</u>	<u>4</u>	<u>1,922</u>
				<u>13,413</u>
Deferred Inflows of Resources:				
Gas lease	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
				<u>1</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	-	-
Prepays	-	-	-	-
Restricted for:				
Capital projects	-	1,644	1,045	32,507
Special revenue	-	-	-	-
Committed:				
Capital projects	40,191	-	-	-
Special revenue	-	-	-	-
Assigned:				
Park performance	-	-	-	-
Court Security	-	-	-	-
Total Fund Balance	<u>40,191</u>	<u>1,644</u>	<u>1,045</u>	<u>32,507</u>
				<u>182,612</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 41,108</u>	<u>\$ 1,926</u>	<u>\$ 1,049</u>	<u>\$ 34,429</u>
				<u>\$ 196,026</u>



CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Special Revenue				
	Federal Transit Administration	Street Maintenance	Downtown TIF	Texas Department of Transportation	Community Development Block Grant
REVENUES					
Taxes	\$ -	\$ 14,724	\$ 1,877	\$ -	\$ -
Service charges	196	-	-	-	-
Intergovernmental	2,131	-	-	733	2,502
Interest revenue	-	88	46	-	-
Net increase (decrease) in the fair value of investments	-	(11)	(9)	-	-
Contributions	-	-	-	-	-
Gas lease royalty	-	-	-	-	-
Gas lease other	-	-	-	-	-
Other	-	7	-	-	20
Total Revenues	<u>2,327</u>	<u>14,808</u>	<u>1,914</u>	<u>733</u>	<u>2,522</u>
EXPENDITURES					
Current:					
General government	-	-	3,450	-	-
Public safety	-	-	-	513	-
Public works	-	18,602	-	340	-
Public health	-	-	-	-	-
Public welfare	2,660	-	-	-	2,522
Parks and recreation	-	-	-	-	-
Convention and event services	-	-	-	-	-
Capital outlay	751	-	-	-	-
Total Expenditures	<u>3,411</u>	<u>18,602</u>	<u>3,450</u>	<u>853</u>	<u>2,522</u>
Net change in fund balances	<u>(1,084)</u>	<u>(3,794)</u>	<u>(1,536)</u>	<u>(120)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	-	-
Proceeds from refunding bond issue	-	-	-	-	-
Issuance of certificates of obligation	-	-	-	-	-
Bond premium	-	-	-	-	-
Transfers in	1,084	6,481	-	120	-
Transfers out	-	(365)	(800)	-	-
Total Other Financing Sources (Uses)	<u>1,084</u>	<u>6,116</u>	<u>(800)</u>	<u>120</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	-	2,322	(2,336)	-	-
Fund Balance, October 1	<u>47</u>	<u>12,297</u>	<u>7,063</u>	<u>175</u>	<u>-</u>
Fund Balance, September 30	<u>\$ 47</u>	<u>\$ 14,619</u>	<u>\$ 4,727</u>	<u>\$ 175</u>	<u>\$ -</u>

Special Revenue							Capital Projects	
Home Investment Partnership	FEMA	Gas Lease	Innovation and Venture Capital	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Airport
\$ -	\$ -	\$ -	\$ 52	\$ -	\$ 8,430	\$ 5,396	\$ -	\$ -
-	-	-	-	9,925	3,195	1,204	-	-
977	2,814	-	-	-	-	3,163	-	-
-	-	79	336	22	32	45	3	11
-	-	-	-	-	(2)	(1)	-	(1)
-	-	445	-	-	-	-	-	-
-	-	5,056	-	-	-	-	-	-
-	-	140	-	-	-	-	-	-
19	3	(15)	45	33	(153)	2,509	-	-
996	2,817	5,705	433	9,980	11,502	12,316	3	10
-	-	-	-	-	-	1,227	4	-
-	2,817	-	-	-	-	3,008	-	-
-	-	-	-	-	-	3,038	-	16
-	-	-	-	-	-	489	-	-
996	-	167	2,757	-	-	666	-	-
-	-	-	-	11,390	-	194	-	-
-	-	-	-	-	8,283	-	-	-
-	-	-	-	-	15	4,092	-	210
996	2,817	167	2,757	11,390	8,298	12,714	4	226
-	-	5,538	(2,324)	(1,410)	3,204	(398)	(1)	(216)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	51,733	1,497	-	759	-	296
-	-	(7,579)	-	(261)	(1,979)	(4,137)	-	(40)
-	-	(7,579)	51,733	1,236	(1,979)	(3,378)	-	256
-	-	(2,041)	49,409	(174)	1,225	(3,776)	(1)	40
-	56	15,462	3,056	729	5,035	16,822	367	1,448
\$ -	\$ 56	\$ 13,421	\$ 52,465	\$ 555	\$ 6,260	\$ 13,046	\$ 366	\$ 1,488

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Capital Projects				
	Park	TIRZ #5	Traffic	Other Capital Projects	Total Nonmajor Governmental Funds
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 30,479
Service charges	1,249	-	-	-	15,769
Intergovernmental	-	-	-	-	12,320
Interest revenue	208	17	11	191	1,089
Net increase (decrease) in the fair value of investments	(2)	(4)	(3)	(30)	(63)
Contributions	27	-	-	-	472
Gas lease royalty	-	-	-	-	5,056
Gas lease other	-	-	-	-	140
Other	36	-	-	2,353	4,857
Total Revenues	<u>1,518</u>	<u>13</u>	<u>8</u>	<u>2,514</u>	<u>70,119</u>
EXPENDITURES					
Current:					
General government	-	-	-	1,257	5,938
Public safety	-	-	-	-	6,338
Public works	-	-	-	-	21,996
Public health	-	-	-	-	489
Public welfare	-	-	-	-	9,768
Parks and recreation	-	-	-	-	11,584
Convention and event services	-	-	-	-	8,283
Capital outlay	6,883	1,596	956	7,245	21,748
Total Expenditures	<u>6,883</u>	<u>1,596</u>	<u>956</u>	<u>8,502</u>	<u>86,144</u>
Net change in fund balances	<u>(5,365)</u>	<u>(1,583)</u>	<u>(948)</u>	<u>(5,988)</u>	<u>(16,025)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	6,162	-	-	43	6,205
Proceeds from refunding bond issue	-	-	-	-	-
Issuance of certificates of obligation	15,995	-	-	-	15,995
Bond premium	1,093	-	-	2	1,095
Transfers in	200	-	-	-	62,170
Transfers out	(585)	-	(54)	(195)	(15,995)
Total Other Financing Sources (Uses)	<u>22,865</u>	<u>-</u>	<u>(54)</u>	<u>(150)</u>	<u>69,470</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	17,500	(1,583)	(1,002)	(6,138)	53,445
Fund Balance, October 1	<u>22,691</u>	<u>3,227</u>	<u>2,047</u>	<u>38,645</u>	<u>\$ 129,167</u>
Fund Balance, September 30	<u>\$ 40,191</u>	<u>\$ 1,644</u>	<u>\$ 1,045</u>	<u>\$ 32,507</u>	<u>\$ 182,612</u>

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts		Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis		
REVENUES						
Taxes	\$ 39,214	\$ 39,214	\$ 71,636	\$ (32,790)	\$ 38,846	\$ (368)
Interest revenue	77	77	677	(497)	180	103
Net increase (decrease) in fair value of investments	-	-	(416)	414	(2)	(2)
Leases, rents and concessions	-	-	1,500	(1,500)	-	-
Other revenue	-	-	56	-	56	56
Total Revenues	<u>39,291</u>	<u>39,291</u>	<u>73,453</u>	<u>(34,373)</u>	<u>39,080</u>	<u>(211)</u>
EXPENDITURES						
Debt Service-						
Principal retirement	31,985	31,985	60,500	(28,515)	31,985	-
Redemption premium	-	-	701	(701)	-	-
Interest and fiscal charges	12,797	12,797	24,119	(12,052)	12,067	730
Total Expenditures	<u>44,782</u>	<u>44,782</u>	<u>85,320</u>	<u>(41,268)</u>	<u>44,052</u>	<u>730</u>
Deficiency of Revenues Under Expenditures	<u>(5,491)</u>	<u>(5,491)</u>	<u>(11,867)</u>	<u>6,895</u>	<u>(4,972)</u>	<u>519</u>
OTHER FINANCING SOURCES						
Bond premium	120	120	6,520	(6,520)	-	(120)
Proceeds from bonds	-	-	14,150	(14,150)	-	-
Issuance of refunding bonds	-	-	47,365	(47,365)	-	-
Amount used to fund escrow account	-	-	(53,710)	53,710	-	-
Transfers in	5,212	5,212	5,140	-	5,140	(72)
Transfers out	-	-	(14,000)	14,000	-	-
Total Other Financing Sources	<u>5,332</u>	<u>5,332</u>	<u>5,465</u>	<u>(325)</u>	<u>5,140</u>	<u>(192)</u>
Net Change In Fund Balances	<u>(159)</u>	<u>(159)</u>	<u>(6,402)</u>	<u>6,570</u>	<u>168</u>	<u>327</u>
Fund Balances - Beginning	<u>34,526</u>	<u>34,526</u>	<u>34,526</u>	<u>-</u>	<u>34,526</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 34,367</u>	<u>\$ 34,367</u>	<u>\$ 28,124</u>	<u>\$ 6,570</u>	<u>\$ 34,694</u>	<u>\$ 327</u>

**CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
STREET MAINTENANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	
REVENUES						
Taxes	\$ 14,695	\$ 14,695	\$ 14,724	\$ -	\$ 14,724	\$ 29
Interest revenue	57	57	88	-	88	31
Net increase (decrease) in the fair value of investments	-	-	(11)	11	-	-
Other revenue	-	-	7	-	7	7
Total Revenues	<u>14,752</u>	<u>14,752</u>	<u>14,808</u>	<u>11</u>	<u>14,819</u>	<u>67</u>
EXPENDITURES						
Current-						
Public works	22,931	22,931	18,602	2,411	21,013	1,918
Total Expenditures	<u>22,931</u>	<u>22,931</u>	<u>18,602</u>	<u>2,411</u>	<u>21,013</u>	<u>1,918</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>(8,179)</u>	<u>(8,179)</u>	<u>(3,794)</u>	<u>(2,400)</u>	<u>(6,194)</u>	<u>1,985</u>
OTHER FINANCING SOURCES						
Transfers in	6,889	6,889	6,481	-	6,481	(408)
Transfers out	-	-	(365)	-	(365)	(365)
Total Other Financing Sources	<u>6,889</u>	<u>6,889</u>	<u>6,116</u>	<u>-</u>	<u>6,116</u>	<u>(773)</u>
Net Change In Fund Balances	<u>(1,290)</u>	<u>(1,290)</u>	<u>2,322</u>	<u>(2,400)</u>	<u>(78)</u>	<u>1,212</u>
Fund Balances - Beginning	<u>12,297</u>	<u>12,297</u>	<u>12,297</u>	<u>-</u>	<u>12,297</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 11,007</u>	<u>\$ 11,007</u>	<u>\$ 14,619</u>	<u>\$ (2,400)</u>	<u>\$ 12,219</u>	<u>\$ 1,212</u>

**CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
PARK PERFORMANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Budgeted Amounts		Actual Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
REVENUES						
Service charges	\$ 10,380	\$ 10,380	\$ 9,980	\$ -	\$ 9,980	\$ (400)
Interest revenue	-	-	-	-	-	-
Total Revenues	<u>10,380</u>	<u>10,380</u>	<u>9,980</u>	<u>-</u>	<u>9,980</u>	<u>(400)</u>
EXPENDITURES						
Current-						
Parks and recreation	11,808	11,808	11,390	(60)	11,330	478
Total Expenditures	<u>11,808</u>	<u>11,808</u>	<u>11,390</u>	<u>(60)</u>	<u>11,330</u>	<u>478</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>(1,428)</u>	<u>(1,428)</u>	<u>(1,410)</u>	<u>60</u>	<u>(1,350)</u>	<u>78</u>
OTHER FINANCING USES						
Transfers in	2,014	2,014	1,497	-	1,497	(517)
Transfers out	(778)	(778)	(261)	-	(261)	517
Total Other Financing Uses	<u>1,236</u>	<u>1,236</u>	<u>1,236</u>	<u>-</u>	<u>1,236</u>	<u>-</u>
Net Change In Fund Balances	<u>(192)</u>	<u>(192)</u>	<u>(174)</u>	<u>60</u>	<u>(114)</u>	<u>78</u>
Fund Balances - Beginning	<u>729</u>	<u>729</u>	<u>729</u>	<u>-</u>	<u>729</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 537</u>	<u>\$ 537</u>	<u>\$ 555</u>	<u>\$ 60</u>	<u>\$ 615</u>	<u>\$ 78</u>

**CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
CONVENTION AND EVENT SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Budgeted Amounts		Actual Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
REVENUES						
Taxes	\$ 7,990	\$ 7,990	\$ 8,430	\$ -	\$ 8,430	\$ 440
Service charges	2,601	2,601	3,195	-	3,195	594
Interest revenue	11	11	32	-	32	21
Net increase (decrease) in the fair value of investments	-	-	(2)	2	-	-
Other	-	-	(153)	-	(153)	(153)
Total Revenues	<u>10,602</u>	<u>10,602</u>	<u>11,502</u>	<u>2</u>	<u>11,504</u>	<u>902</u>
EXPENDITURES						
Current-						
Convention & event services	9,696	9,696	8,298	278	8,576	1,120
Total Expenditures	<u>9,696</u>	<u>9,696</u>	<u>8,298</u>	<u>278</u>	<u>8,576</u>	<u>1,120</u>
Excess Of Revenues Over Expenditures	<u>906</u>	<u>906</u>	<u>3,204</u>	<u>(276)</u>	<u>2,928</u>	<u>2,022</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	(2,059)	(2,059)	(1,979)	-	(1,979)	80
Total Other Financing Sources (Uses)	<u>(2,059)</u>	<u>(2,059)</u>	<u>(1,979)</u>	<u>-</u>	<u>(1,979)</u>	<u>80</u>
Net Change In Fund Balances	<u>(1,153)</u>	<u>(1,153)</u>	<u>1,225</u>	<u>(276)</u>	<u>949</u>	<u>2,102</u>
Fund Balances - Beginning	<u>5,035</u>	<u>5,035</u>	<u>5,035</u>	<u>-</u>	<u>5,035</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 3,882</u>	<u>\$ 3,882</u>	<u>\$ 6,260</u>	<u>\$ (276)</u>	<u>\$ 5,984</u>	<u>\$ 2,102</u>

**CITY OF ARLINGTON, TEXAS
BUDGET COMPARISON SCHEDULE
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Budgeted Amounts		Actual Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
REVENUES						
Water sales	\$ 67,942	\$ 67,942	\$ 69,628	\$ 129	\$ 69,757	\$ 1,815
Sewer service	56,358	56,358	55,188	-	55,188	(1,170)
Sundry	4,719	4,719	6,270	(2)	6,268	1,549
Total Operating Revenues	129,019	129,019	131,086	127	131,213	2,194
EXPENDITURES						
Purchases of water	\$ 22,848	\$ 22,848	\$ 19,743	\$ -	\$ 19,743	\$ 3,105
Purchase of sewage treatment	30,116	30,116	29,383	-	29,383	733
Salaries and wages	13,042	13,042	12,323	208	12,531	511
Employees' retirement	1,732	1,732	1,967	(220)	1,747	(15)
Supplies	2,473	2,473	2,499	(30)	2,469	4
Maintenance and repairs	4,292	4,292	4,724	(271)	4,453	(161)
Utilities	2,956	2,956	3,090	-	3,090	(134)
Franchise fees	7,411	7,411	-	7,546	7,546	(135)
Payment in lieu of taxes	3,998	3,998	-	3,998	3,998	-
Depreciation	-	-	16,783	(16,783)	-	-
Miscellaneous services	5,237	5,237	4,559	(744)	3,815	1,422
Total Operating Expenses	94,105	94,105	95,071	(6,296)	88,775	5,330
Operating Income	34,914	34,914	36,015	6,423	42,438	7,524
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	245	245	571	185	756	511
Net increase (decrease) in the fair value of investments	-	-	(25)	25	-	-
Interest expense and fiscal charges	(16,271)	(16,271)	(3,235)	(13,764)	(16,999)	(728)
Total Nonoperating Revenues (Expenses)	(16,026)	(16,026)	(2,689)	(13,554)	(16,243)	(217)
Income (loss) before operating transfers and contributions	18,888	18,888	33,326	(7,131)	26,195	7,307
Contributions in aid of construction	-	-	1,820	(1,820)	-	-
Transfers out	(18,882)	(18,882)	(15,513)	11,831	(3,682)	15,200
Change in net position	6	6	19,633	2,880	22,513	22,507
Total net position-beginning	594,579	594,579	594,579	-	594,579	-
Total net position-ending	\$ 594,585	\$ 594,585	\$ 614,212	\$ 2,880	\$ 617,092	\$ 22,507

**CITY OF ARLINGTON, TEXAS
BUDGET COMPARISON SCHEDULE
STORM WATER UTILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Budgeted Amounts		Actual Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
REVENUES						
Storm water fee- commercial	\$ 5,959	\$ 5,959	\$ 6,261	\$ (15)	\$ 6,246	\$ 287
Storm water fee- residential	7,017	7,017	7,314	(17)	7,297	280
Total Operating Revenues	12,976	12,976	13,575	(32)	13,543	567
EXPENDITURES						
Salaries and wages	\$ 1,825	\$ 1,825	\$ 1,681	\$ 51	\$ 1,732	\$ 93
Employees' retirement	254	254	249	-	249	5
Supplies	59	59	62	1	63	(4)
Maintenance and repairs	689	689	747	(9)	738	(49)
Utilities	15	15	17	-	17	(2)
Depreciation	-	-	2,159	(2,159)	-	-
Miscellaneous services	807	807	674	72	746	61
Total Operating Expenses	3,649	3,649	5,589	(2,044)	3,545	104
Operating Income	9,327	9,327	7,986	2,012	9,998	671
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	45	45	116	1	117	72
Net increase (decrease) in the fair value of investments	-	-	(10)	10	-	-
Interest expense and fiscal charges	(2,154)	(2,154)	(151)	(1,916)	(2,067)	(87)
Total Nonoperating Revenues (Expenses)	(2,109)	(2,109)	(45)	(1,905)	(1,950)	(15)
Income (loss) before operating transfers and contributions	7,218	7,218	7,941	107	8,048	830
Transfers out	(7,306)	(7,306)	(1,106)	(6,200)	(7,306)	-
Change in net position	(88)	(88)	6,835	(6,093)	742	830
Total net position-beginning	91,320	91,320	91,320	-	91,320	-
Total net position-ending	\$ 91,232	\$ 91,232	\$ 98,155	\$ (6,093)	\$ 92,062	\$ 830

INTERNAL SERVICE FUNDS

GENERAL SERVICES FUND - The purpose of this fund is to account for printing, mailing, duplicating, and other general services provided to other departments of the City.

FLEET SERVICES FUND - The purpose of this fund is to account for the purchase of City vehicles and to provide maintenance services for such vehicles.

ARLINGTON PROPERTY FINANCE AUTHORITY, INC. FUND (the "APFA") - The APFA is a Texas nonprofit corporation that was created for the purpose of acting on the City's behalf in financing various governmental programs as prescribed by City Council ordinance or resolution. 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 general and automotive liability.

WORKERS' COMPENSATION FUND - The City's workers' compensation program provides City employees with workers' compensation insurance. The purpose of this fund is to account for the activity of such program.

GROUP HEALTH FUND - The City's group health insurance program provides City employees with health insurance. The purpose of this fund is to account for the activity of such program.

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
ASSETS			
Current Assets:			
Cash and cash-like investments	\$ -	\$ 2,279	\$ 15,267
Receivables (net of allowances for uncollectibles)			
Trade accounts	46	3	-
Other	-	-	117
Prepaid expenses	36	-	-
Inventory of supplies, at cost	45	-	-
Total Current Assets	127	2,282	15,384
Noncurrent Assets:			
Capital Assets:			
Buildings and improvements	-	467	-
Machinery and equipment	-	45,013	-
Less accumulated depreciation	-	(30,480)	-
Total Capital Assets (Net of Accumulated Depreciation)	-	15,000	-
Total Assets	127	17,282	15,384
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	67	132	6
Estimated claims payable	-	-	1,611
Due to other funds	-	-	-
Total Current Liabilities	67	132	1,617
Noncurrent Liabilities:			
Estimated claims payable	-	-	1,589
Accrued compensated absences	30	-	-
Total Noncurrent Liabilities	30	-	1,589
Total Liabilities	97	132	3,206
NET POSITION			
Net investment in capital assets	-	15,000	-
Unrestricted	30	2,150	12,178
Total Net Position	\$ 30	\$ 17,150	\$ 12,178

<u>Workers'</u> <u>Compensation</u>	<u>Group</u> <u>Health</u>	<u>Total</u>
\$ 5,649	\$ 2,187	\$ 25,382
-	-	49
99	-	216
-	-	36
-	-	45
<u>5,748</u>	<u>2,187</u>	<u>25,728</u>
-	-	467
-	-	45,013
-	-	(30,480)
-	-	15,000
<u>5,748</u>	<u>2,187</u>	<u>40,728</u>
14	38	257
1,032	2,149	4,792
-	-	-
<u>1,046</u>	<u>2,187</u>	<u>5,049</u>
2,725	-	4,314
-	-	30
<u>2,725</u>	<u>-</u>	<u>4,344</u>
<u>3,771</u>	<u>2,187</u>	<u>9,393</u>
-	-	15,000
1,977	-	16,335
<u>\$ 1,977</u>	<u>\$ -</u>	<u>\$ 31,335</u>

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
OPERATING REVENUES:			
Service charges	\$ 2,913	\$ 7,021	\$ 14
Total Operating Revenues	<u>2,913</u>	<u>7,021</u>	<u>14</u>
OPERATING EXPENSES:			
Salaries and wages	368	83	-
Employees' retirement	49	14	-
Supplies	1,127	1,477	-
Maintenance and repairs	7	410	-
Utilities	15	66	-
Claims (net of adjustments)	-	-	2,850
Legal and professional	-	-	-
Depreciation	-	3,834	-
Miscellaneous services	1,569	2,804	50
Total Operating Expenses	<u>3,135</u>	<u>8,688</u>	<u>2,900</u>
OPERATING INCOME (LOSS)	<u>(222)</u>	<u>(1,667)</u>	<u>(2,886)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest revenue	-	-	-
Net decrease in the fair value of investments	-	-	-
Gain (Loss) on sale of assets	-	313	-
Total Non-operating Revenues (Expenses)	<u>-</u>	<u>313</u>	<u>-</u>
Income (Loss) Before Transfers	(222)	(1,354)	(2,886)
Transfers In	68	2,778	15,064
Transfers Out	-	-	-
Change In Net Position	<u>(154)</u>	<u>1,424</u>	<u>12,178</u>
Total Net Position, October 1	184	15,726	-
Total Net Position, September 30	<u>\$ 30</u>	<u>\$ 17,150</u>	<u>\$ 12,178</u>

Workers' Compensation	Group Health	Total
\$ 1,965	\$ 22,686	\$ 34,599
<u>1,965</u>	<u>22,686</u>	<u>34,599</u>
-	-	451
-	-	63
-	-	2,604
-	-	417
-	-	81
657	25,233	28,740
140	-	140
-	-	3,834
-	-	4,423
<u>797</u>	<u>25,233</u>	<u>40,753</u>
<u>1,168</u>	<u>(2,547)</u>	<u>(6,154)</u>
42	7	49
(5)	(1)	(6)
<u>-</u>	<u>-</u>	<u>313</u>
<u>37</u>	<u>6</u>	<u>356</u>
1,205	(2,541)	(5,798)
-	1,819	19,729
<u>(769)</u>	<u>-</u>	<u>(769)</u>
436	(722)	13,162
<u>1,541</u>	<u>722</u>	<u>18,173</u>
<u>\$ 1,977</u>	<u>\$ -</u>	<u>\$ 31,335</u>

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,913	\$ 7,021	\$ (50)
Cash payments to suppliers	(2,785)	(4,920)	(2,044)
Cash payments to employees	(412)	(115)	-
Net Cash Provided By (Used For) Operating Activities	<u>(284)</u>	<u>1,986</u>	<u>(2,094)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	68	2,778	15,064
Transfers out	-	-	-
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>68</u>	<u>2,778</u>	<u>15,064</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(5,722)	-
Proceeds from sales of capital assets	-	326	-
Net Cash Used For Capital and Related Financing Activities	<u>-</u>	<u>(5,396)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from interest earnings	-	-	-
Net decrease in the fair value of investments	-	-	-
Net Cash Provided By Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(216)	(632)	12,970
Cash and cash-like investments at October 1	216	2,911	2,297
Cash and cash-like investments at September 30	<u>\$ -</u>	<u>\$ 2,279</u>	<u>\$ 15,267</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating Income (Loss)	\$ (222)	\$ (1,667)	\$ (2,886)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	-	3,834	-
(Increase) decrease in-			
Inventory of supplies	-	-	-
Accounts receivable	-	-	(64)
Prepaid expenses	2	-	-
Increase (decrease) in-			
Accounts payable and accrued liabilities	(70)	(163)	6
Estimated claims payable	-	-	850
Accrued compensated absences	6	(18)	-
Total adjustments	(62)	3,653	792
Net Cash Provided By (Used For) Operating Activities	<u>\$ (284)</u>	<u>\$ 1,986</u>	<u>\$ (2,094)</u>

<u>Workers'</u> <u>Compensation</u>	<u>Group</u> <u>Health</u>	<u>Totals</u>
\$ 1,891	\$ 22,686	\$ 34,461
(1,502)	(25,052)	(36,303)
-	-	(527)
<u>389</u>	<u>(2,366)</u>	<u>(2,369)</u>

-	1,819	19,729
(769)	-	(769)
<u>(769)</u>	<u>1,819</u>	<u>18,960</u>

-	-	(5,722)
-	-	326
<u>-</u>	<u>-</u>	<u>(5,396)</u>

42	7	49
(5)	(1)	(6)
<u>37</u>	<u>6</u>	<u>43</u>

(343)	(541)	11,238
5,992	2,728	14,144
<u>\$ 5,649</u>	<u>\$ 2,187</u>	<u>\$ 25,382</u>

\$ 1,168	\$ (2,547)	\$ (6,154)
----------	------------	------------

-	-	3,834
-	-	-
(74)	-	(138)
-	-	2
2	(14)	(239)
(707)	195	338
-	-	(12)
<u>(779)</u>	<u>181</u>	<u>3,785</u>
<u>\$ 389</u>	<u>\$ (2,366)</u>	<u>\$ (2,369)</u>

FIDUCIARY FUNDS

PENSION TRUST FUNDS:

PART-TIME DEFERRED INCOME TRUST FUND - The purpose of this fund is to account for assets held for part-time employees as an alternative retirement plan to Social Security.

THRIFT SAVINGS PLAN FUND - The purpose of this fund is to account for assets held for employees in accordance with the provisions of Internal Revenue Code Section 401(k).

DISABILITY INCOME PLAN FUND - The purpose of this fund is to account for the accumulation of resources for disability benefit payments to qualified employees who become disabled due to illness or accident.

AGENCY FUNDS:

PAYROLL - The purpose of this fund is to account for assets held by the City in a fiduciary capacity as agent for payroll related benefit plans.

ESCROW FUND - The purpose of this fund is to account for assets held by the City in a fiduciary capacity as custodian or agent for individuals, other funds within the City, other governmental units, and private organizations.

ESCHEAT FUND - The purpose of the fund is to account for assets held by the City in a fiduciary capacity as custodian or agent of escheat property for the state.

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF PENSION TRUST FUNDS NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	Total
ASSETS				
Cash and cash-like investments	\$ -	\$ 61	\$ -	\$ 61
Investments:				
Investment retired city mgr 401(k) plan	-	64	-	64
Money market fund	82	44,678	20	44,780
Corporate bonds	1,665	-	774	2,439
Fixed income mutual funds	533	16,620	259	17,412
Common stock mutual funds	488	74,405	276	75,169
Balanced mutual funds	-	27,914	-	27,914
Participant borrowing	-	5,082	-	5,082
Self-directed brokerage accounts	-	5,773	-	5,773
Total investments	<u>2,768</u>	<u>174,536</u>	<u>1,329</u>	<u>178,633</u>
Total Assets	<u><u>\$ 2,768</u></u>	<u><u>\$ 174,597</u></u>	<u><u>\$ 1,329</u></u>	<u><u>\$ 178,694</u></u>
LIABILITIES				
Accounts payable	6	-	-	6
Retired city mgr 401(k) plan payable	-	64	-	64
Total Liabilities	<u>6</u>	<u>64</u>	<u>-</u>	<u>70</u>
NET POSITION				
Restricted for pensions	2,762	174,472	1,329	178,563
Assigned pension trust	-	61	-	61
Total Net Position	<u><u>\$ 2,762</u></u>	<u><u>\$ 174,533</u></u>	<u><u>\$ 1,329</u></u>	<u><u>\$ 178,624</u></u>

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF AGENCY FUNDS ASSETS AND LIABILITIES
FIDUCIARY FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	<u>Payroll</u>	<u>Escrow Fund</u>	<u>Escheat Fund</u>	<u>Total</u>
ASSETS				
Cash and cash-like investments	\$ 6,139	\$ 3,146	\$ 59	\$ 9,344
Total Assets	<u>\$ 6,139</u>	<u>\$ 3,146</u>	<u>\$ 59</u>	<u>\$ 9,344</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 6,139	\$ 3,146	\$ 59	\$ 9,344
Total Liabilities	<u>\$ 6,139</u>	<u>\$ 3,146</u>	<u>\$ 59</u>	<u>\$ 9,344</u>

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds			
	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	Total
ADDITIONS				
Employer contributions	\$ 54	\$ 3,020	\$ 65	\$ 3,139
Employee contributions	102	7,514	-	7,616
Net appreciation in fair value of investments	193	16,471	-	16,664
Other additions	-	100	91	191
Total Additions	349	27,105	156	27,610
DEDUCTIONS				
Benefits	132	12,517	134	12,783
Plan administration	64	100	15	179
Other deductions	-	89	-	89
Total Deductions	196	12,706	149	13,051
Increase in Net Position	153	14,399	7	14,559
Net Position, October 1	2,609	160,134	1,322	164,065
Net Position, September 30	\$ 2,762	\$ 174,533	\$ 1,329	\$ 178,624

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2016
PAYROLL FUND				
Assets				
Cash and cash-like investments	\$ 4,283	\$ 321,358	\$ 319,502	\$ 6,139
Investments	-	-	-	-
Total assets	<u>\$ 4,283</u>	<u>\$ 321,358</u>	<u>\$ 319,502</u>	<u>\$ 6,139</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 4,283	\$ 321,358	\$ 319,502	\$ 6,139
Accounts payable and accrued liabilities - IRC 401 defined contribution	-	-	-	-
Total liabilities	<u>\$ 4,283</u>	<u>\$ 321,358</u>	<u>\$ 319,502</u>	<u>\$ 6,139</u>
ESCROW FUND				
Assets				
Cash and cash-like investments	\$ 3,030	\$ 6,787	\$ 6,671	\$ 3,146
Total assets	<u>\$ 3,030</u>	<u>\$ 6,787</u>	<u>\$ 6,671</u>	<u>\$ 3,146</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 3,030	\$ 6,787	\$ 6,671	\$ 3,146
Total liabilities	<u>\$ 3,030</u>	<u>\$ 6,787</u>	<u>\$ 6,671</u>	<u>\$ 3,146</u>
ESCHEAT FUND				
Assets				
Cash and cash-like investments	\$ 64	\$ 43	\$ 48	\$ 59
Total assets	<u>\$ 64</u>	<u>\$ 43</u>	<u>\$ 48</u>	<u>\$ 59</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 64	\$ 43	\$ 48	\$ 59
Total liabilities	<u>\$ 64</u>	<u>\$ 43</u>	<u>\$ 48</u>	<u>\$ 59</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash-like investments	\$ 7,377	\$ 328,188	\$ 326,221	\$ 9,344
Investments	-	-	-	-
Total assets	<u>\$ 7,377</u>	<u>\$ 328,188</u>	<u>\$ 326,221</u>	<u>\$ 9,344</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 7,377	\$ 328,188	\$ 326,221	\$ 9,344
Accounts payable and accrued liabilities - 401K defined contribution	-	-	-	-
Total Liabilities	<u>\$ 7,377</u>	<u>\$ 328,188</u>	<u>\$ 326,221</u>	<u>\$ 9,344</u>

DISCRETELY PRESENTED COMPONENT UNITS

ARLINGTON HOUSING AUTHORITY - The purpose of the Arlington Housing Authority (AHA) is to provide low income housing assistance within the City. The AHA issues separate financial statements.

ARLINGTON CONVENTION AND VISITORS BUREAU, INC. - The purpose of the Arlington Convention and Visitors Bureau (ACVB) is to promote tourism within the City. The ACVB issues separate financial statements.

ARLINGTON TOMORROW FOUNDATION - The purpose of the Arlington Tomorrow Foundation is to oversee an endowment fund created by natural gas revenues to be used for the benefit of the Arlington community.

ARLINGTON HOUSING FINANCE CORPORATION - The purpose of the Arlington Housing Finance Corporation (AHFC) is to provide financial assistance to low income, multi-family residences and single-family homebuyers within the City.

ARLINGTON CONVENTION CENTER DEVELOPMENT CORPORATION - The purpose of the Arlington Convention Center Development Corporation (ACCDC) is to promote tourism and the convention and hotel industry.

ARLINGTON ECONOMIC DEVELOPMENT CORPORATION – The purpose of the Arlington Economic Development Corporation is to bring about and fund business recruitment and redevelopment projects.

**CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Arlington Housing Authority	Arlington Convention & Visitors Bureau	Arlington Tomorrow Foundation
ASSETS			
Current Assets:			
Cash and cash-like investments	\$ 3,457	\$ 669	\$ 7,997
Investments	1,388	-	53,187
Receivables (net of allowances for uncollectibles):			
Accrued interest	-	-	-
Other	138	127	-
Prepaid expenses	9	53	-
Total Current Assets	4,992	849	61,184
Non-Current Assets:			
Capital Assets-			
Buildings and improvements	563	-	-
Machinery and equipment	394	960	-
Accumulated depreciation	(695)	(772)	-
Total Non-Current Assets	262	188	-
Total Assets	5,254	1,037	61,184
LIABILITIES			
Accounts payable and accrued liabilities	710	413	1,400
Unearned revenue	18	71	-
Total Liabilities	728	484	1,400
NET POSITION			
Net investment in capital assets	262	188	-
Restricted for endowments	-	-	59,784
Restricted for housing assistance	670	-	-
Unrestricted	3,594	365	-
Total Net Position	\$ 4,526	\$ 553	\$ 59,784

**CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Arlington Housing Finance Corporation	Arlington Convention Center Development Corporation	Arlington Economic Development Corporation	Total
ASSETS				
Current Assets:				
Cash and cash-like investments	\$ 392	\$ 113	\$ -	\$ 12,628
Investments	-	-	-	54,575
Receivables (net of allowances for uncollectibles):				
Accrued interest	-	-	-	-
Other	-	-	-	265
Prepaid expenses	-	-	-	62
Total Current Assets	<u>392</u>	<u>113</u>	<u>-</u>	<u>67,530</u>
Non-Current Assets:				
Capital Assets-				
Buildings and improvements	-	-	-	563
Machinery and equipment	-	-	-	1,354
Accumulated depreciation	-	-	-	(1,467)
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>450</u>
Total Assets	<u>392</u>	<u>113</u>	<u>-</u>	<u>67,980</u>
LIABILITIES				
Accounts payable and accrued liabilities	-	70	-	2,593
Unearned revenue	-	-	-	89
Total Liabilities	<u>-</u>	<u>70</u>	<u>-</u>	<u>2,682</u>
NET POSITION				
Net investment in capital assets	-	-	-	450
Restricted for endowments	-	-	-	59,784
Restricted for housing assistance	-	-	-	670
Unrestricted	392	43	-	4,394
Total Net Position	<u>\$ 392</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 65,298</u>

**CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units:				
Arlington Housing Authority	\$ 27,468	\$ -	\$ 28,211	\$ -
Arlington Convention and Visitors Bureau	5,921	5,794	175	-
Arlington Tomorrow Foundation	1,728	-	-	-
Arlington Housing Finance Corporation	1	-	3	-
Arlington Convention Center Development Corp	83	-	-	-
Arlington Economic Development Corp	-	-	-	-
Total Component Units	\$ 35,201	\$ 5,794	\$ 28,389	\$ -

General revenues:
Interest revenue
Other
Net increase
(decrease) in the fair
value of investments
Total general revenues and transfers
Change in net position
Net position, October 1
Net position, September 30

**Net (Expenses) Revenue and
Changes in Net Position**

Arlington Housing Authority	Arlington Convention & Visitors Bureau	Arlington Tomorrow Foundation	Arlington Housing Finance Corporation	Arlington Convention Center Development Corporation	Arlington Economic Development Corporation	Total
\$ 743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 743
-	48	-	-	-	-	48
-	-	(1,728)	-	-	-	(1,728)
-	-	-	2	-	-	2
-	-	-	-	(83)	-	(83)
-	-	-	-	-	-	-
<u>\$ 743</u>	<u>\$ 48</u>	<u>\$ (1,728)</u>	<u>\$ 2</u>	<u>\$ (83)</u>	<u>\$ -</u>	<u>\$ (1,018)</u>
\$ 11	\$ -	\$ 2,206	\$ 3	\$ -	\$ -	\$ 2,220
123	-	(47,378)	-	-	-	(47,255)
-	-	1,942	-	-	-	1,942
134	-	(43,230)	3	-	-	(43,093)
877	48	(44,958)	5	(83)	-	(44,111)
3,649	505	104,742	387	126	-	109,409
<u>\$ 4,526</u>	<u>\$ 553</u>	<u>\$ 59,784</u>	<u>\$ 392</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 65,298</u>

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Arlington Tomorrow Foundation	Arlington Housing Finance Corporation
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ -	\$ 3
Cash received from gas leases	-	-
Cash payments to suppliers	(49)	(1)
Cash payments to employees	(193)	-
Cash payments to grantees	(1,338)	-
Cash payments for housing assistance	-	-
Net Cash Provided By (Used For) Operating Activities	(1,580)	2
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	-
Transfers out	(50,000)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(50,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contribution	-	-
Principal payments on debt	-	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from interest earnings	2,206	3
Net increase (decrease) in the fair value of investments	-	-
Purchase of investments	48,100	-
Maturities/sales of investments	-	-
Realized gain of investments	2,620	-
Net Cash Provided By (Used For) Investing Activities	52,926	3
Net increase (decrease) in cash and cash equivalents	1,346	5
Cash and cash-like investments at October 1	6,651	387
Cash and cash-like investments at September 30	\$ 7,997	\$ 392
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating Income (loss)	\$ (1,726)	\$ 2
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	-
Decrease (increase) in-		
Receivables	-	-
Increase (decrease) in-		
Accounts payable and accrued liabilities	153	-
Accrued compensated absences	(5)	-
Deferred revenue	(2)	-
Total adjustments	146	-
Net Cash Provided By (Used For) Operating Activities	\$ (1,580)	\$ 2

Arlington Industrial Development Corporation	Arlington Convention Center Development Corporation	Arlington Economic Development Corporation	Totals
\$ -	\$ -	\$ -	\$ 3
-	-	-	-
(3)	(13)	-	(66)
-	-	-	(193)
-	-	-	(1,338)
-	-	-	-
<u>(3)</u>	<u>(13)</u>	<u>-</u>	<u>(1,594)</u>
-	-	-	-
-	-	-	(50,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	2,209
-	-	-	-
-	-	-	48,100
-	-	-	-
-	-	-	2,620
<u>-</u>	<u>-</u>	<u>-</u>	<u>52,929</u>
(3)	(13)	-	1,335
3	126	-	7,167
<u>\$ -</u>	<u>\$ 113</u>	<u>\$ -</u>	<u>\$ 8,502</u>
\$ (3)	\$ (83)	\$ -	\$ (1,810)
-	-	-	-
-	-	-	-
-	70	-	223
-	-	-	(5)
-	-	-	(2)
<u>-</u>	<u>70</u>	<u>-</u>	<u>216</u>
<u>\$ (3)</u>	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ (1,594)</u>



CITY OF ARLINGTON, TEXAS
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS - BY SOURCES
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 226,911
Buildings	1,105,159
Improvements other than buildings	193,064
Machinery and equipment	64,779
Construction-in-progress	130,841
Infrastructure	<u>873,062</u>
Total Governmental Funds Capital Assets	<u>\$ 2,593,816</u>

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS:

General fund	\$ 1,589,913
Capital Project Fund	<u>1,003,903</u>
Total Governmental Funds Capital Assets	<u>\$ 2,593,816</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts.

Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF ARLINGTON, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
Administration:					
Technology services	\$ 14,279	\$ -	\$ -	\$ -	\$ 14,279
Tax	6	-	-	-	6
City administration	1,222,649	127,710	1,027,299	62,058	5,582
Convention center	537	-	-	-	537
Total Administration	<u>1,237,471</u>	<u>127,710</u>	<u>1,027,299</u>	<u>62,058</u>	<u>20,404</u>
Operations:					
Fire	30,027	(208)	11,222	-	19,013
Municipal court	1,409	-	-	-	1,409
Police	38,602	654	21,490	-	16,458
Parks and recreation	219,083	81,087	23,187	111,651	3,158
Communication services	88	-	-	-	88
Airport	46,356	5,655	21,672	18,993	36
Total Operations	<u>335,565</u>	<u>87,188</u>	<u>77,571</u>	<u>130,644</u>	<u>40,162</u>
Development:					
Community development	1,484	-	289	6	1,189
Engineering services	137	-	-	-	137
Transportation	15,256	12,013	-	356	2,887
Total Development	<u>16,877</u>	<u>12,013</u>	<u>289</u>	<u>362</u>	<u>4,213</u>
Total Capital Assets					
Allocated to Functions	<u>1,589,913</u>	<u>\$ 226,911</u>	<u>\$ 1,105,159</u>	<u>\$ 193,064</u>	<u>\$ 64,779</u>
Infrastructure	<u>873,062</u>				
Construction in Progress	<u>130,841</u>				
Total Governmental Funds Capital Assets	<u>\$ 2,593,816</u>				

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF ARLINGTON, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS -
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

Function and Activity	Governmental Funds			Governmental Funds
	Capital Assets October 1, 2015	Additions	Deletions	Capital Assets September 30, 2016
Administration:				
Technology services	\$ 14,279	\$ -	\$ -	\$ 14,279
Tax	6	-	-	6
City administration	1,222,298	370	(19)	1,222,649
Convention center	537	-	-	537
Total Administration	<u>1,237,120</u>	<u>370</u>	<u>(19)</u>	<u>1,237,471</u>
Operations:				
Fire	29,953	178	(104)	30,027
Municipal court	1,409	-	-	1,409
Police	38,565	46	(9)	38,602
Parks and recreation	215,353	3,864	(134)	219,083
Communication services	88	-	-	88
Airport	46,320	36	-	46,356
Total Operations	<u>331,688</u>	<u>4,124</u>	<u>(247)</u>	<u>335,565</u>
Development:				
Community development	1,484	-	-	1,484
Engineering services	137	-	-	137
Transportation	14,541	750	(35)	15,256
Total Development	<u>16,162</u>	<u>750</u>	<u>(35)</u>	<u>16,877</u>
Infrastructure	<u>858,708</u>	<u>14,354</u>	<u>-</u>	<u>873,062</u>
Construction in Progress	<u>95,045</u>	<u>56,555</u>	<u>(20,759)</u>	<u>130,841</u>
Total Governmental Funds Capital Assets	<u>\$ 2,538,723</u>	<u>\$ 76,153</u>	<u>\$ (21,060)</u>	<u>\$ 2,593,816</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts.

Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.



STATISTICAL SECTION (Unaudited)

The City of Arlington's statistical section presents detailed information as a context for understanding the information in the Comprehensive Annual Financial Report, which details the City's overall financial health and well-being.

FINANCIAL TRENDS – The financial trends schedules contain information to help financial statement users understand how the city's financial position has changed over time.

REVENUE CAPACITY – The Revenue Capacity schedules contain information to help financial statement users assess the City's most significant local revenue source, the property tax.

DEBT CAPACITY – The Debt Capacity schedules present information to help financial statement users assess the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION – The Demographic and Economic Statistic schedules offer demographic and economic indicators to help financial statement users understand the environment within which the City's financial activities take place.

OPERATING INFORMATION – The Operating Information schedules contain service and infrastructure data to help financial statement users understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF ARLINGTON, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited) (In Thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities					
Net investment in capital assets	\$ 646,693	\$ 778,516	\$ 1,134,428	\$ 1,136,342	\$ 1,165,492
Restricted (Debt Srvcs/Impact Fee/Endowments)	39,767	55,581	54,486	64,789	42,998
Unrestricted	89,238	65,896	49,301	101,397	81,671
Total governmental activities net position	<u>\$ 775,698</u>	<u>\$ 899,993</u>	<u>\$ 1,238,215</u>	<u>\$ 1,302,528</u>	<u>\$ 1,290,161</u>
Business-type activities					
Net investment in capital assets	\$ 428,961	\$ 453,210	\$ 525,131	\$ 541,227	\$ 543,702
Restricted	9,097	9,753	10,310	10,140	19,706
Unrestricted	17,049	14,846	23,764	33,270	52,554
Total business-type activities net position	<u>\$ 455,107</u>	<u>\$ 477,809</u>	<u>\$ 559,205</u>	<u>\$ 584,637</u>	<u>\$ 615,962</u>
Primary government					
Net investment in capital assets	\$ 1,075,654	\$ 1,231,726	\$ 1,659,559	\$ 1,677,569	\$ 1,709,194
Restricted (Debt Srvcs/Impact Fee)	48,864	65,334	64,796	74,929	62,704
Unrestricted	106,287	80,742	73,065	134,667	134,225
Total primary government net position	<u>\$ 1,230,805</u>	<u>\$ 1,377,802</u>	<u>\$ 1,797,420</u>	<u>\$ 1,887,165</u>	<u>\$ 1,906,123</u>

Source: City of Arlington Finance Department

Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No. 68.

Table 1

Fiscal Year				
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,164,831	\$ 1,183,621	\$ 1,106,840	\$ 1,106,327	\$ 1,055,902
46,032	45,169	41,902	42,149	36,068
81,604	65,489	57,744	76,379	181,216
<u>\$ 1,292,467</u>	<u>\$ 1,294,279</u>	<u>\$ 1,206,486</u>	<u>\$ 1,224,855</u>	<u>\$ 1,273,186</u>
\$ 573,042	\$ 597,114	\$ 618,187	\$ 622,780	\$ 639,243
18,655	14,299	16,169	14,947	18,150
45,459	44,633	29,687	45,365	51,776
<u>\$ 637,156</u>	<u>\$ 656,046</u>	<u>\$ 664,043</u>	<u>\$ 683,092</u>	<u>\$ 709,169</u>
\$ 1,737,873	\$ 1,780,735	\$ 1,725,027	\$ 1,729,107	\$ 1,695,145
64,687	59,468	58,071	57,096	54,218
127,063	110,122	87,431	121,744	233,324
<u>\$ 1,929,623</u>	<u>\$ 1,950,325</u>	<u>\$ 1,870,529</u>	<u>\$ 1,907,947</u>	<u>\$ 1,982,687</u>

CITY OF ARLINGTON, TEXAS
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)
(Unaudited) (In Thousands)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 34,120	\$ 43,788	\$ 40,403	\$ 70,517
Public safety	113,343	123,587	128,219	134,767
Public works	73,161	84,115	94,171	67,135
Public health	1,735	1,920	2,406	3,003
Parks and recreation	26,826	28,027	28,228	28,020
Public welfare	11,136	39,282	10,213	12,251
Convention and event services	5,628	6,533	6,299	6,321
Interest on long term debt	24,581	26,624	42,485	29,444
Total governmental activities expenses	\$ 290,530	\$ 353,876	\$ 352,424	\$ 351,458
Business-type activities:				
Water and sewer	72,945	71,929	77,130	75,602
Landfill	-	-	3,678	4,017
Total business-type activities expenses	\$ 72,945	\$ 71,929	\$ 80,808	\$ 79,619
Total primary government expenses	\$ 363,475	\$ 425,805	\$ 433,232	\$ 431,077
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 17,264	\$ 10,528	\$ 19,017	\$ 21,938
Public safety	8,052	13,998	16,440	17,429
Public works	3,052	5,898	1,116	1,322
Public health	78	2,692	2,707	2,980
Parks and recreation	8,456	9,529	9,835	8,879
Public welfare	-	-	179	204
Convention and event services	2,418	2,587	2,535	2,788
Operating grants and contributions	14,102	20,787	24,578	23,127
Capital grants and contributions	121,720	145,029	411,788	72,515
Total governmental activities program revenues	\$ 175,142	\$ 211,048	\$ 488,195	\$ 151,182
Business-type activities:				
Charges for services:				
Water and sewer	\$ 88,786	\$ 102,324	\$ 108,224	\$ 107,800
Storm water utility	-	-	6,920	8,702
Landfill	-	-	-	-
Capital grants and contributions	3,600	2,622	2,018	1,388
Other	-	-	-	-
Total business-type activities program revenues	\$ 92,386	\$ 104,946	\$ 117,162	\$ 117,890
Total primary government program revenues	\$ 267,528	\$ 315,994	\$ 605,357	\$ 269,072
Net (Expense) Revenue				
Governmental activities	\$ (115,388)	\$ (142,828)	\$ 135,771	\$ (200,276)
Business-type activities	19,441	33,017	36,354	38,271
Total Primary government net expense	\$ (95,947)	\$ (109,811)	\$ 172,125	\$ (162,005)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 108,301	\$ 112,477	\$ 117,285	\$ 115,684
Sales taxes	79,781	81,385	80,193	81,517
Other taxes	9,249	10,447	10,978	12,793
Gas Lease	25,471	2,091	-	-
Franchise fees	29,145	25,994	25,038	25,769
Investment earnings	21,849	12,814	5,629	4,577
Net increase (decrease) in fair value	2,109	182	1,837	1,709
Other	5,239	9,271	4,769	8,847
Special Item	-	-	-	-
Transfers	6,520	12,462	(43,278)	13,693
Total governmental activities	\$ 287,664	\$ 267,123	\$ 202,451	\$ 264,589
Business-type activities:				
Investment earnings	\$ 1,685	\$ 2,196	\$ 1,581	\$ 895
Gain on sale/retirement of capital assets	257	(49)	183	(41)
Miscellaneous	-	-	54,556	-
Transfers	(6,520)	(12,462)	(11,278)	(13,693)
Total Business-type activities	\$ (4,578)	\$ (10,315)	\$ 45,042	\$ (12,839)
Total primary government	\$ 283,086	\$ 256,808	\$ 247,493	\$ 251,750
Change in Net Position				
Governmental activities	\$ 172,276	\$ 124,295	\$ 338,222	\$ 64,313
Business-type activities	14,863	22,702	81,396	25,432
Total primary government	\$ 187,139	\$ 146,997	\$ 419,618	\$ 89,745

Source: City of Arlington Finance Department

Note: Fiscal Year 2014 amounts have been restated for the impact of GASB Statement No. 68. Impact of change to Governmental activities is \$(67,333) and to Business-type activities is \$(6,320).

Table 2

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ 74,285	\$ 66,080	\$ 65,321	\$ 74,183	\$ 69,680	\$ 75,486	
135,371	137,561	139,309	146,899	142,489	156,414	
71,828	71,957	68,633	63,566	64,549	61,115	
3,892	4,320	2,489	2,740	2,849	2,741	
28,663	32,515	30,599	34,075	33,410	32,449	
11,897	9,475	11,453	11,558	10,019	14,978	
6,194	6,821	6,711	7,366	8,387	8,384	
29,890	24,898	25,017	28,703	22,299	23,016	
<u>\$ 362,020</u>	<u>\$ 353,627</u>	<u>\$ 349,532</u>	<u>\$ 369,090</u>	<u>\$ 353,682</u>	<u>\$ 374,583</u>	
84,270	86,235	89,437	95,820	97,118	98,697	
4,861	4,777	5,051	4,972	5,040	5,740	
<u>\$ 89,131</u>	<u>\$ 91,012</u>	<u>\$ 94,488</u>	<u>\$ 100,792</u>	<u>\$ 102,158</u>	<u>\$ 104,437</u>	
<u>\$ 451,151</u>	<u>\$ 444,639</u>	<u>\$ 444,020</u>	<u>\$ 469,882</u>	<u>\$ 455,840</u>	<u>\$ 479,020</u>	
\$ 21,810	\$ 23,670	\$ 21,023	\$ 23,650	\$ 25,617	\$ 21,863	
21,131	19,498	19,344	19,337	17,957	16,392	
1,153	1,160	1,416	1,412	1,585	2,085	
2,775	2,730	3,488	3,447	3,508	3,393	
9,999	10,861	10,977	10,187	10,356	11,180	
215	222	224	224	220	216	
2,975	2,799	2,594	2,739	2,852	3,680	
23,455	26,270	19,483	9,953	12,700	62,107	
2,625	6,132	4,481	4,910	10,479	5,814	
<u>\$ 86,138</u>	<u>\$ 93,342</u>	<u>\$ 83,030</u>	<u>\$ 75,859</u>	<u>\$ 85,274</u>	<u>\$ 126,730</u>	
\$ 123,442	\$ 114,719	\$ 114,234	\$ 116,145	\$ 123,870	\$ 131,086	
10,492	10,536	10,815	10,774	12,160	13,575	
-	-	-	-	-	-	
1,120	1,253	3,663	3,136	1,148	1,820	
-	-	-	-	-	-	
<u>\$ 135,054</u>	<u>\$ 126,508</u>	<u>\$ 128,712</u>	<u>\$ 130,055</u>	<u>\$ 137,178</u>	<u>\$ 146,481</u>	
<u>\$ 221,192</u>	<u>\$ 219,850</u>	<u>\$ 211,742</u>	<u>\$ 205,914</u>	<u>\$ 222,452</u>	<u>\$ 273,211</u>	
\$ (275,882)	\$ (260,285)	\$ (266,502)	\$ (293,231)	\$ (268,408)	\$ (248,185)	
45,923	35,496	34,224	29,263	35,020	42,044	
<u>\$ (229,959)</u>	<u>\$ (224,789)</u>	<u>\$ (232,278)</u>	<u>\$ (263,968)</u>	<u>\$ (233,388)</u>	<u>\$ (206,141)</u>	
\$ 109,807	\$ 110,131	\$ 111,877	\$ 113,432	\$ 118,785	\$ 121,943	
85,345	88,957	94,071	93,127	97,895	102,580	
13,558	13,347	14,884	17,192	18,893	20,430	
-	-	-	-	-	-	
27,260	25,600	25,550	26,970	26,477	25,435	
5,156	3,975	3,081	3,356	3,330	4,023	
(1,255)	(179)	(962)	(469)	(294)	(598)	
8,296	5,990	4,257	3,808	5,156	6,084	
-	-	-	-	-	-	
15,348	14,770	15,556	15,355	16,535	16,619	
<u>\$ 263,515</u>	<u>\$ 262,591</u>	<u>\$ 268,314</u>	<u>\$ 272,771</u>	<u>\$ 286,777</u>	<u>\$ 296,516</u>	
\$ 855	\$ 569	\$ 353	\$ 348	\$ 465	\$ 687	
(105)	(101)	(131)	59	99	(35)	
-	-	-	2	-	-	
(15,348)	(14,770)	(15,556)	(15,355)	(16,535)	(16,619)	
<u>\$ (14,598)</u>	<u>\$ (14,302)</u>	<u>\$ (15,334)</u>	<u>\$ (14,946)</u>	<u>\$ (15,971)</u>	<u>\$ (15,967)</u>	
<u>\$ 248,917</u>	<u>\$ 248,289</u>	<u>\$ 252,980</u>	<u>\$ 257,825</u>	<u>\$ 270,806</u>	<u>\$ 280,549</u>	
\$ (12,367)	\$ 2,306	\$ 1,812	\$ (87,793)	\$ 18,369	\$ 48,663	
31,325	21,194	18,890	7,997	19,049	26,077	
<u>\$ 18,958</u>	<u>\$ 23,500</u>	<u>\$ 20,702</u>	<u>\$ (79,796)</u>	<u>\$ 37,418</u>	<u>\$ 74,740</u>	

CITY OF ARLINGTON, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited) (In Thousands)

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund				
Nonspendable:				
Inventory	\$ 574	\$ 600	\$ 583	\$ 1,163
Prepays	35	2	252	-
Committed to:				
Utility rate case	500	500	500	500
Capital projects	-	-	-	-
Assigned to:				
Encumbrances	6,351	6,074	3,780	4,316
Working capital	16,232	16,512	16,219	16,218
Subsequent years' expenditure	5,843	5,944	5,839	5,839
Compensated absences	1,261	1,556	1,464	1,312
Other post employment benefits	1,718	1,718	1,718	1,718
Landfill lease proceeds/future initiatives	21,030	21,487	21,487	21,487
Dispatch	-	-	137	422
Information Technology	-	-	-	-
Telecommunications	-	-	-	-
Business continuity	-	-	-	6,889
Arbitrage	184	288	193	75
Infrastructure	1,000	1,000	-	-
Gas lease proceeds	-	-	-	-
Group Health	-	-	2,446	3,001
Other purposes	-	-	-	-
Unassigned	5,618	508	3,663	3,627
Total general fund	<u>\$ 60,346</u>	<u>\$ 56,189</u>	<u>\$ 58,281</u>	<u>\$ 66,567</u>
All Other Governmental Funds				
Nonspendable:				
Inventory	\$ 197	\$ 217	\$ 206	\$ 230
Prepays	1	-	-	-
Restricted for:				
Capital projects	156,064	53,952	22,255	46,598
Special Revenue	34,444	50,507	49,075	91,613
Committed to:				
Capital projects	3,568	6,382	5,763	36,988
Special Revenue	25,665	48,911	33,953	9,690
Assigned to:				
Capital projects	6,868	8,185	10,617	-
Special Revenue	33,844	9,200	2,926	3,134
Undesignated	(4,362)	(1,217)	(3,811)	(1,351)
Total all other governmental funds	<u>\$ 256,289</u>	<u>\$ 176,137</u>	<u>\$ 120,984</u>	<u>\$ 186,902</u>

Source: City of Arlington Finance Department

Table 3

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,228 16	\$ 1,252 16	\$ 1,172 20	\$ 1,206 23	\$ 1,207 71	\$ 1,265 117
500	500	500	500	500	-
1,122	-	-	-	-	-
5,613	7,766	5,235	4,449	5,598	8,515
16,054	16,745	17,076	17,537	18,162	19,717
5,944	6,378	6,147	6,313	6,538	6,918
1,252	1,252	1,263	1,372	1,443	1,402
1,718	1,718	1,718	1,718	1,718	1,718
21,487	21,487	17,206	17,151	17,151	17,151
380	566	615	756	916	830
774	607	236	195	119	305
-	-	-	-	-	-
4,538	5,155	4,062	4,062	4,062	4,062
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
56	55	-	-	-	-
6,093	-	1,490	909	538	478
<u>\$ 66,775</u>	<u>\$ 63,497</u>	<u>\$ 56,740</u>	<u>\$ 56,191</u>	<u>\$ 58,023</u>	<u>\$ 62,478</u>
\$ 245 -	\$ 245 -	\$ 243 -	\$ 249 11,166	\$ 240 5,740	\$ 237 1,685
63,644	82,648	85,214	99,932	109,099	97,784
67,258	72,894	74,247	64,931	60,099	54,577
21,934	20,679	24,592	25,725	27,516	44,867
17,152	21,594	22,010	21,471	25,534	73,800
-	-	-	-	-	-
1,567	1,253	2,320	823	589	318
(2,260)	-	(7)	-	-	-
<u>\$ 169,540</u>	<u>\$ 199,313</u>	<u>\$ 208,619</u>	<u>\$ 224,297</u>	<u>\$ 228,817</u>	<u>\$ 273,268</u>

CITY OF ARLINGTON, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited) (In Thousands)

	Fiscal Year			
	2007	2008	2009	2010
REVENUES:				
Taxes:	\$ 197,877	\$ 205,531	\$ 208,756	\$ 210,767
Licenses and permits	4,399	4,650	5,881	6,801
Franchise fees	29,145	25,994	25,038	25,769
Fines and forfeitures	7,528	10,515	12,949	13,861
Leases, rents, and concessions	7,081	7,363	9,687	11,117
Service charges	20,196	22,476	18,573	18,063
Investment income	20,665	11,591	5,453	4,025
Net increase (decrease) in fair value of investment	2,041	201	1,750	1,715
Contributions	121,720	145,029	411,788	44,839
Intergovernmental	15,586	20,619	22,244	26,801
Gas lease	-	2,091	4,430	5,971
Miscellaneous	29,487	4,915	3,431	7,129
Total Revenues	<u>455,725</u>	<u>460,975</u>	<u>729,980</u>	<u>376,858</u>
EXPENDITURES:				
General government	30,792	35,911	36,150	35,599
Public safety	112,704	119,585	124,424	126,934
Public works	37,516	45,968	41,774	35,493
Public health	1,695	1,826	2,287	2,770
Public welfare	11,166	39,253	10,142	10,969
Parks and recreation	23,625	24,452	24,340	23,666
Convention and event services	5,628	6,533	6,299	6,321
Operating expenditures	-	-	-	-
Capital outlay	278,858	337,661	476,149	79,365
Debt Service:				
Principal retirement	26,415	24,825	30,180	30,975
Redemption premium	-	-	-	-
Interest and fiscal charges	25,019	27,054	48,672	29,352
Bond issuance cost	-	-	-	-
Total expenditures	<u>553,418</u>	<u>663,068</u>	<u>800,417</u>	<u>381,444</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(97,693)</u>	<u>(202,093)</u>	<u>(70,437)</u>	<u>(4,586)</u>
OTHER FINANCING SOURCES (USES):				
Bonds issued*	-	105,075	-	62,560
Capital lease	-	322	-	-
Proceeds from sale of capital assets	-	-	201	-
Refunding bonds issued	-	-	175,005	16,020
Bond premium	-	-	-	2,870
Payment of escrow for refunding	-	-	(164,265)	(12,913)
Gain on sale of land	-	2,105	-	-
Bond discount	-	-	(4,130)	-
Transfers in	19,366	30,833	37,507	33,915
Transfers out	(16,659)	(20,551)	(26,942)	(23,662)
Total other financing sources (uses)	<u>2,707</u>	<u>117,784</u>	<u>17,376</u>	<u>78,790</u>
NET CHANGE IN FUND BALANCES	<u>\$ (94,986)</u>	<u>\$ (84,309)</u>	<u>\$ (53,061)</u>	<u>\$ 74,204</u>
Capitalized Capital outlay	244,539	334,622	421,989	101,356
Debt service as a percentage of noncapital expenditures	16.7%	15.8%	20.8%	21.5%

Source: City of Arlington Finance Department

* Note: Bond issued includes general obligation bonds and certificates of obligation and commercial paper

Investment income includes net increase (decrease) in fair value of investments

Table 4

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 209,077	\$ 212,991	\$ 221,338	\$ 224,401	\$ 235,986	\$ 245,678
7,146	6,673	6,823	7,589	7,448	9,063
27,260	25,600	25,550	26,970	26,477	25,435
15,194	15,425	15,419	15,191	13,847	11,996
8,791	8,968	8,932	9,890	10,203	9,848
20,836	20,081	20,302	19,705	20,316	22,089
5,004	3,797	3,269	3,252	3,322	3,936
(1,201)	(139)	(935)	(477)	(301)	(592)
2,243	6,132	4,481	4,910	6,290	5,373
23,017	25,361	19,483	15,476	12,700	62,857
8,276	9,314	7,668	8,351	10,287	5,196
6,826	5,202	3,549	2,783	8,569	5,003
<u>332,469</u>	<u>339,405</u>	<u>335,879</u>	<u>338,041</u>	<u>355,144</u>	<u>405,882</u>
41,512	41,780	40,188	43,045	41,924	45,692
128,519	134,166	132,829	142,556	141,550	145,733
44,003	39,954	44,151	45,965	45,723	42,215
3,737	4,163	2,349	2,621	2,762	2,637
11,045	8,372	9,391	11,558	8,497	9,768
23,975	24,322	26,738	25,628	26,246	26,347
6,194	6,821	6,711	7,366	8,037	8,283
-	-	-	-	-	-
26,389	32,262	27,325	30,912	43,274	55,815
61,785	42,765	49,625	50,810	54,815	60,500
1,116	249	299	168	13	701
28,703	25,976	25,062	23,689	23,624	24,119
-	-	-	-	-	-
<u>376,978</u>	<u>360,830</u>	<u>364,668</u>	<u>384,318</u>	<u>396,465</u>	<u>421,810</u>
<u>(44,509)</u>	<u>(21,425)</u>	<u>(28,789)</u>	<u>(46,277)</u>	<u>(41,321)</u>	<u>(15,928)</u>
15,275	19,635	19,635	43,450	32,004	64,585
-	-	-	-	-	-
-	-	-	-	-	-
41,065	23,865	6,430	-	36,845	47,365
2,318	2,038	835	2,900	4,468	8,935
(39,252)	(13,328)	(6,585)	-	(40,435)	(53,710)
-	-	-	-	-	-
-	-	-	-	-	-
31,769	44,505	42,468	39,573	43,241	90,512
(23,820)	(28,795)	(31,445)	(24,517)	(28,450)	(92,853)
<u>27,355</u>	<u>47,920</u>	<u>31,338</u>	<u>61,406</u>	<u>47,673</u>	<u>64,834</u>
\$ <u>(17,154)</u>	\$ <u>26,495</u>	\$ <u>2,549</u>	\$ <u>15,129</u>	\$ <u>6,352</u>	\$ <u>48,906</u>
27,665	29,209	27,497	30,077	41,252	55,394
25.9%	20.7%	22.2%	21.0%	22.1%	23.1%

CITY OF ARLINGTON, TEXAS
TAXABLE VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years (In Thousands)
(Unaudited)

Table 5

Fiscal Year	Estimated Actual Value of Taxable Property		Total Taxable Value ⁽¹⁾	Total Direct Tax Rate
	Real Property	Personal Property		
2007	14,557,436	2,235,989	16,793,425	0.6480
2008	15,304,029	2,287,200	17,591,229	0.6480
2009	15,859,827	2,386,993	18,246,820	0.6480
2010	15,647,090	2,604,015	18,251,105	0.6480
2011	14,809,609	2,369,503	17,179,112	0.6480
2012	14,768,390	2,555,054	17,323,444	0.6480
2013	15,032,414	2,645,228	17,677,642	0.6480
2014	15,451,540	2,636,867	18,088,407	0.6480
2015	16,086,303	2,819,463	18,905,766	0.6480
2016 *	16,580,450	3,020,914	19,601,363	0.6480

Sources:

City of Arlington Finance Department
Tarrant Appraisal District Records

Note:

(1) Taxable and estimated actual value of taxable property is obtained from the certified value as of September of each tax year including minimum estimated value of property under protest.

* 2016 certified values as of December tax year.

Note: The City budgets tax revenue based on the tax valuation from the previous tax year.

CITY OF ARLINGTON, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of assessed value)
Last Ten Fiscal Years
(Unaudited)

Table 6

City Direct Rates				Overlapping Rates						
Tax Year ⁴	Operating/ General Rate	General Obligation Debt Service	Total Direct	Arlington Independent School District ¹	Fort Worth Independent School District ¹	HEB Independent School District ¹	Kennedale Independent School District ¹	Mansfield Independent School District ¹	Tarrant County ²	Viridian Management District ³
2007	0.4467	0.2013	0.6480	1.28	1.19	1.30	1.36	1.45	0.64	N/A
2008	0.4467	0.2013	0.6480	1.27	1.26	1.30	1.49	1.45	0.63	N/A
2009	0.4467	0.2013	0.6480	1.27	1.32	1.30	1.49	1.45	0.65	N/A
2010	0.4330	0.2150	0.6480	1.34	1.32	1.29	1.55	1.50	0.65	0.45
2011	0.4393	0.2087	0.6480	1.31	1.32	1.41	1.51	1.50	0.66	0.45
2012	0.4423	0.2057	0.6480	1.30	1.32	1.41	1.51	1.54	0.66	0.45
2013	0.4423	0.2057	0.6480	1.29	1.32	1.39	1.49	1.53	0.66	0.45
2014	0.4353	0.2127	0.6480	1.35	1.32	1.38	1.51	1.53	0.66	0.45
2015	0.4460	0.2020	0.6480	1.41	1.35	1.35	1.49	1.51	0.66	0.45
2016	0.4538	0.1910	0.6448	1.39	1.35	1.32	1.49	1.51	0.65	0.45

Sources:

City of Arlington Finance Department
Tarrant Appraisal District Records

Notes:

- 1 A single property owner's total tax rate would only include one independent school district's (Arlington, Hurst-Euless-Bedford, Kennedale, or Mansfield) tax rate.
- 2 This column includes the tax rates for Tarrant County, the Tarrant County Junior College District, the Tarrant County Hospital District and the TC Regional Water District
- 3 Viridian Management District was approved by Arlington City Council in 2007. Tax rate started in 2010.
- 4 The City budgets tax revenue based on the tax valuation from the previous tax year. For example, the rates in 2016 determine revenue for fiscal year 2017.

CITY OF ARLINGTON, TEXAS
 PRINCIPAL PROPERTY TAX PAYERS
 Current Year and Ten Years Ago
 (Unaudited)

2016		
<u>Taxpayer</u>	<u>Total Taxable Value</u>	<u>Percentage of Total City Taxable Value</u>
General Motors Corp.	\$ 320,535,964	1.70 %
Arlington Highlands	180,490,513	0.95
Parks at Arlington	161,938,140	0.86
Oncor Electric Delivery	143,498,483	0.76
Lincoln Square TX LP	115,597,422	0.61
Six Flags Fund II LTD	100,837,024	0.53
LSREF3 Bravo (Dallas), LLC	75,414,000	0.40
Wal-Mart Real Estate Bus LLC	68,433,720	0.36
DFW Midstream Services	65,259,545	0.35
Providence Apartments LLC	55,000,000	0.29
Total	<u>\$ 1,287,004,811</u>	<u>6.81 %</u>

Sources:

City of Arlington Finance Department
 Tarrant Appraisal District

Table 7

2007		
<u>Taxpayer</u>	<u>Total Taxable Value</u>	<u>Percentage of Total City Taxable Value</u>
General Motors Corp	\$ 197,074,157	1.26 %
TXU Electric Delivery Co	146,201,461	0.94
Parks At Arlington Lp	141,738,142	0.91
Southwestern Bell	75,489,133	0.48
Six Flags Fund II Ltd	70,128,481	0.45
JPMorgan Chase Bank	49,045,514	0.31
USMD Surgical Hospital Of Arl	47,520,722	0.30
Lincoln Square Ltd	46,616,894	0.30
HCA-Arlington Inc.	40,000,000	0.26
Kc Providence Park Lp	35,504,164	0.23
Total	<u>\$ 849,318,668</u>	<u>5.44 %</u>

CITY OF ARLINGTON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Table 8

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Collected Within the Fiscal Year of the Levy		Collections Related to Prior Years ⁽¹⁾	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2007	108,821,392	106,139,829	97.54	2,469,033	108,608,862	99.80
2008	114,126,102	111,408,733	97.62	2,470,602	113,879,335	99.78
2009	118,239,391	116,351,305	98.40	1,628,643	117,979,948	99.78
2010	118,267,158	115,750,354	97.87	1,946,742	117,697,096	99.52
2011	111,320,648	109,098,499	98.00	1,251,819	110,350,318	99.13
2012	112,255,917	110,156,752	98.13	1,182,110	111,338,863	99.18
2013 *	114,551,118	112,051,050	97.82	1,553,340	113,604,390	99.17
2014	117,212,877	114,468,630	97.66	1,915,638	116,384,268	99.29
2015	122,509,363	119,624,237	97.64	1,945,890	121,570,128	99.23
2016	127,016,834	123,750,524	97.43	2,425,689	126,176,213	99.34

Source:

City of Arlington Finance Department

Notes:

Cumulative Tax Collection Comparison

⁽¹⁾ Prior year collections exclude penalty and interest

* Collected within FY Amount Revised for 2013



Fiscal Year	Governmental Activities					Business-Type Activities						
	General Obligation Bonds	Certificates of Obligation ⁽¹⁾	Commercial Paper	Stadium Debt ⁽²⁾	Capital Leases	Water and Sewer Revenue Bonds	Stormwater Bonds	Total Primary Government	Percentage of Total Taxable Value	Estimated Population	Per Capita ^a	Percentage of Personal Income
2007	205,875,000	22,405,000	14,000,000	297,990,000	-	99,000,000	-	639,270,000	3.81%	364,300	1,755	0.84%
2008	242,920,000	65,610,000	22,000,000	297,990,000	-	90,770,000	-	719,290,000	4.09%	369,150	1,949	0.91%
2009	221,380,000	61,920,000	22,000,000	303,780,000	-	100,500,000	-	709,580,000	3.89%	370,450	1,915	1.05%
2010	254,425,000	69,465,000	17,200,000	298,550,000	-	110,220,000	-	749,860,000	4.11%	365,438	2,052	1.05%
2011	251,450,000	65,285,000	12,900,000	263,635,000	-	116,675,000	25,600,000	735,545,000	4.28%	365,530	2,012	0.95%
2012	259,755,000	61,055,000	-	248,240,000	-	124,285,000	24,320,000	717,655,000	4.14%	365,860	1,962	0.87%
2013	257,493,000	56,110,000	-	225,718,000	-	123,642,000	23,981,000	686,944,000	3.89%	365,930	1,877	0.81%
2014	252,197,000	80,340,000	-	207,827,000	-	133,307,000	22,601,000	696,272,000	3.85%	369,508	1,884	0.78%
2015	265,434,000	67,525,000	-	185,051,000	9,860,000	141,410,000	21,228,000	680,648,000	3.60%	379,370	1,794	0.70%
2016	307,231,000	62,490,000	-	156,570,000	8,864,000	173,125,000	19,860,000	728,140,000	3.71%	380,740	1,912	n/a

Sources:
City of Arlington Finance Department

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
^aSee Table 13 for personal income and population data.

⁽¹⁾ Certificates of Obligation include Tax and Revenue certificates
⁽²⁾ Stadium Debt include Special Tax Revenue Bonds, and Revenue Bonds
2011 Population has been revised to 365,530

CITY OF ARLINGTON, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

Table 10

Fiscal Year	General Bonded Debt Outstanding					Percentage of Actual Taxable Value of Property ^a	Per Capita ^b	Estimated Population
	General Obligation Bonds	Certificates of Obligations	Commercial Paper	Available resources restricted for repayment of debt (fund balance)	Net General Bonded Debt Outstanding			
2007	205,875,000	22,405,000	14,000,000	(4,314,178)	237,965,822	1.42%	653	364,300
2008	242,920,000	65,610,000	22,000,000	(4,722,990)	325,807,010	1.85%	883	369,150
2009	221,380,000	61,920,000	22,000,000	(6,008,334)	299,291,666	1.64%	808	370,450
2010	254,425,000	69,465,000	17,200,000	(5,879,115)	335,210,885	1.84%	917	365,438
2011	251,450,000	65,285,000	12,900,000	(5,774,175)	323,860,825	1.89%	886	365,530
2012	259,755,000	61,055,000	-	(4,874,817)	315,935,183	1.82%	864	365,860
2013	257,493,000	56,110,000	-	(4,078,685)	309,524,315	1.75%	846	365,930
2014	252,197,000	80,340,000	-	(2,769,146)	329,767,854	1.82%	892	369,508
2015	265,434,000	67,525,000	-	(2,482,205)	330,476,795	1.75%	871	379,370
2016	307,231,000	62,490,000	-	(2,260,181)	367,460,819	1.87%	965	380,740

Source:

City of Arlington Finance Department

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^aSee Table 5 for property value data.

^bSee Table 13 for population data.

*2010 population is based on census data; All other years are estimates.

CITY OF ARLINGTON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2016
(Unaudited)

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Arlington ISD	\$ 813,958,853	77.43%	\$ 630,248,340
Fort Worth ISD	922,890,000	0.64%	5,906,496
Hurst-Euless-Bedford I.S.D.	261,627,579	0.70%	1,831,393
Kennedale I.S.D.	38,533,985	2.92%	1,125,192
Mansfield I.S.D.	764,415,000	28.86%	220,610,169
Tarrant County	344,185,000	13.75%	47,325,438
Tarrant County Junior College District	-	0.00%	-
Tarrant County Hospital District	22,335,000	13.75%	3,071,063
Viridian Municipal Management	39,850,000	100.00%	39,850,000
Subtotal overlapping debt	3,207,795,417		949,968,091
City of Arlington, net debt outstanding	\$ 535,155,000	100.00%	\$ 535,155,000
Total direct and overlapping debt	\$ 3,742,950,417		\$ 1,485,123,091

Sources:

City of Arlington Finance Department

Estimated percentages are provided by the Municipal Advisory Council of Texas

Note:

City Of Arlington net debt outstanding includes GO, CO, Stadium Debt, Discount Bonds and Capital Leases.

Tarrant Count Junior College District had no debt outstanding.

CITY OF ARLINGTON, TEXAS
 PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years
 (In Thousands)
 (Unaudited)

Table 12

Waterworks and Sewer System Revenue Bonds					
Fiscal Year	Total Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue ⁽³⁾	Average Annual Requirement	Times Coverage ⁽⁴⁾
2007	90,471	61,044	29,427	6,660	4.42
2008	104,520	63,231	41,289	6,141	6.72
2009	109,168	75,714	33,454	7,119	4.70
2010	107,800	73,859	33,941	7,013	4.84
2011	123,442	67,924	55,518	7,663	7.24
2012	114,719	70,300	44,419	7,769	5.72
2013	114,234	72,941	41,293	7,684	5.37
2014	116,145	78,672	37,473	8,195	4.57
2015	123,870	79,958	43,912	8,582	5.12
2016	131,086	78,839	52,247	10,559	4.95

Storm Water Utility					
Fiscal Year	Total Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue ⁽³⁾	Average Annual Requirement	Times Coverage ⁽⁴⁾
2011	10,492	4,371	6,121	1,856	3.30
2012	10,536	2,874	7,662	1,825	4.20
2013	10,815	2,845	7,970	1,800	4.43
2014	10,774	2,908	7,866	1,774	4.43
2015	12,160	3,110	9,050	1,747	5.18
2016	13,575	3,430	10,145	1,720	5.90

Source:

City of Arlington Finance Department

Notes:

⁽¹⁾ Revenue determined on the full accrual basis and includes nonoperating interest

⁽²⁾ Total expenses less depreciation and bond interest

⁽³⁾ Gross operating revenues (1) less expenses (2)

⁽⁴⁾ Net revenue available for debt service (3) divided by average annual debt service requirement

CITY OF ARLINGTON, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Calendar Years
 (Unaudited)

Table 13

Year	Estimated Population ^(a)	Personal Income ^(b) (thousands of dollars)	Per Capita		School Enrollment ^(d)	Unemployment Rate ^(e)
			Personal Income ^(b)	Median Age ^(c)		
2007	364,300	76,104,528	37,573	31.4	63,082	4.1%
2008	369,150	78,864,176	38,018	32.0	62,863	4.7%
2009	370,450	67,781,269	37,567	33.0	63,506	7.3%
2010 *	365,438	71,186,538	39,367	35.0	63,989	7.8%
2011	365,530	77,035,055	40,965	35.0	64,979	7.6%
2012	365,860	82,707,780	43,044	33.0	65,700	6.8%
2013	365,930	84,905,643	44,417	34.0	66,177	5.9%
2014	369,508	89,814,369	46,169	32.3	65,972	5.2%
2015	379,370	96,600,949	48,727	32.5	65,274	4.0%
2016	380,740	N/R	N/R	N/R	64,652	3.8%

Sources:

(a) North Central Texas Council of Governments and City of Arlington Financial and Management Resources.

(b) Bureau of Economic Analysis (BEA) Tarrant County

(c) U.S. Census Bureau

(d) Texas Education Agency

(e) Bureau of Labor Statistics Data (Annual Average 10/2014 - 9/2015)

Notes:

* 2010 population and Median Age is based on US Census data; All other years are estimates.

N/R - not reported

CITY OF ARLINGTON, TEXAS
 PRINCIPAL EMPLOYERS
 Current Year and Ten Years Ago
 (Unaudited)

Table 14

2016			
<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Arlington Independent School District	Public Education	8,200	4.02%
University of Texas at Arlington	Higher Education	5,300	2.60%
General Motors Co.	Automobile Assembly	4,484	2.20%
Texas Health Resources	Health Care	4,063	1.99%
Six Flags Over Texas	Amusement Park	3,800	1.86%
The Parks at Arlington	Retail	3,500	1.72%
GM Financial	Financial Services	3,300	1.62%
City of Arlington	Municipality	2,509	1.23%
J.P. Morgan-Chase	Banking Services	1,965	0.96%
Texas Rangers Baseball Club	Sports/Entertainment	1,881	0.92%
Total		39,002	19.12%

2007			
<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Arlington ISD	Public Education	8,000	4.99%
University of Texas at Arlington	Higher Education	5,700	3.56%
Six Flags Over Texas	Amusement Park	3,200	2.00%
General Motors	Automobile Assembly	3,000	1.87%
The Parks at Arlington (Mall)	Mall	3,000	1.87%
City of Arlington	Municipality	2,500	1.56%
Chase Bank	Bank	1,900	1.19%
Texas Rangers Baseball Club	Sports Entertainment	1,800	1.12%
Arlington Memorial Hospital	Medical Center	1,300	0.81%
Americredit	Finance	1,300	0.81%
Providian Financial	Finance	1,200	0.75%
Wal-Mart	Discount Retail	1,200	0.75%
National Semiconductor	Manufacturing	1,100	0.69%
Total		35,200	21.97%

Sources:

City of Arlington Finance Department and Office of Economic Development

Notes:

2016 Employment Estimate is 208,826

2007 Employment Estimate is 160,267

CITY OF ARLINGTON, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM,
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2007	2008	2009	2010
Strategic Support				
Management Resources*	42	42	-	-
City Attorney's Office	37	37	38	38
City Manager's Office	6	4	4	3
Internal Auditor's Office	6	6	6	5
Human Resources	23	23	20	19
Judiciary	5	6	6	6
Municipal Court	46	46	43	42
Information Technology	54	54	53	54
Finance*	31	31	74	69
Knowledge Services Fund	10	10	11	11
Economic Development & Capital Investment				
Economic Development	3	3	3	3
Community Development and Planning	69	73	70	68
Aviation	8	8	8	8
Convention Center	31	32	32	31
Neighborhood Services				
Police	768	793	811	781
Fire**	407	414	426	423
Code Compliance Services	72	77	77	75
Park and Recreation	130	115	119	118
Park Performance Fund	61	81	75	72
Library	71	71	70	69
Capital Investment				
Public Works & Transportation	125	133	89	93
Street Maintenance Fund	62	62	92	92
Environmental Services	10	10	4	-
Fleet Services Fund	2	2	1	1
Water Utilities Fund	219	218	219	219
Storm Water Utility Fund	-	-	24	24
Grant Funds	85	88	93	153
Total	<u>2,383</u>	<u>2,439</u>	<u>2,468</u>	<u>2,477</u>

Source:

City of Arlington Finance Department

Note:

* Management Resources and Finance merged into Financial & Management Resources 2009-2014.

**Fire umbrellas communication services fund (2012, 106 FTEs) and EPAB (2012, 2 FTEs)

Table 15

	Fiscal Year				
2011	2012	2013	2014	2015	2016
-	-	-	-	33	41
38	38	38	38	38	38
3	3	3	3	3	3
5	5	5	5	5	5
19	19	19	19	21	21
6	6	6	6	7	7
41	42	41	41	42	43
54	55	55	55	55	56
69	70	71	71	36	35
9	9	8	8	8	8
3	3	3	3	4	4
64	71	71	71	70	68
8	8	8	8	9	9
31	31	31	31	31	31
789	829	837	836	838	835
424	443	443	443	447	472
69	60	62	62	64	64
103	101	102	102	104	106
72	69	69	69	74	74
68	68	68	68	68	68
90	86	85	85	85	85
91	93	93	93	93	92
-	-	-	-	-	-
1	1	1	1	1	1
222	222	223	223	218	204
27	27	27	27	27	27
152	115	106	113	111	123
<u>2,458</u>	<u>2,474</u>	<u>2,475</u>	<u>2,481</u>	<u>2,492</u>	<u>2,520</u>

CITY OF ARLINGTON, TEXAS
 OPERATING INDICATORS BY FUNCTION/PROGRAM,
 Last Ten Fiscal Years
 (Unaudited)

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public safety				
Police				
Number of employees	582	598	621	634
Number of dispatch calls	147,668	142,861	139,251	161,695
Fire				
Number of employees	407	414	426	423
Number of service calls	30,665	31,090	30,955	33,012
Parks and recreational				
Parks - programs registration	38,366	39,450	48,442	45,855
Membership	41,205	39,398	35,756	38,285
Library				
Library	1	1	1	1
Branch libraries	5	6	6	6
Collection Size	598,869	611,402	623,767	612,272
Average monthly circulation	139,909	155,417	177,075	186,606
Water and sewer				
Number of accounts	98,195	98,924	99,141	99,288
Average daily water consumption (gallons)	47,582,642	53,516,147	51,697,563	48,128,986
Ozonated treatment capacity (gpd)	140,000,000	140,000,000	140,000,000	172,500,000
Number of sewer connections	96,905	96,905	96,895	97,185
Golf Course				
Number of clinics	127	92	133	129
Number of participants in clinics	646	517	508	495
Number of private lessons	1,770	1,653	1,631	1,253

Source:

City of Arlington Finance Department

Notes:

* Central Library was vacated in Feb 2015 and temporarily replaced as the Central Express Library Branch until new Central Library construction is complete.

Police: Employment represents full-time sworn officers

Fire: Employment represents full-time civilian, sworn and dispatch.

Fire: Number of Service Calls represent all incidents including mutual aid given.

Table 16

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
634	640	640	643	643	639
135,552	156,388	143,146	134,160	135,047	136,069
424	443	443	443	445	470
34,445	35,276	36,317	38,542	40,717	42,325
41,479	47,842	46,286	42,692	53,395	57,405
39,282	35,314	36,757	35,661	32,396	29,468
1	1	1	1	1	-
6	6	6	6	7 *	7
602,339	614,270	656,982	624,002	625,267	630,315
199,616	187,093	180,048	175,601	179,734	181,812
99,484	99,862	100,453	101,107	101,733	102,193
64,096,000	57,990,000	49,094,776	53,350,000	52,481,000	46,160,656
172,500,000	172,500,000	172,500,000	172,500,000	172,500,000	172,500,000
97,343	97,930	98,544	99,279	99,944	100,387
78	61	56	64	71	39
348	355	409	204	534	348
1,246	1,066	1,854	1,747	2,098	1,664

CITY OF ARLINGTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public safety				
Police stations	3	3	4	4
Fire stations	16	16	16	16
Miles of streets and alleys				
Streets- paved (lane miles)	2,969	2,985	2,996	3,002
Sidewalks (miles)	981	988	993	999
Cultural and recreational				
Parks (acres) (golf courses included)	4,663	4,669	4,681	4,683
Swimming pools	7	7	7	7
Tennis courts	49	47	45	45
Recreation centers	5	5	5	5
Senior center	2	2	2	2
Miles of park trails	43	46	47	52
Sports fields-youth	77	77	77	77
Basketball courts-outdoors	22	22	22	21
Number of golf courses	4	4	4	4
Water and Sewer				
Water mains (miles)	1,389	1,532	1,545	1,551
Fire hydrants	10,493	10,550	10,711	10,780
Sanitary sewers (miles)	1,194	1,282	1,286	1,289

Source:
City of Arlington Finance Department

Table 17

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
4	4	4	4	4	4
16	17	17	17	17	17
3,004	3,085	3,093	3,161	3,225	3,277
1,005	1,015	1,018	1,030	1,048	1,057
4,683	4,697	4,710	4,710	4,714	4,714
7	7	7	7	7	7
45	45	45	45	45	45
5	5	5	4	4	4
2	2	2	2	2	2
49	51	53	54	54	54
77	77	77	77	77	77
22	21	21	21	21	21
4	4	4	4	4	4
1,557	1,572	1,575	1,578	1,582	1,589
10,856	10,983	10,959	11,018	11,067	11,120
1,294	1,297	1,300	1,302	1,306	1,317

CITY OF ARLINGTON, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS AND CONTRIBUTION RATES
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

Table 18

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio (1/2)	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	UAAL as a Percentage of ACP (4/5)	Total TMRS Required Contribution Rate	Prior Service Portion of the TMRS Rate
2006	334,823	447,440	74.8%	112,617	113,822	98.9%	14.55%	4.85%
2007	342,766	466,521	73.5%	123,755	128,574	96.3%	14.88%	5.10%
2008	348,785	569,404	61.3%	220,619	130,958	168.5%	15.51% ^(a)	9.44%
2009	360,029	594,442	60.6%	234,413	143,791	163.0%	16.76% ^(b)	9.95%
2010	373,897	621,177	60.2%	247,280	147,276	167.9%	17.85% ^(c)	10.19%
2011	688,015	832,168	82.7%	144,153	142,875	100.9%	17.16% ^(d)	8.44%
2012	736,849	868,505	84.8%	131,656	149,940	87.8%	16.47%	5.17%
2013	787,497	904,236	87.1%	116,739	145,369	80.3%	16.28%	4.68%
2014	842,194	1,003,238	83.9%	161,044	150,941	106.7%	15.62%	6.88%
2015	893,065	1,037,982	86.0%	144,917	149,837	96.7%	15.08%	6.36%

Source: City of Arlington Finance Department

^(a) Phase in rate for 2008 15.51%

^(b) Phase in rate for 2009 16.76%

^(c) Phase in rate for 2010 17.85%

^(d) Phase in rate for 2011 17.16%