PRELIMINARY OFFICIAL STATEMENT

Dated September 17, 2025

Ratings:
Fitch: "AAA"
Moody's: "Aa1"
(See "OTHER INFORMATION-Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

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

$6,135,000*
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2025B

Dated Date: September 15, 2025 **Due: June 1, as shown on page 2**
Interest to accrue from the Delivery Date

PAYMENT TERMS . . . Interest on the $6,135,000* City of Arlington, Texas, Water and Wastewater System Revenue Bonds, Series 2025B (the "Bonds"), will accrue from the date of their delivery (the "Delivery Date") to the initial purchaser of the bonds (the "Initial Purchaser") and will be payable on June 1 and December 1 of each year commencing December 1, 2025 until maturity or prior redemption, and will be calculated on the basis of a 360- day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued as special obligations of the City of Arlington, Texas (the "City"), issued on parity with the currently Outstanding Bonds (as hereinafter defined). The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1371 and 1502, Texas Government Code, as amended, Article XIII of the City's home rule charter and an ordinance (the "Bond Ordinance") adopted by the City Council of the City (the "City Council") on August 5, 2025 approving the issuance of the Bonds in which the City Council delegated pricing of the Bonds to an "Authorized Officer" who will approve a pricing certificate (the "Pricing Certificate" which, together with the Bond Ordinance, is referred to herein as the "Ordinance") which will contain the final terms of the sale and will complete the sale of the Bonds. The Bonds together with the Outstanding Bonds and any Additional Bonds, are payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues (as hereinafter defined) of the City's Water and Wastewater System (the "System"). **The Bonds shall not be a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City.** The Ordinance does not create any lien or mortgage on the System and any judgment against the City may not be enforced by the levy and execution against the property owned by the City.

PURPOSE . . . The proceeds from the sale of the Bonds are being used to provide funds for the purpose of (i) improving and extending the System; and (ii) paying costs of issuance associated with the sale of the Bonds.

MATURITY SCHEDULE

See page 2

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

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on October 21, 2025 (the "Delivery Date").

BIDS DUE TUESDAY, SEPTEMBER 23, 2025 AT 11:00 AM, CDT

* Preliminary, subject to change. See "THE BONDS - Adjustment of Principal Amounts and/or Types of Bids" in the "Notice of Sale and Bidding Instructions".

MATURITY SCHEDULE*
$6,135,000*
WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2025B

CUSIP Prefix: 04184K [1]

Principal Amount	(June 1) Maturity	Interest Rate	Yield	CUSIP Suffix [1]
$ 290,000	2026			
310,000	2027			
310,000	2028			
310,000	2029			
310,000	2030			
310,000	2031			
310,000	2032			
310,000	2033			
310,000	2034			
310,000	2035			
310,000	2036			
305,000	2037			
305,000	2038			
305,000	2039			
305,000	2040			
305,000	2041			
305,000	2042			
305,000	2043			
305,000	2044			
305,000	2045			

(Interest to accrue from Delivery Date)

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Co-Municipal Advisors, or the Initial Purchaser take any responsibility for the accuracy of such numbers.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds maturing on June 1, 2036, in whole or in part in principal amounts of $5,000 or any integral multiple thereof within a maturity, on June 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . . If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the "Term Bonds") by the Initial Purchaser, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance and will be described in the final Official Statement (see "THE BONDS - Mandatory Sinking Fund Redemption").

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* Preliminary, subject to change.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission's Rule 15c2-12, as amended (the "Rule"), this document, as the same may be supplemented or corrected from time to time, constitutes an official statement of the City with respect to the Bonds described herein that has been "deemed final" by the City as of its date (or the date of any supplement or correction), except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City, Co-Municipal Advisors or Initial Purchaser. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY, ITS CO-MUNICIPAL ADVISORS, NOR THE INITIAL PURCHASER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENT.

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

TABLE OF CONTENTS

The cover page hereof, the maturity schedule, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of this Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Arlington, Texas (the "City"), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.7 square miles operates under a Council-Manager form of government (see "INTRODUCTION – Description of the City" and APPENDIX A – "General Information Regarding the City").

THE BONDS .... The City's $6,135,000* City of Arlington, Texas, Water and Wastewater System Revenue Bonds, Series 2025B, dated September 15, 2025, are scheduled to mature on June 1 in each of the years 2026 through 2045 (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Delivery Date (as provided on the cover page) to the Initial Purchaser and will be paid on December 1, 2025, and on each June 1 and December 1 thereafter until the earlier of maturity or prior redemption. (see "THE BONDS - Description of The Bonds" and "THE BONDS – Optional Redemption" and "THE BONDS – Mandatory Sinking Fund Redemption").

AUTHORITY FOR ISSUANCE........... The Bonds are authorized and issued pursuant to authority granted by the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1371 and 1502, Texas Government Code, as amended, Article XIII of the City's home rule charter (the "City Charter") and an ordinance (the "Bond Ordinance") adopted by the City Council on August 5, 2025 approving the issuance of the Bonds in which the City Council delegated pricing of the Bonds to an "Authorized Officer" who will approve a pricing certificate (the "Pricing Certificate" which, together with the Bond Ordinance, is referred to herein as the "Ordinance") which will contain the final terms of the sale and will complete the sale of the Bonds. (see "THE BONDS - Authority for Issuance").

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS .... The Bonds, together with certain outstanding previously issued bonds (the "Outstanding Bonds") and any additional parity bonds which may be issued in the future (the "Additional Bonds"), constitute special obligations of the City payable as to principal and interest solely from and secured by a first lien on and pledge of the Net Revenues (defined herein) of the City's Water and Wastewater System (the "System") (see "THE BONDS – Security and Rates Covenants"). **The Bonds are not general obligations of the City, Tarrant County or the State of Texas. Neither the full faith and credit nor the taxing power of the City, Tarrant County or the State of Texas is pledged to the payment of the Bonds**.

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds maturing on and after June 1, 2036, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption"). If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the "Term Bonds") by the Initial Purchasers, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Ordinance and will be described in the final Official Statement (see "THE BONDS - Mandatory inking Fund Redemption").

TAX EXEMPTION............................ In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used to provide funds for the purpose of (i) improving and extending the System; and (ii) paying the costs of issuance associated with the sale of the Bonds.

RATINGS... The Bonds are rated "AAA" by Fitch Ratings ("Fitch") and "Aa1" by Moody's Investors Service, Inc. ("Moody's") (see "OTHER INFORMATION - Ratings"). Certain of the City's presently Outstanding System revenue supported debt have underlying ratings of "Aa1" by Moody's, "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") and "AAA" by Fitch**.** (see "OTHER INFORMATION - Ratings").

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

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

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population [1]	Water Usage: Average Daily Pumpage [2]	Water Usage: Maximum Daily Water Pumpage [2]	Water Usage: Total Water Pumped [3]	Net Revenue Available For Debt Service	Annual Debt Service Requirements	Calculated Coverage of Debt Service
2020	394,266	50.61	89.24	18,474	$76,841	$30,971	2.48 x
2021	393,420	50.18	83.52	18,316	71,108	29,243	2.43 x
2022	399,560	57.61	105.08	21,027	93,160	31,526	2.96 x
2023	405,420	56.05	98.08	20,458	102,324	33,020	3.10 x
2024	411,167	53.27	86.79	19,444	102,458	32,223	3.18 x

(1) American Community Survey actual Decennial Census of the U.S. Census used for 2020. North Central Texas Council of Governments used for 2021 and subsequent years.
(2) Listed in millions of gallons per day.
(3) Listed in millions of gallons.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Jim Ross Mayor	4 Years	May, 2026	Attorney
Mauricio Galante Councilmember, District 1	1 Year	May, 2027	Entrepreneur
Raul H. Gonzalez Councilmember, District 2	5 Years	May, 2027	Administrator
Nikkie Hunter Councilmember, District 3	4 Years	May, 2026	Healthcare Administration
Andrew Piel Councilmember, District 4	6 Years	May, 2026	Attorney
Rebecca Boxall Councilmember, District 5	4 Years	May, 2026	Architect
Long Pham Councilmember, District 6	3 Years	May, 2027	Auto Insurance
Bowie Hogg Councilmember, District 7	3 Years	May, 2027	Human Resources Executive
Dr. Barbara Odom-Wesley Councilmember, District 8	6 Years	May, 2026	Healthcare Professional, Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Employment with City
Trey Yelverton	City Manager	32
Lemuel Randolph	Deputy City Manager	11
Jennifer Wichmann	Deputy City Manager	21
April Nixon	Director of Finance, CFO	22
Molly Shortall	City Attorney	18
Alex Busken	City Secretary	7

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITOR

Independent Auditor .... Forvis Mazars, LLP
Dallas, Texas

Bond Counsel .... Bracewell LLP
Dallas, Texas

Co-Municipal Advisors .... Hilltop Securities Inc.
Fort Worth, Texas

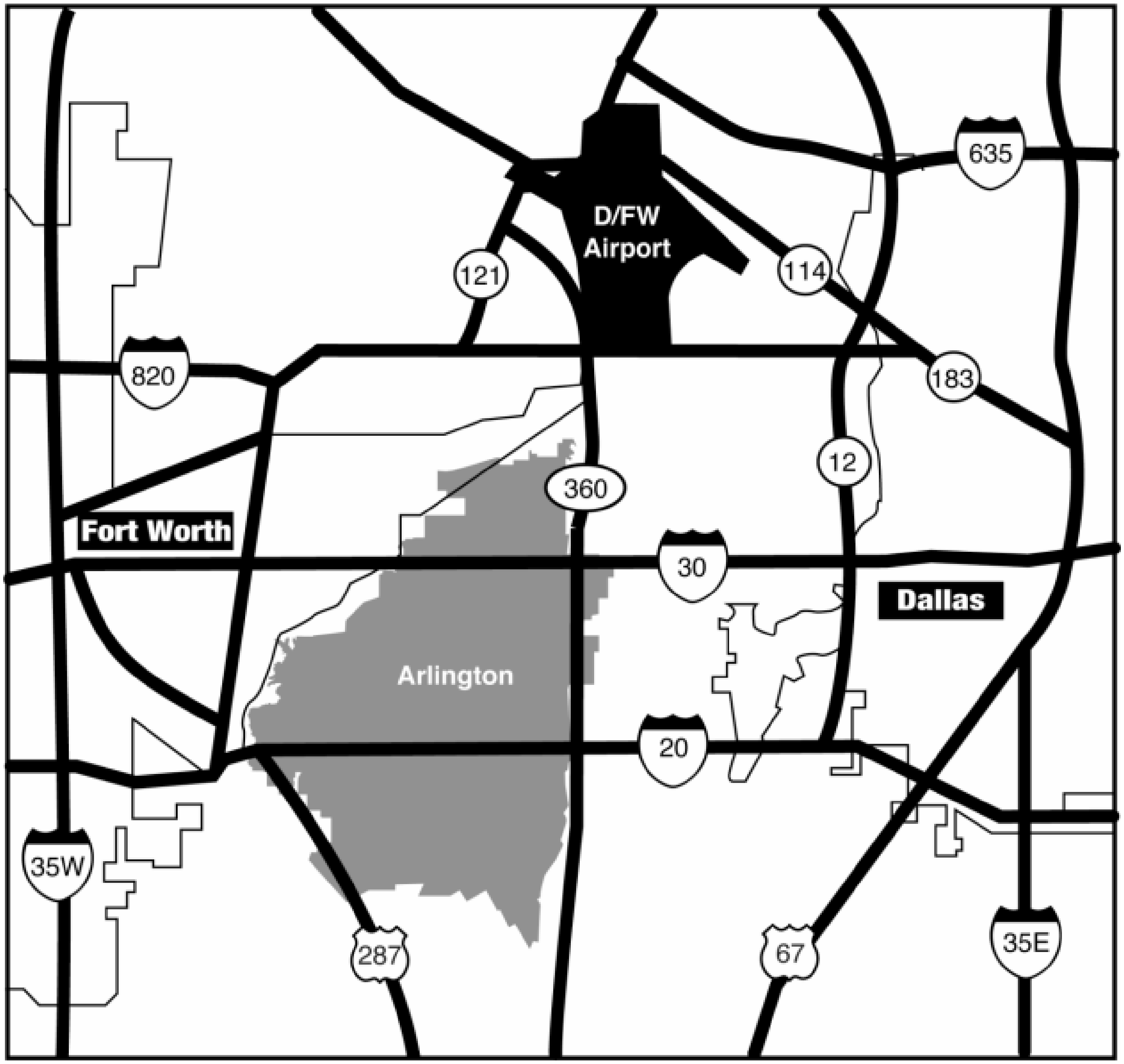
.... The RSI Group
Fort Worth, Texas

Disclosure Counsel .... West & Associates, L.L.P.
Fort Worth, Texas

For additional information regarding the City, please contact:

Mr. Ethan Klos City of Arlington 101 W. Abram Street, 3rd Floor Arlington, Texas 76010 (817) 459-6100	or	Laura Alexander Nick Bulaich Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, TX 76102 (817) 332-9710	Pamela Mobley The RSI Group, LLC 1617 Park Place Ave., Suite 110 Fort Worth, Texas 76110 (817) 945-4072

DALLAS/FORT WORTH/ARLINGTON METROPOLITAN AREA



PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$6,135,000*
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)

WATER AND WASTEWATER SYSTEM REVENUE IBONDS, SERIES 2025B

INTRODUCTION

This Official Statement, which includes the cover page, the schedule, the tables and the appendices hereto, provides certain information regarding the issuance of $6,135,000* City of Arlington, Texas, Water and Wastewater System Revenue Bonds, Series 2025B (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined) authorizing the issuance of the Bonds, except as otherwise indicated herein. Reference is made to “SELECTED PROVISIONS OF THE ORDINANCE” which contains certain defined terms and selected provisions of the Ordinance that are summarized under “THE BONDS.”

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Co-Municipal Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Fort Worth, Texas.

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

DESCRIPTION OF THE CITY . . . The City of Arlington, Texas (the “City”) is a political subdivision and municipal corporation of the State of Texas (the “State” or “Texas”), duly organized and existing under the laws of the State, including the City’s home rule charter (the “City Charter”). The City was incorporated in 1884 and first adopted the City Charter in 1920.

The City is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.7 square miles, has an estimated 2025 population of 413,955 residents. The City operates as a home-rule City under a Council-Manager form of government as established by its home rule charter (the “City Charter”) in which the Mayor and nine member City Council (the “Council” or “City Council”) serve as the legislative body. Three council members and the Mayor are elected “at-large” and five council members are elected in five single member districts. All members of the City Council are elected for terms of three years (for no more than three terms), with the elections being held in even/odd years for approximately half of the seats and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services. The City operates its water and wastewater system and its storm water system as self supporting enterprise funds.

DESCRIPTION OF THE SYSTEM . . . The City's Water and Wastewater System (the “System”) serves a 99.7 square mile area which is relatively coterminous with the corporate boundaries of the City. The City's Water Utilities Department administers and manages the System. As of fiscal year ended September 30, 2024, the System served approximately 154,933 water utility units.

The City owns and has water rights in Lake Arlington and contracts for additional water supply with the Tarrant Regional Water District (“TRWD”). TRWD provides the City water from the Cedar Creek and Richland Chambers Reservoirs (see “THE SYSTEM” herein for a detailed description of the System).

Approximately 1,249 miles of sanitary sewer mains ranging in size from six to seventy-two inches comprise the wastewater collection system that services all developed areas within the City limits. Although the City owns and maintains an extensive wastewater collection system, it does not treat its own sewage. The wastewater produced in the City is treated by the Trinity River Authority’s (“TRA”) Central Regional Wastewater Treatment Plant. (See “THE SYSTEM” herein for a detailed description of the System.)

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* Preliminary, subject to change.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 15, 2025 (the "Dated Date") and mature June 1 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the Delivery Date to the Initial Purchaser and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 1 and December 1, commencing December 1, 2025 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof**. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein

PURPOSE . . . The proceeds from the sale of the Bonds are being used to provide funds for the purpose of (i) improving and extending the System; and (ii) paying costs of issuance associated with the sale of the Bonds.

AUTHORITY FOR ISSUANCE OF THE BONDS . . . The Bonds are authorized and issued pursuant to authority granted by the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1371 and 1502, Texas Government Code, as amended, Article XIII of the City's home rule charter (the "City Charter") and an ordinance (the "Bond Ordinance") adopted by the City Council on August 5, 2025 approving the issuance of the Bonds in which the City Council delegated pricing of the Bonds to an "Authorized Officer" who will approve a pricing certificate (the "Pricing Certificate" which, together with the Bond Ordinance, is referred to herein as the "Ordinance") which will contain the final terms of the sale and will complete the sale of the Bonds.

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

Sources:	
Par Amount	$ -
Cash Premium	-
Total Sources of Funds	$ -
Uses:	
Deposit to the Project Fund	$ -
Cost of Issuance	-
Total Uses of Funds	$ -

SECURITY AND SOURCE OF PAYMENT . . . The Bonds, together with certain outstanding previously issued bonds (the "Outstanding Bonds") and any additional parity bonds which may be issued in the future (the "Additional Bonds"), constitute special obligations of the City payable as to principal and interest solely from and secured by a first lien on and pledge of the Net Revenues (see "SELECTED PROVISIONS OF THE ORDINANCE - Definitions"). **The Bonds are not general obligations of the City, Tarrant County or the State. Neither the full faith and credit nor the taxing power of the City, Tarrant County or the State is pledged to the payment of the Bonds.**

The City Council has covenanted in the Ordinance that it will maintain and collect charges for the use of the facilities and the services afforded by the System sufficient to pay all operation, maintenance, depreciation, replacement and betterment charges, establish and maintain the Interest and Sinking Fund and Reserve Fund required for the Outstanding Bonds, the Bonds, and any Additional Bonds, and to produce Net Revenues each year in an amount not less than 1.25 times the average annual principal and interest requirements of the Outstanding Bonds, the Bonds and any Additional Bonds from time to time outstanding.

As of October 21, 2025, the City will have Outstanding Bonds secured by and payable from Net Revenues on parity with the Bonds as follows:

Issue	Dated Date	Outstanding Principal Amount
Water & Wastewater System Revenue Bonds, Series 2010	11/19/2010	$ 3,465,000
Water & Wastewater System Revenue Bonds, Series 2012	6/1/2012	2,920,000
Water & Wastewater System Revenue Bonds, Series 2014	3/15/2014	1,530,000
Water & Wastewater System Revenue Bonds, Series 2014A	6/1/2014	4,655,000
Water & Wastewater System Revenue Bonds, Series 2015A	5/15/2015	9,100,000
Water & Wastewater System Revenue Refunding Bonds, Series 2015B	5/15/2016	2,335,000
Water & Wastewater System Revenue Bonds, Series 2016	5/1/2016	1,135,000
Water & Wastewater System Revenue Bonds, Series 2016A	6/1/2016	21,555,000
Water & Wastewater System Revenue Bonds, Series 2017	4/1/2017	2,750,000
Water & Wastewater System Revenue Bonds, Series 2017A	6/1/2017	24,165,000
Water & Wastewater System Revenue Bonds, Series 2017B	12/1/2017	7,210,000
Water & Wastewater System Revenue Bonds, Series 2018	4/1/2018	2,935,000
Water & Wastewater System Revenue Bonds, Series 2018A	6/1/2018	21,260,000
Water & Wastewater System Revenue Bonds, Series 2019A	5/1/2019	18,290,000
Water & Wastewater System Revenue Refunding Bonds, Series 2019B	5/1/2019	5,290,000
Water & Wastewater System Revenue Bonds, Series 2019C	6/15/2019	3,090,000
Water & Wastewater System Revenue Bonds, Series 2019D	8/15/2019	55,650,000
Water & Wastewater System Revenue Refunding Bonds, Series 2020A	5/1/2020	2,190,000
Water & Wastewater System Revenue Bonds, Series 2021	6/1/2021	35,255,000
Water & Wastewater System Revenue Bonds, Series 2022A	5/15/2022	17,275,000
Water & Wastewater System Revenue Bonds, Series 2023A	6/1/2023	6,465,000
Water & Wastewater System Revenue Refunding Bonds, Series 2023B	7/1/2023	5,880,000
Water & Wastewater System Revenue Improvement and Refunding Bonds, Series 2024	5/15/2024	28,605,000
Water & Wastewater System Revenue Bonds, Series 2025	1/1/2025	16,585,000
Water & Wastewater System Revenue Bonds, Series 2025A	6/15/2025	49,600,000
The Bonds	9/15/2025	6,135,000 [(1)]
		$ 355,325,000

(1) Preliminary, subject to change.

DEBT SERVICE RESERVE FUND . . . The City has covenanted that it will maintain in the Reserve Fund an amount equal to not less than the average annual principal and interest requirements on the Outstanding Bonds, the Bonds and any Additional Bonds from time to time outstanding (the "Reserve Fund Requirement"), and that upon the issuance of Additional Bonds, it will increase, if necessary, and accumulate such Reserve Fund Requirement in not more than 60 months from the date of such Additional Bonds. As of September 30, 2024, the Debt Service Reserve Fund balance was $4,797,153.08. Following delivery of the Bonds, the City will accumulate additional funds into the Reserve Fund, if necessary, to meet the Reserve Fund Requirement for the Bonds and the Outstanding Bonds. (See "SELECTED PROVISIONS OF THE ORDINANCE - Various Funds.")

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Bonds maturing on and after June 1, 2036, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all of the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

MANDATORY REDEMPTION . . . If two or more consecutive serial maturities of the Bonds are grouped into a single maturity (the "Term Bonds") by the Initial Purchaser such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Ordinance and will be described in the final Official Statement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed by optional redemption, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the

Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any obligations subject to conditional redemption if such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DEFEASANCE . . . The Ordinance provides that the City may discharge its Bonds to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United State of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality of the United States of America, including Bonds that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds to refund the obligations, that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Authorized Officer may limit these eligible securities as deemed necessary in connection with the sale of the Bonds. In the event the City restricts such eligible securities, the final Official Statement will reflect the new authorized eligible securities. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Preliminary Official Statement . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Preliminary Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Co-Municipal Advisors, or the Initial Purchaser.

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System of the Bonds is discontinued, printed certificates will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The BONDS - Transfer, Exchange and Registration" below.

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

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

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

Record Date for Interest Payment . . . The record date ("Record Date") for the interest payment on the Bonds on an interest payment date means the fifteenth calendar day of the month preceding such interest payment date. In the event of a non-payment of interest on the Bonds on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special 8 Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Paying Agent/Registrar . . . The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, financial institution or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Holders' Remedies . . . The Ordinance authorizing the issuance of the Bonds establishes the following events of default with respect to the Bonds: (i) defaults in payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by the Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance. Except for the remedy of mandamus to enforce the City's covenants, conditions and obligations under the Ordinance, the Ordinance does not establish other remedies. Under State law, there is no right to the acceleration of maturity of the Bonds upon an event of default under the Ordinance. Although a registered Owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to enforce the City's covenants, conditions and obligations of the City. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. No assurance can be given that a mandamus or other legal action under the Ordinance would be successful.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006) ("*Tooke*"), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. In Tooke, the Court noted the enactment in 2005 of Sections 271.151 through 160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services.

The Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*") that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify Wasson I, Wasson Interests, Ltd. v. City of Jacksonville, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*" and, together with *Wasson I*, "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds. The City has relied upon Chapter 1371 in connection with the issuance of the Bonds, but the City has not waived sovereign immunity in the proceedings authorizing of the Bonds.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source or revenues, such as the Net Revenues, such provision is subject to judicial interpretation. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that the rights of holders of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion. In addition, while the City has covenanted to secure the Bonds by a lien on the Net Revenues, Bond Counsel will opine only that a valid and enforceable lien has been granted on the Net Revenues. Bond Counsel has not been requested to, and has not, rendered any opinion as to the priority status of the pledge of the Net Revenues.

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THE SYSTEM

WATER TREATMENT FACILITIES . . . The City currently owns and operates two surface water treatment plants to treat raw water and purify it to meet and/or exceed state and federal drinking water standards. Treated water is then pumped to the distribution system for customer use. The City currently meets all federal and State-established water quality standards. In April, 2024, the EPA announced new national guidelines for monitoring certain unregulated contaminants such as Per- and polyfluoroalkyl substances, (PFAS) chemicals, in drinking water. Tests conducted over the past year by the Department show that the City's water is in compliance with these new safety guidelines.

The EPA also recently updated guidelines for lead and copper monitoring by public drinking water providers throughout the country. Department records do not indicate any current lead service lines on the portion of the distribution system owned by the City. In order to comply with the new lead rule and complete the new inventory of city-owned and private service lines by the October 2024 deadline, the Department received funding in the Fiscal Year 2024 budget and has hired three additional meter service workers and supplied them with the equipment necessary to complete the inventory. The City completed the service line inventory in September 2024. No City side or customer side lead service lines were found .

The Pierce-Burch Water Treatment Plant (PBWTP) is located in west Arlington along Green Oaks Boulevard near the intersection of Arkansas Lane. The PBWTP draws water directly from Lake Arlington. PBWTP-South was constructed in 1970 and with subsequent expansions has a treatment capacity of 75 million gallons per day (MGD). PBWTP-South is a conventional water treatment plant utilizing ozonation and biologically active Granular Activated Carbon (GAC) filtration. PBWTP-North was constructed in 1957 but has since been decommissioned and is no longer in service. There are no current plans to expand the capacity of PBWTP.

Located in the southern portion of Arlington along US Highway 287 and just east of the intersection with Eden Road sits the John F. Kubala Water Treatment Plant (JKWTP). The JKWTP receives raw water directly from the Tarrant Regional Water District's (TRWD) pipeline system that conveys water from their Richland Chambers, Cedar Creek, and Benbrook Reservoirs. Placed online in 1989 the JKWTP has undergone two subsequent expansions, for a current treatment plant capacity of 97.5 MGD. Also designed as a conventional water treatment plant, the JKWTP was modified in 1999 to include ozonation and biologically active GAC filtration. There are no current plans to expand the capacity of JKWTP.

Over the past 5 years, the City has invested more than $213 million to repair, modernize, and upgrade both the PBWTP and JKWTP.

THE DISTRIBUTION SYSTEM . . . The City's water distribution system has three pressure planes, referred to as the Upper, West and Lower planes. Either of the two City-owned and operated water treatment facilities can fully provide the average day demand to each of the pressure zones thus providing the City with 100% redundancy for water treatment and distribution. When both plants are operating concurrently, the JKWTP supplies the Upper and West pressure planes and the PBWTP supplies the Lower pressure plane. A combination of electrically driven and natural gas pumps transfer water from the plants into the distribution system. There are nine elevated storage tanks with a combined capacity of 15.5 million gallons. There are 6.0 million gallons of additional water storage facilities in the System (4.0 in Charles F Anderson, Jr. and 2.0 in the Grace Howell).

The City's water distribution system is fully metered and consists of 1,456 miles of pipe both public and private. The City has 113,861 water meters of which 83.17% are automated. The System consists of concrete cylinder, cast iron, polyvinyl chloride (PVC), ductile iron, asbestos cement (AC), and high-density polyethylene (HDPE). The entire System meets the minimum standards prescribed by the Texas Fire Insurance Commission, the United States Environmental Protection Agency (EPA) and the Texas Commission on Environmental Quality (TCEQ).

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The City's water system has adequately met the demand for treating and distributing water during the past ten fiscal years as follows:

Fiscal Year	Average Daily Pumpage (MGD)	Maximum Daily Pumpage (MGD)
2015	52.48	104.26
2016	57.64	102.46
2017	51.36	86.83
2018	50.32	108.17
2019	51.55	88.4
2020	50.61	89.24
2021	50.18	83.52
2022	57.61	105.08
2023	56.05	98.08
2024	53.27	86.79

Source: City Water Utilities Department

WATER SUPPLY . . . The Tarrant Regional Water District ("TRWD") is the primary supplier of raw water used by over 90 municipal and non-municipal entities located both within and outside of Tarrant County. Among the major customers of the TRWD are the cities of Fort Worth, Arlington, and Mansfield, and a wholesale water provider, the Trinity River Authority ("TRA").

The City receives water from TRWD's Cedar Creek and Richland Chambers Reservoirs. Water from these reservoirs is transported through transmission facilities to Lake Arlington and the John F. Kubala Water Treatment Plant. In August 1998, TRWD also has the ability to deliver water from the U.S. Army Corps of Engineers-owned reservoir Lake Benbrook. This water supply service was initially provided under the terms and provisions of a contract dated July 13, 1971. Under that contract, TRWD agrees to supply all of the City's municipal water requirements during its term.

On September 1, 1982, TRWD entered into a revised water supply contract ("Amendatory Contract") with the City, and the cities of Fort Worth, Mansfield and TRA. The revised contract will continue in effect until all bonds of TRWD relating to TRWD's System have been paid, and thereafter during the useful life of TRWD's system. Under the Amendatory Contract, the City is required to purchase all of its raw water needs from TRWD. TRWD is obligated to meet the City's needs by developing additional water supply sources, subject to force majeure, the ability of TRWD to obtain suitable financing and a determination of feasibility. If TRWD is unable to supply all of the City's raw water requirements or if it should become apparent that TRWD will become unable to supply such requirements, the Amendatory Contract provides a procedure by which the City would be permitted to develop or obtain a supplemental water supply to meet its needs. The City is depending upon TRWD to meet its full raw water needs under the Amendatory Contract and, at present, the City has no assurance of the availability of a supplemental water supply if TRWD should fail to meet such needs. Per the 2021 Region C Plan, TRWD's current sources as well as additional supplies that are actively under development are projected to provide an adequate water supply through 2040.

TRWD's most recent system enhancements included completion of Phase I & II of the Integrated Pipeline Project in 2022. Future phases will connect Lake Benbrook and Richland Chambers Reservoir into the Integrated Pipeline Project.

TRWD continues to participate in statewide and regional water supply planning authorized by the 1997 passage of Senate Bill 1. The 2021 Region C Plan for the Dallas-Fort Worth region includes plans for TRWD to develop an additional 482 MGD of water supply and an additional 160 MGD of transmission capacity through the year 2070 at an estimated cost of $6.31 billion. These projects include water conservation, reuse, reservoirs, groundwater and pipeline construction.

Under the terms of the Amendatory Contract, the City pays TRWD an amount equal to the City's proportionate share of TRWD's "Annual Requirement." Said annual requirement includes the costs of operation and maintenance of TRWD's raw water supply facilities, debt service on TRWD's bonds and any future bonds it might issue, including deposits to any special or reserve fund established in TRWD's bond resolutions. Based upon the projected usage of the City for the 2024-2025 fiscal year, the budgeted monthly purchase price to be paid by the City under the revised water contract is for $2,317,644, which results in a rate of approximately $1.40014 per one thousand gallons. Such amount is subject to adjustment as provided in the Amendatory Contract. The City is obligated to pay TRWD for all water used by it, and under the Amendatory Contract, the minimum amount of water the City shall be deemed to have used shall be calculated at an amount equal to the greater of 30 MGD or the average MGD actually used by the City during the period of the immediately preceding five consecutive annual periods.

The Amendatory Contract provides that all payments to be made under said contract shall constitute reasonable and necessary operating expenses of the System, and thus the City's requirement to make such payments from its revenues to the System shall have priority over any obligation to make payments from such revenues, including payment of principal and interest on the City's Outstanding Bonds and any additional Bonds.

DROUGHT CONTINGENCY AND EMERGENCY WATER MANAGEMENT PLAN . . . The City continues to work closely with TRWD to plan for and execute drought contingency measures. TRWD updated its Emergency Water Management and Drought Contingency Plans in April 2019, in accordance with the TCEQ directives. Regular meetings were held to discuss evolving approaches to water conservation and extending supplies during drought or emergency situations. TRWD's customers had extensive input defining drought conditions and prescribing conservation measures related to each drought stage. All major customers agreed to specific, staged measures related to emergency conditions brought on by drought-induced water supply depletion or failure of components in TRWD's supply system.

Arlington Water Utilities Department also updated its Drought Contingency Plan in 2024. The drought plan is based on a statistical analysis of 11-year weather patterns in North Texas and their potential effects on water supplies to establish drought triggers. The responses for each drought stage are triggered by two sets of conditions – water supply levels or excessive demand and emergency situations. The City Manager or his/her official designee may order the implementation of a drought response stage when one or more of the trigger conditions for that stage is met. Drought stages imposed by TRWD action must be initiated by the City of Arlington. For other trigger conditions, the City Manager or his/her official designee may decide not to order the implementation of a drought response stage even though one or more of the trigger criteria for the stage are met. Factors which could influence such a decision include, but are not limited to, the time of the year, weather conditions, the anticipation of replenished water supplies, or the anticipation that additional facilities will become available to meet needs. The reason for this decision will be documented. Drought stages are triggered when the total combined raw water supply within the TRWD western and eastern division reservoir system drops below 75, 60 and 45 percent of conservation storage. Other conditions that would activate a drought response would include situations where:

- Reduction in available water supply up to a repeat of the drought of record.
- Water production or distribution system limitations.
- Supply source becomes contaminated.
- System outage due to the failure or damage of major water system components.
- The General Manager of TRWD, with concurrence of the TRWD Board of Directors, finds that conditions warrant the declaration of a drought stage.

The City coordinated with TRWD, its customer cities and other North Texas water suppliers to take a regional approach in updating its Drought Contingency Plan in the spring of 2019. The Drought Contingency Plan, per TCEQ requirements, was adopted in April 2019. The Emergency Management Plan was also updated and adopted by the City Council in April 2019. Because of this proactive approach to addressing drought conditions and managing emergency demand, combined with an excellent track record in planning and system development initiatives, the City does not anticipate, and did not experience with implementation of the Drought Contingency Plan, any System supply problems. However, steps will be taken in the event of a prolonged drought to ensure that the financial condition of the System remains strong.

CONSUMER ANALYSIS DATA . . . The following data provides information as to the average daily water consumption, excluding sales to municipalities, by user category for the fiscal years ended September 30, 2020, through September 30, 2024.

	Average Daily Consumption (MGD)				
Category	2024	2023	2022	2021	2020
Residential	23.45	25.7	27.28	23.71	25.45
Commercial	9.58	9.24	9.12	8.34	8.18
Fire lines, Sprinklers	4.36	4.8	4.97	3.69	4.27
Apartment Units	8.11	8.15	7.97	7.52	7.55
Mobile Homes, Condominiums, Townhouses	0.44	0.45	0.43	0.44	0.44
Wholesale	1.4	1.62	1.71	1.1	1.13
Total	47.34	49.96	51.48	44.8	47.02

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Source: The City of Arlington, Texas.

The following table shows the number of units served, excluding sales to municipalities, by user category for the fiscal years ended September 30, 2020, through September 30, 2024.

	Number of Units Served				
Category	2024	2023	2022	2021	2020
Residential	100,454	100,205	99,340	97,780	98,121
Commercial	5,079	5,020	5,003	4,987	4,932
Fire lines, Sprinklers	1,136	1,184	1,179	1,153	1,164
Apartment Units	46,120	46,372	46,361	46,222	45,901
Mobile Homes, Condominiums, Townhouses	2,144	2,142	2,150	2,147	2,144
Total	154,933	154,923	154,033	152,289	152,262

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Source: The City of Arlington, Texas.

The following is a listing of the top ten water customers of the City, ranked by consumption during the fiscal year ended September 30, 2024. Billing will vary based on the number of meters, increased minimum charges for larger meters, and higher commodity charges for sprinkler usage. During this period, the top ten customers' total annual water billings, which represented 11.47 percent of the System's water sales, were as follows:

Customer	**Consumption in 1,000 Gallons**	**Billing**
Tep Barnett USA	197,016	$ 1,933,046
Arlington ISD	195,437	1,792,570
University of Texas at Arlington	297,292	1,746,443
City of Arlington	141,162	1,462,204
EUSB/General Motors	327,849	1,399,924
Savannah Main 7.	100,167	813,283
Mansfield ISD	66,778	675,587
AT&T Stadium	72,022	482,924
Globe Life Field	84,451	468,163
Six Flags Over Texas	69,120	382,610
	1,551,294	$ 11,156,755

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Source: The City of Arlington, Texas.

The following table lists certain data on historical water consumption during the last five fiscal years.

Historical Water Consumption Data

Fiscal Year Ended (9/30)	**Number of Accounts in Service**	**Total Water Pumped MG**	**Average Water Pumped MGD**	**Maximum Day Pumpage MGD**	**GDP Per Account**	**Ration Maximum Day to Average Day**
2020	111,334	18,474	50.61	89.24	455	1.76
2021	112,051	18,316	50.18	83.52	448	1.66
2022	112,922	21,027	57.61	105.08	510	1.82
2023	113,861	20,458	56.05	98.08	492	1.75
2024	114,228	19,444	53.27	86.79	466	1.63

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Source: City of Arlington's Water Utilities Department

WASTEWATER FACILITIES . . . The wastewater collection system that serves all developed areas within the City limits is comprised of approximately 1,249 miles of sanitary sewer mains ranging in size from six to seventy-two inches. Although the City owns and maintains an extensive wastewater collection system, it does not treat its own wastewater. Wastewater produced in the City is treated under contract by the Trinity River Authority's (TRA) Central Regional Wastewater System (CRWS). The City's annual volume of contributing flow amounts to approximately 25.39 percent of the total wastewater flow into the CRWS plant. As the city with the largest population in the CRWS service area, Arlington contributes the highest average daily flow of all TRA regional plant customers. The CRWS plant meets the effluent permit conditions to treat 189 MGD as set by the TCEQ and Environmental Protection Agency (EPA).

The following is a list of Arlington's wastewater flows treated by TRA's CRWS plant during the last five fiscal years.

	Wastewater Treated (Millions of Gallons)				
	2024	2023	2022	2021	2020
TRA CRWS Plant	14,304	13,187	12,576	12,788	13,194

TREATMENT CONTRACT WITH TRINITY RIVER AUTHORITY . . . The City's wastewater is treated under the terms of a 50-year contract with TRA dated October 10, 1973. Contract term limits are automatically extended based upon outstanding system debt service. TRA is the owner and operator of the CRWS plant and the interceptor pipeline system, which serves parts of Dallas, Dallas-Fort Worth International Airport, and 19 other Dallas County and Tarrant County municipalities. Under the terms of the contract, each contracting party contributes to TRA's "Annual Requirements" in proportion to its contributing flow of wastewater into the CRWS plant. The "Annual Requirements" include cost of operation and maintenance of the system and debt service on TRA's bonds issued to construct the system, including deposits to special funds established by the bond resolution. Based upon actions approved in 1996, TRA began treating all of Arlington's wastewater when facilities constructed by Arlington were completed in September 2000. These pipeline facilities convey west Arlington wastewater to TRA System facilities, and on to the TRA treatment plant for final treatment. This Arlington to TRA pipeline project cost was $11,000,000.

For TRA's fiscal year beginning December 1, 2024, the volume of contributing flow by the City is estimated to average 36.037 MGD, which amounts to approximately 25.500 percent of the total volume of wastewater flow into the CRWS plant. This percentage of wastewater flow is used to determine the City's Annual Requirements under this contract. The City's cost of wastewater treatment budgeted for Fiscal Year 2025 is $52,020,080.

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FINANCIAL INFORMATION

TABLE 1 – PRO FORMA DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the Bonds and the Outstanding Bonds of the System.

Fiscal Year Ended 9/30	Outstanding Bonds Principal	Outstanding Bonds Interest	Outstanding Bonds Total	The Bonds [1] Principal	The Bonds [1] Interest	The Bonds [1] Total	Total Outstanding Debt	% of Principal Retired
2025	$ 24,440,000	$ 9,168,936	$ 33,608,936	$ -	$ -	$ -	$ 33,608,936	
2026	27,655,000	10,868,068	38,523,068	290,000	187,458	477,458	39,000,526	
2027	27,660,000	10,251,901	37,911,901	310,000	292,250	602,250	38,514,151	
2028	26,495,000	9,295,281	35,790,281	310,000	276,750	586,750	36,377,031	
2029	24,725,000	8,383,507	33,108,507	310,000	261,250	571,250	33,679,757	34.81%
2030	24,710,000	7,560,742	32,270,742	310,000	245,750	555,750	32,826,492	
2031	23,605,000	6,767,815	30,372,815	310,000	230,250	540,250	30,913,065	
2032	23,615,000	6,004,870	29,619,870	310,000	214,750	524,750	30,144,620	
2033	22,715,000	5,291,606	28,006,606	310,000	199,250	509,250	28,515,856	
2034	22,310,000	4,609,094	26,919,094	310,000	183,750	493,750	27,412,844	66.01%
2035	21,545,000	3,938,506	25,483,506	310,000	168,250	478,250	25,961,756	
2036	20,630,000	3,318,348	23,948,348	310,000	152,750	462,750	24,411,098	
2037	18,315,000	2,755,906	21,070,906	305,000	137,250	442,250	21,513,156	
2038	15,465,000	2,253,561	17,718,561	305,000	122,000	427,000	18,145,561	
2039	13,830,000	1,823,194	15,653,194	305,000	106,750	411,750	16,064,944	90.06%
2040	8,325,000	1,447,711	9,772,711	305,000	91,500	396,500	10,169,211	
2041	8,320,000	1,131,961	9,451,961	305,000	76,250	381,250	9,833,211	
2042	6,120,000	828,961	6,948,961	305,000	61,000	366,000	7,314,961	
2043	5,100,000	569,380	5,669,380	305,000	45,750	350,750	6,020,130	
2044	4,745,000	351,305	5,096,305	305,000	30,500	335,500	5,431,805	99.05%
2045	3,305,000	147,018	3,452,018	305,000	15,250	320,250	3,772,268	100.00%
Total	$ 373,630,000	$ 96,767,667	$ 470,397,667	$ 6,135,000	$ 3,098,708	$ 9,233,708	$ 479,631,376	

(1) Average life of the issue – 10.102 years. Interest on the Bonds has been calculated at the rate of 3.98% for purposes of illustration. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF ADDITIONAL WATER AND WASTEWATER SYSTEM REVENUE BONDS . . . The City anticipates the issuance of approximately $92,700,000 in additional Water and Wastewater System Revenue Bonds in fiscal year 2026.

The following table represents the estimated amount of financing for the proposed System Capital Improvement Program for the fiscal years shown.

PROPOSED SYSTEM CAPITAL IMPROVEMENT PROGRAM

PROPOSED CAPITAL IMPROVEMENT PROGRAM
(amount in Millions)

Fiscal Year	Planned Capital Expenditures	Planned Bond Sale	Other Capital Financial Sources [1]
2025	$ 86,065	$ 59,500	$ 26,565
2026	112,100	92,700	19,400
2027	92,085	71,185	20,900
2028	89,675	60,775	28,900
2029	65,355	39,000	26,355

(1) Includes annual budgeted amounts for the water and wastewater main replacement program, cash contributions from the System's operating fund to the capital fund and remaining bond proceeds from prior debt issuances.

WATER AND WASTEWATER RATES . . . . . The City Council is authorized by its City Charter and by laws of the State to establish and to amend rates charged for water and wastewater service. Rates fixed by the City Council for domestic application are not subject to review by any other regulatory agency.

The two components of the rate structure are a fixed monthly charge based upon meter size and a volumetric charge per 1,000 gallons used. A separate fixed monthly fee was established for residential class customers with 5/8 x 3/4-inch meters whose water and wastewater use is less than 2,000 gallons per month. The fixed charge, for meter sizes other than 5/8 x 3/4-inch, increases with meter size to recognize the additional demands that large meter installations can place on the System.

The water volumetric charge is designed to encourage customers to efficiently use water. The volumetric charge increases with higher volumes of water usage for both residential and commercial class customers. Unlike the variable water volumetric rate, the wastewater volumetric rate per 1,000 gallons is a flat rate for all account classifications that will not change based on usage.

City of Arlington Water Utilities
Fixed Monthly Fee
Effective October 1, 2025

Meter Size	Water	Wastewater
5/8 x 3/4" (≤2,000 gal)	$ 7.76	$ 9.00
5/8 x 3/4" (≥3,000 gal)	11.26	15.44
3/4" x 3/4"	17.89	24.69
1"	25.85	35.95
1 1/2"	61.88	79.62
2"	108.02	134.04
3"	254.70	414.29
4"	405.39	618.18
6"	944.15	1,681.55
8"	1,476.23	2,215.49
10"	2,219.01	3,204.74

City of Arlington Water Utilities
Conservation Rates Block Structure
Effective October 1, 2025

RESIDENTIAL

Usage (1,000 gal)	Water	Wastewater
0 - 2	$ 2.38	$ 7.00
3 - 10	3.44	7.00
11 - 15	5.49	7.00
16 - 29	8.23	7.00
≥ 30	9.91	7.00

COMMERCIAL

Usage (1,000 gal)	Water	Wastewater
0 - 15	$ 4.62	$ 7.00
≥ 16	4.88	7.00

IRRIGATION

Usage (1,000 gal)	Rate
0 - 29	$ 8.23
≥ 30	9.91

CONSTRUCTION

Usage (1,000 gal)	Rate
0 - 99	$ 7.95
≥ 100	10.00

HISTORICAL RATE ADJUSTMENTS . . . Changes in revenue requirements during the past twenty years have resulted in the following changes in rates for the average residential customer. The overall System average residential customer usage is 8,000 gallons of water. Since March 1990, wastewater flows have been based on average winter water consumption. Each residential customer's average winter wastewater flows are calculated according to their water use during the billing periods of December through March. The overall System winter average for a residential customer is approximately 4,000 gallons of wastewater flow.

Rate Changes by Percent
Last Ten Fiscal Years
Average Residential Customer
Using 10,000 Gallons Water and 6,000 Gallons Wastewater

Fiscal Year	Water	Wastewater	Total
2015	6.6	2.8	4.7
2016	9.7	1.5	5.7
2017	0.0	10.8	5.4
2018	3.7	8.7	6.2
2019	0.0	9	4.6
2020	0.0	5.5	2.9
2021	0.0	0	0
2022	2.9	3	2.9
2023	2.0	2.1	2.1
2024	2.0	6.0	4.2
2025	4.2	6.4	5.4

Source: City Water Utilities Department.

OPERATING RESERVE. . . The current policy, authorized by the City Council, requires the operating reserve to equal a minimum of 60 days of the proposed operating and maintenance expense budget, excluding debt service (Resolution No. 11-363). Additionally, the reserve can be increased to a 60-day level using excess unbudgeted revenues, if available. The reserve fund balance as of September 30, 2024 was $21,785,195 which equals 60 days of operating and maintenance expense.

RATE STABILIZATION FUND . . . The Water Utilities Department maintains a rate stabilization fund to assist in offsetting temporary increases to the budget and increases from mid-year settle-ups from TRA and TRWD. Use of the funds requires authorization from the City Council. Additionally, the fund shall not exceed 3% of the total Water Utilities expenditure budget, less interfund transfers. The rate stabilization fund balance as of September 30, 2024 was $4,797,153.08.

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HISTORICAL FINANCIAL INFORMATION . . . The following three tables present five-year historical information and selected financial ratios for the System. Unless otherwise noted, all information is from the City's respective annual comprehensive financial reports. The tables are titled Water and Wastewater System Schedule of Net Position, Historical Net Revenues Available for Debt Service, and Historical Net Revenues of the System and Financial Ratios.

TABLE 2 – WATER AND WASTEWATER SYSTEM SCHEDULE OF NET POSITION

	Fiscal Year Ended September 30, (amounts in thousands)				
	2024	**2023**	**2022**	**2021**	**2020**
Assets					
Cash and cash equivalents	$ 52,239	$ 51,715	$ 24,432	$ 31,862	$ 33,823
Receivable (net of allowances for uncollectibles)	29,618	27,404	29,499	20,545	20,307
Inventory of supplies, at cost	4,681	2,724	4,402	1,923	1,231
Restricted assets:					
Bond contingency	29,712	28,716	30,296	29,730	28,581
Capital/Bond construction	183,184	187,171	232,440	243,646	211,247
Meter deposits	9,728	9,353	8,823	7,933	7,364
Property, plant and equipment less accumulated depreciation	914,238	875,180	826,651	774,659	742,103
Net Pension Asset	-	-	7,769	1,745	-
Total Assets	$ 1,223,400	$ 1,182,263	$ 1,164,312	$ 1,112,043	$ 1,044,656
Deferred Outflows of Resources:					
Deferred Outflow and loss on debt refunding	$ 5,799	$ 9,535	$ 4,123	$ 4,891	$ 16,229
Total Assets and Deferred Outflows of Resources	$ 1,229,199	$ 1,191,798	$ 1,168,435	$ 1,116,934	$ 1,060,885
Liabilities and Net Position					
Current Liabilities:					
Accounts payable and accrued liabilities	$ 7,086	$ 5,347	$ 5,052	$ 7,883	$ 4,494
Accrued compensated absences	174	185	86	67	86
Revenue bonds payable from unrestricted assets	6,323	8,724	11,393	6,249	9,367
Payable from restricted assets	42,250	39,359	31,800	34,836	26,160
Noncurrent Liabilities:					
Rebatable arbitrage payable	101	891	125	187	201
Compensated absences	2,241	966	2,163	2,666	2,409
Revenue bonds payable from unrestricted assets	297,416	292,582	298,741	317,098	291,334
Net pension liability	2,924	7,069	14,016	-	9,138
OPEB and SBITA liability	7,296	7,043	9,316	9,398	8,174
Total Liabilities	$ 365,811	$ 362,166	$ 372,692	$ 378,384	$ 351,363
Deferred Inflows of Resources:					
Deferred Inflows of Resources	$ 4,517	$ 3,799	$ 9,346	$ 2,450	$ 2,677
Invested in Capital Assets	$ 659,904	$ 685,729	$ 675,897	$ 602,912	$ 559,032
Restricted	51,000	61,698	80,124	101,082	106,207
Unrestricted	147,967	78,406	30,376	32,106	41,606
Total Net Position	$ 858,871	$ 825,833	$ 786,397	$ 736,100	$ 706,845
Total Liabilities and Net Position	$ 1,229,199	$ 1,191,798	$ 1,168,435	$ 1,116,934	$ 1,060,885

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TABLE 3 – HISTORICAL NET REVENUES AVAILABLE FOR DEBT SERVICE

Fiscal Year Ended September 30,
(amounts in thousands)

Revenues	2024	2023	2022	2021	2020
Water Sales	$ 97,257	$ 96,066	$ 95,998	$ 80,695	$ 81,555
Wastewater Service	86,105	82,517	81,667	74,934	73,241
Interest Income/(Loss)	18,617	12,786	(5,754)	891	1,804
Other Income	13,228	13,053	15,212	14,272	10,251
Total Revenues	$ 215,207	$ 204,422	$ 187,123	$ 170,792	$ 166,851
Expenses					
Labor Costs	$ 23,313	$ 19,932	$ 15,045	$ 16,788	$ 16,962
Supplies	-	-	-	2,727	2,766
Maintenance	19,922	17,776	18,596	3,959	4,235
Water Purchase	22,686	22,112	20,305	24,289	20,406
Wastewater Treatment Contracts	46,377	41,886	38,599	39,310	38,731
Utilities	-	-	-	2,454	2,461
Other Expenses	451	392	1,418	10,157	4,449
Total Operating Expenses Before Depreciation	$ 112,749	$ 102,098	$ 93,963	$ 99,684	$ 90,010
Net Revenues of the System	$ 102,458	$ 102,324	$ 93,160	$ 71,108	$ 76,841
Net Revenues Available for Debt Service	$ 102,458	$ 102,324	$ 93,160	$ 71,108	$ 76,841
Debt Service Paid (1)	$ 32,223	$ 33,020	$ 31,526	$ 29,243	$ 30,971
Debt Service Coverage (times)	3.18 x	3.10 x	2.96 x	2.43 x	2.48 x

	2024	2023	2022	2021	2020
Water Customers	107,661	107,404	106,516	105,884	105,180
Sewer Customers	105,725	105,508	104,590	104,028	103,328

(1) Excludes Trinity River Authority Revenue Bonds, accrued interest from bond sales and refunding or cash defeasances.

TABLE 4 – HISTORICAL NET REVENUES OF THE SYSTEM AND FINANCIAL RATIOS

Fiscal Year Ended September 30,
(amounts in thousands)

	2024	2023	2022	2021	2020
Gross Operating Revenues	$ 196,590	$ 191,636	$ 192,877	$ 169,901	$ 165,047
Interest Revenues (Excluding Interest During construction)	18,617	12,786	(5,754)	888	1,804
Operating Expenses Before Depreciation	(112,749)	(102,098)	(93,963)	(99,684)	(90,010)
Net Revenues Available for Debt Service	$ 102,458	$ 102,324	$ 93,160	$ 71,105	$ 76,841
Average Annual Debt Service	$ 18,713	$ 18,186	$ 19,316	$ 19,401	$ 18,874
Average Annual Debt Service Coverage (times)	5.48 x	5.63 x	4.82 x	3.67 x	4.07 x
Accounts Receivable to Gross Operating Revenues (%)	14%	13%	16%	12%	12%
Unrestricted Cash to Unrestricted Current Liabilities (times)	3.85 x	3.63 x	1.48 x	2.24 x	2.43 x
Unrestricted Current Assets to Unrestricted Current Liabilities (times)	6.37 x	5.74 x	3.53 x	3.83 x	3.97 x
Long-term Debt to Capital Assets Net Accumulated Depreciation (%)	33%	33%	36%	41%	39%

Source: City's Finance Department.

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INVESTMENTS

The City invests its funds in investments authorized by Texas law, particularly the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended ("PFIA") in accordance with investment policies approved by the City Council of the City. Both state law and the City investment policies are subject to change.

LEGAL INVESTMENTS

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or (B) are invested through (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the City adopts or (ii) a depository institution with a main office or branch office in this State that the City selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the City's account; and (b) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (c) the City appoints as the City's custodian of the banking deposits issued for the City's account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2257.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (8) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (7) or in any other manner and amount provided by law for City deposits, or a) where the funds are invested by an investing entity through: (i) a broker that has its main office or a branch office in this State and is selected from a list adopted by the City; or (ii) a depository institution that has its main office or a branch office in this State and that is selected by the investing entity; (b) where the broker or the depository institution selected by the investing entity under (a) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (a), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the City, (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City with a third party selected and approved by the City and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

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

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

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

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

TABLE 5 - CURRENT INVESTMENTS (1)

As of September 30, 2024, the following percentages of the City's operating funds were invested in the following categories of investments:

Description	% Invested
Federal Agencies	74.76%
Statewide Local Government Investment Pools (2)	20.47%
Non-Texas Municipals	2.83%
Treasury Securities	1.15%
Municipal Bonds	0.41%
Cash	0.39%
	100.01%

(1) Reflects current investments for all City funds.
(2) Currently invested in TexStar, TexPool, Texas Daily, TexPool Prime, Texas CLASS, and Texas CLASS Gov.

As of September 30, 2024, the weighted average maturity of the City's operating portfolio was 397 days and the market value of the operating portfolio was 100 percent of its book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

SELECTED PROVISIONS OF THE ORDINANCE

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

The Bonds are parity "Additional Bonds" as defined in the Ordinance. The Bonds, the Outstanding Bonds and any Additional Bonds hereafter issued, are and shall be equally and ratably secured by and payable from a first lien on and pledge of the Net Revenues of the System.

DEFINITIONS

(a) The term “Bonds” means the City’s Water and Wastewater System Revenue Bonds, Series 2025B.

(b) The term "Additional Bonds" means the additional parity bonds which the City reserves the right to issue under the Ordinance.

(c) The term "Net Revenues" means all income, revenues, and receipts of every nature derived from and received by virtue of the operation of the System (including interest income and earnings received from the investment of monies in the special Funds created by the Ordinance or ordinances authorizing the issuance of the Outstanding Bonds and any Additional Bonds) after deducting and paying, and making provision for the payment of, current expenses of maintenance and operation thereof, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however that only such expenses for repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and to render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from the Net Revenues of the System, shall be deducted in determining "Net Revenues." Contractual payments for the purchase of water or the treatment of sewage shall be maintenance and operating expense of the System to the extent provided in the contract incurred therefore and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.

(d) The term "Outstanding Bonds" means the City's outstanding: Water and Wastewater System Revenue Bonds, Series 2010, authorized by an ordinance of the City Council passed October 19, 2010; Water and Wastewater System Revenue Bonds, Series 2012 authorized by an ordinance of the City Council passed June 5, 2012; Water and Wastewater System Revenue Bonds, Series 2014 authorized by an ordinance of the City Council passed February 25, 2014; Water and Wastewater System Revenue Bonds, Series 2014A authorized by an ordinance of the City Council passed June 10, 2014; Water and Wastewater System Revenue Bonds, Series 2015A and Water and Wastewater System Revenue Refunding Bonds, Series 2015B authorized by an ordinance of the City Council passed May, 26, 2015; Water and Wastewater System Revenue Bonds, Series 2016 (TWDB) authorized by an ordinance of the City Council passed May 10, 2016; Water and Wastewater System Revenue Bonds, Series 2016A authorized by an ordinance of the City Council passed June 7, 2016; Water and Wastewater System Revenue Bonds, Series 2017 authorized by an ordinance of the City Council passed April 11, 2017; Water and Wastewater System Revenue Bonds, Series 2017A authorized by an ordinance of the City Council passed June 13, 2017; Water and Wastewater System Revenue Bonds, Series 2017B (TWDB) authorized by an ordinance of the City Council passed on December 5, 2017; Water and Wastewater System Revenue Bonds, Series 2018 (TWDB) authorized by an ordinance of the City Council passed April 24, 2018; Water and Wastewater System Revenue Bonds, Series 2018A authorized by an ordinance of the City Council passed June 12, 2018; Water and Wastewater System Revenue Bonds, Series 2019A authorized by an ordinance passed on April 23, 2019; Water and Wastewater System Revenue Refunding Bonds, Series 2019B authorized by an ordinance passed on April 23, 2019; Water and Wastewater System Revenue Bonds, Series 2019C (TWDB) authorized by an ordinance passed on June 25, 2019; Water and Wastewater System Revenue Bonds, Series 2019D (TWDB) authorized by an ordinance passed on August 20, 2019; Water and Wastewater System Revenue Refunding Bonds, Series 2020A authorized by an ordinance passed on April 28, 2020; Water and Wastewater System Revenue Bonds, Series 2021 authorized by an ordinance passed on April 13, 2021; Water and Wastewater System Revenue Bonds, Series 2022A authorized by an ordinance passed on May 17, 2022; Water and Wastewater System Revenue Bonds, Series 2023A authorized by an ordinance passed on May 9, 2023; Water and Wastewater System Revenue Refunding Bonds, Series 2023B authorized by an ordinance passed on May 9, 2023; Water and Wastewater System Revenue Refunding Bonds, Series 2024 authorized by an ordinance passed on March 26, 2024; Water and Wastewater System Revenue Bonds, Series 2025 (TWDB) authorized by an ordinance passed on January 28, 2025 and Water and Wastewater System Revenue Bonds, Series 2025A authorized by an ordinance passed on June 10, 2025.

(e) The term "System" means the City's existing combined water system and wastewater system, formerly known as the City's combined waterworks and sewer system, including all properties (real, personal or mixed and tangible or intangible) owned, operated, maintained, and vested in, the City for the supply, treatment and distribution of treated water for domestic, commercial, industrial and other uses and the collection and treatment of water-carried wastes, together with all future additions, extensions, replacements and improvements thereto.

RATES AND CHARGES. . . The City hereby covenants that, for the benefit of the Initial Purchaser and any and all subsequent holders of the Bonds, the Outstanding Bonds and any Additional Bonds, or any part thereof, and in addition to all other provisions and covenants contained in the Ordinance, it is expressly agreed that the City shall, at all times while any of the Bonds, the Outstanding Bonds or any Additional Bonds are outstanding and unpaid, fix and maintain rates and collect charges for the facilities and services afforded by the System, which will provide revenues annually at least equal to the amount required to:

(a) pay for all operation, maintenance, depreciation, replacement and betterment charges of the System;

(b) establish and maintain the Interest and Sinking Fund and Reserve Fund requirements contained in the Ordinance and in the ordinances authorizing the Outstanding Bonds and any Additional Bonds; and

(c) produce Net Revenues each year in an amount not less than 1.25 times the average annual principal and interest requirements of the Bonds, the Outstanding Bonds and any Additional Bonds from time to time outstanding.

VARIOUS FUNDS…The City covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the following special Funds shall be established and maintained in an official depository bank of the City so long as any of the Bonds, the Outstanding Bonds and any Additional Bonds are outstanding and unpaid: the "Revenue Fund," the "Interest and Sinking Fund" and the "Reserve Fund."

Revenue Fund. The City shall deposit, from day to day as collected, all revenues of every nature derived from the operation of the System into the Revenue Fund and the money from time to time on deposit therein shall be appropriated to the following uses in the following order of priority, to wit: (a) to the payment of all necessary and reasonable expenses of operation and maintenance of the System as said expenses are defined by law; (b) to the Interest and Sinking Fund and the Reserve Fund when and in the amounts required by the Ordinance and ordinances authorizing the Outstanding Bonds, and any Additional Bonds and for the payment of the principal of and interest on the Bonds, the Outstanding Bonds and any Additional Bonds when and as due and payable and for the creation of a reserve therefore; and (c) to any other purpose of the City now or hereafter permitted by law.

Interest and Sinking Fund. The Interest and Sinking Fund shall be used solely for the purpose of paying the principal of and interest on the Outstanding Bonds, the Bonds, and any Additional Bonds as such principal matures and such interest becomes due and payable.

Reserve Fund. The City covenants and agrees that it will continuously maintain in the Reserve Fund an amount of Reserve Fund Obligations equal to not less than the average annual principal and interest requirements on the Bonds, the Outstanding Bonds, and any Additional Bonds from time to time outstanding (the "Reserve Fund Requirement"), and that upon issuance of Additional Bonds, it will increase, if necessary and accumulate the amount to be deposited in the Reserve Fund in accordance with the requirements set forth in the Ordinance; provided that, any amounts deposited in the Reserve Fund that are attributable to gross proceeds of the Bonds, the Outstanding Bonds, and any Additional Bonds will not exceed an amount equal to the least of 10 percent of the stated principal amount of such bonds (or, if any issue has more than a deminimus amount of original issue discount or premium, the issue price of such issue will be used instead of the stated principal amount), the maximum annual principal and interest requirements on such bonds or 125 percent of the average annual principal and interest requirements on such bonds. For so long as the funds on deposit in the Reserve Fund are equal to the Reserve Fund Requirement, no additional deposit need be made therein, but should the Reserve Fund at any time contain less than the Reserve Fund Requirement, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the City shall restore such deficiency by depositing additional Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/24th of the Reserve Fund Requirement on or before the 10th day of each month following such deficiency, termination, or expiration. The money on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds, the Outstanding Bonds and any Additional Bonds at any time there are not sufficient moneys on deposit in the Interest and Sinking Fund.

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

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

"Reserve Fund Obligations" means cash, investment securities of any of the type or types permitted under the Ordinance, any "Credit Facility" or any combination thereof. "Credit Facility" means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a "Rating Agency" having an outstanding rating on such obligations would rate such obligations which are fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a "Rating Agency" having an outstanding rating on the Bonds would rate the Bonds in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the bonds and the interest thereon. As used herein, "Rating Agency" means any nationally recognized securities rating agency which has assigned a rating to the Bonds.

Investment of Funds. Money in any Fund established pursuant to the Ordinance or any ordinance authorizing the issuance of Outstanding Bonds, and any Additional Bonds, may, at the option of the City, be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act of 1987, Chapter 2256, Texas Government Code, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to expended from any Fund will be available at the proper time or times. Such investments shall be valued each year in terms of current market value as of the last day of the City's fiscal year. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such Fund. If necessary, such investments shall be promptly sold to prevent any default.

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

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

(b) Each of the special Funds created for the payment and security of the Bonds and the Outstanding Bonds contain the amount of money then required to be on deposit therein;

(c) The City has secured from a Certified Public Accountant a certificate showing that the Net Earnings (definition under paragraph (f) below) of the System for either the completed fiscal year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of all bonds, which will be outstanding after the issuance of the proposed Additional Bonds. However, should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and a change in the rates and charges for water and sewer services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and an independent engineer or engineering firm having a favorable reputation with respect to such matters will certify, that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings of the System covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of the Outstanding Bonds after giving effect to the issuance of the Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;

(d) The ordinance authorizing the Additional Bonds (A) requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and (B) provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount equal to the Reserve Fund Requirement for all Bonds to be outstanding after the issuance of said Additional Bonds. Such additional amount shall be so accumulated in not more than sixty months from the date of the Additional Bonds, in equal monthly installments, commencing on the 25th day of the month immediately succeeding the Closing Date, and on the 25th day of each month thereafter until an amount equal to the Reserve Fund Requirement is on deposit; and

(e) The Additional Bonds are scheduled to mature only on June 1, and the interest thereon is scheduled to be paid on June 1 and December 1.

The term "Net Earnings" shall mean all income, receipts and revenues derived from the operation of the System, including interest earned on invested monies in the special Funds created for the payment and security of obligations payable from the Net Revenues, after deduction of maintenance and operating expenses but not deducting depreciation, debt service payments on the Bonds, the Outstanding Bonds and any Additional Bonds and other expenditures which, under standard accounting practice, should be classified as capital expenditures. Revenues and receipts resulting solely from the ownership of the System (grants, meter deposits and gifts) and interest earned on construction funds created from bond proceeds shall not be treated or included as income, revenues or receipts from the operation of the System for purposes of determining "Net Earnings."

AMENDMENTS … The City may, without consent of or notice to any owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the owners of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all owners of outstanding Bonds, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by owners for consent to any such amendment, addition, or rescission.

COVENANTS BY THE CITY…The City covenants that so long as any principal or interest pertaining to any of the Bonds, the Outstanding Bonds and any Additional Bonds remains outstanding and unpaid, it will not authorize or issue any further bonds of the City secured by a lien on and pledge of the revenues of the System superior or senior to the pledge and lien created herein for the Bonds, the Outstanding Bonds and any Additional Bonds, or secured by a lien on and pledge of the revenues of the System on a parity with the Bonds, the Outstanding Bonds and any Additional Bonds except in conformity with the provisions of the Ordinance.

The City covenants that the System shall be operated on a fiscal year basis and shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds, the Outstanding Bonds and any Additional Bonds are outstanding, the City agrees to maintain insurance on the System of a kind and in an amount customarily carried by municipal corporations in the State of Texas.

The City covenants that so long as any of the Bonds, the Outstanding Bonds and any Additional Bonds or any interest thereon remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System and its component parts separate and apart from all other records and accounts of the City in accordance with accepted accounting practices prescribed for municipal corporations, and complete and correct entries shall be made of all transactions relating to the System, as provided by Chapter 1502, Texas Government Code, as amended.

For so long as any of the Bonds, the Outstanding Bonds and any Additional Bonds or any interest thereon remain outstanding, the City will not sell or encumber the physical properties of the System or any substantial part thereof; provided, however, this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System.

The City covenants that following the close of each fiscal year, it will cause an audit of such books and accounts of the System to be made by an independent firm of Certified Public Accountants which shall include, among other things, a detailed statement of the income and expenditures of the components of the System for such fiscal year; a balance sheet as of the end of such fiscal year; and a detailed statement of the source and disposition of all funds of the System during such fiscal year. Copies of these annual audits shall be immediately furnished, upon written request, to the original purchasers and any subsequent holder of the Bonds, the Outstanding Bonds and any Additional Bonds.

No free service of the System shall be allowed, and should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

Remedies in Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in any payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by the Ordinance or any ordinance authorizing the issuance of the Outstanding Bonds or any Additional Bonds, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance or any ordinance authorizing the issuance of the Outstanding Bonds or any Additional Bonds, the holder or holders of any of the Bonds, the Outstanding Bonds or any Additional Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the Ordinance or any ordinance authorizing the issuance of the Outstanding Bonds or any Additional Bonds. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive

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TAX MATTERS

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

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

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

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer, and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

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

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

Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Tax Legislative Changes

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement while it remains obligated to advance funds to pay such Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information described in Tables 1 through 5, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, within 12 months after the end of each fiscal year when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in APPENDIX B hereto or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”).

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

NOTICE OF CERTAIN EVENTS . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) Modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For the purposes of the event identified in (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City; and the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines “Financial Obligation” as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

In addition, the City will provide timely notice of any failure by the City to provide required annual financial information and notices of material events in accordance with their agreement described under "Annual Reports" and "Notice of Certain Events" above. All documents provided to the MSRB pursuant to this section shall be in electronic format and accompanied by identifying information as prescribed by the MSRB.

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . On August 16, 2023, the City defeased a portion of its Permanent Improvement and Refunding Bonds, Series 2012A and Permanent Improvement Bonds, Series 2013A. On August 15, 2023, the City defeased a portion of its Water and Wastewater System Revenue Bonds, Series 2012 and Water and Wastewater System Revenue Bonds, Series 2013A. While notices of redemption were filed in connection with the above-referenced bonds, notices of these defeasances were not filed. The City has taken steps to ensure such notices are filed in the future.

OTHER INFORMATION

RATINGS

The Bonds are rated "AAA" by Fitch Ratings ("Fitch") and "Aa1" by Moody's Investors Service Inc. ("Moody's"). Certain of the unenhanced outstanding water and wastewater revenue debt of the City is rated "Aa1" by Moody's, "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") and "AAA" by Fitch. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

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

The City is involved in litigation brought by a group of homeowners concerning a privately owned dam. After the dam failed through lack of repair and maintenance by the homeowners, the City conducted an emergency breach of the dam to control the situation. The homeowners brought suit seeking to have the City repair the dam or otherwise improve the property or pay for alleged damages. The trial court granted Arlington's Plea to the Jurisdiction which was subsequently taken up on appeal. The appellate court affirmed the trial court's order in part and denied it in part and the case has returned to the trial court for further proceedings.

The City is involved in litigation concerning a motor vehicle accident that occurred when the driver of a golf cart carrying three passengers failed to yield the right-of-way and turned left in front of a City vehicle driven by an employee with the Arlington Fire Department. Plaintiffs are seeking damages for bodily injuries and lost wages.

The City is currently involved in litigation with the family of a former recruit in the Arlington Police Academy who alleges his death was related to training at the Academy. Plaintiff asserts a civil rights claim alleging excessive use of force. Plaintiff seeks wrongful death and survival damages, as well as attorney's fees.

The City is involved in a lawsuit with the owner of a major auto repair and used motor vehicle sales business. The business was incorrectly issued a certificate of occupancy for major auto repair, as the zoning classification for the property was planned development for community commercial uses, plus minor auto repair. City Council subsequently approved an ordinance for the major auto repair use. Plaintiff alleges a regulatory taking in the form of an inverse condemnation claim and seeks injunctive relief and damages, including attorney's fees.

The City is involved in a lawsuit concerning a motor vehicle accident that occurred when an Arlington Police Officer started to make a U-turn to initiate a traffic stop of two vehicles that appeared to be driving recklessly. The officer turned in front of the Plaintiffs' vehicle and she struck the patrol vehicle. Plaintiffs are seeking damages for bodily injuries and lost wages.

The City is currently involved in litigation concerning a motorcycle accident that occurred when the Plaintiff lost control of her bike on a city street. She claims the pavement was uneven, making it a hazardous condition to motorists. Plaintiff is seeking damages for bodily injuries and lost wages.

The City is involved in a lawsuit concerning a newspaper article displayed at the Chester Ditto Clubhouse. Plaintiff claims the City's display of this newspaper article containing his image constitutes an unconsented use of his personal likeness and a taking of his property. He seeks damages for the ongoing enrichment through the use of his likeness.

As of May 22, 2025, there are seventeen lawsuits pending against the City seeking monetary damages and/or injunctive relief. Eleven of the cases assert state law tort claims which are subject to the Texas Tort Claims Act (TTCA). The TTCA limits liability for money damages to $250,000 for each person and $500,000 for each single occurrence for bodily injury and death. Further, the TTCA limits liability for property damage to $100,000.00 for each single occurrence. *See* Texas Civil Practice and Remedies Code, Section 101.023(c). In addition to the seventeen lawsuits, the City is engaged in eight eminent domain lawsuits, in which the City is seeking to acquire property.

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

CYBERSECURITY

As cybersecurity and information security risks continue to grow, directly impacting local government and critical infrastructure operations, the City designated a Chief Information Security Officer (CISO) to manage cybersecurity risks and develop a citywide information security program. The CISO is responsible for carrying out the City's information security responsibilities. The City adopted an information security strategic plan, which emphasizes: (i) information security governance, with the City Manager's office providing oversight of information security risk management, performance, governance, and compliance; (ii) security risk management; (iii) data classification and assurance; (iv) critical infrastructure security, focusing on water operational technology; (v) artificial intelligence security governance; (vi) security operations maturation; and (vii) internal engagement and education.

Specific objectives of the City's information security strategic plan include: protecting City information in accordance with their security classification, sensitivity, and criticality; preventing unauthorized access, disclosure, destruction, disruption, or modification of information; managing third-party risk; ensuring City-wide security investments are based on sound risk management practices; conducting regular audits of all City information systems; investigating security incidents for incident management and forensic investigations; ensuring the consistent application of information security policy requirements across all City departments. To date, the City has not experienced a cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters, or cyber-attacks initiated by criminal activities of individuals or organizations; any such occurrence could materially and adversely affect the City's operations and/or financial condition.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL MATTERS

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INITIAL PURCHASER OF THE BONDS

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

CO-MUNICIPAL ADVISORS

Hilltop Securities Inc. ("HilltopSecurities") and The RSI Group (“RSI”) are employed as Co-Municipal Advisors to the City in connection with the issuance of the Bonds. The Co-Municipal Advisors fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Co-Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

The Co-Municipal Advisors have provided the following sentence for inclusion in this Official Statement. The Co-Municipal Advisors have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Municipal Advisors do not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish to the Initial Purchaser a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2024, the date of the last audited financial statements of the City appearing in the Official Statement.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the City’s records, audited financial statements, and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY OF ARLINGTON

THE CITY. . . The City is located in the eastern part of Tarrant County, equidistant between Dallas and Fort Worth on Interstate Highways 20 and 30, which are limited access highways. The City's location places it at the geographical center of the Dallas-Fort Worth metropolitan area. The land area of the City contained within its corporate boundaries is approximately 99.7 square miles.

The City was incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the Texas State Constitution. The City provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services.

GENERAL . . . The City operates under the Council-Manager form of government as established by its home rule charter (the "City Charter"). There is a nine member City Council (the "City Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the City Council are elected for terms of three years (for no more than three terms), with the elections being held in even/odd years for approximately half the seats. The City Council elects both a Mayor Pro Tempore and a Deputy Mayor Pro Tempore from among its members.

MAYOR AND CITY COUNCIL . . . Policy-making and supervisory functions are the responsibility of and are vested in the City Council under provisions of the City Charter. Ordinances, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. Council meetings are broadcast on the local cable public access station and webcast. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the City Council, but has limited power to veto City Council actions that can be overridden by simple majority action of the City Council.

ADMINISTRATION . . . The City Manager is the administrative head of the municipal government and carries out the policies of the City Council. With the assistance of two Deputy City Managers and an Assistant City Manager, he coordinates the functions of the various municipal agencies and departments responsible for the delivery of services to residents. The City Manager is appointed by the City Council and serves at the pleasure of the City Council.

Excluding the positions and offices of the City Attorney, City Auditor and certain others whose appointments are reserved for City Council action, the City Manager appoints and removes all City employees. The City Manager exercises control over all City departments and divisions and supervises their personnel; recommends City Council legislative actions; advises City Council on the City's financial conditions and needs; prepares and submits to City Council the annual budget; and performs such duties required by City Council.

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ECONOMIC AND DEMOGRAPHIC FACTORS

POPULATION

Year	Arlington	Annual Rate of Change	United States	Annual Rate of Change
1980	160,113	7.66%	226,545,805	1.15%
1990	261,721	6.35%	248,765,170	0.98%
2000	332,969	2.72%	281,421,906	1.31%
2010	365,438	0.98%	308,745,538	0.97%
2011	363,922	-0.41%	312,759,230	1.30%
2012	367,154	0.89%	314,395,013	0.52%
2013	371,267	1.12%	316,128,839	0.55%
2014	375,305	1.09%	318,857,056	0.86%
2015	379,716	1.18%	321,418,820	0.80%
2016	383,899	1.10%	323,127,513	0.53%
2017	388,225	1.13%	326,474,013	1.04%
2018	392,462	1.09%	327,747,936	0.39%
2019	395,477	0.77%	329,180,367	0.44%
2020	394,266	-0.31%	330,376,491	0.36%
2021	393,420	-0.21%	332,208,099	0.55%
2022	399,560	1.56%	333,808,633	0.48%
2023	405,420	1.47%	335,506,202	0.51%
2024	411,167	1.42%	337,194,721	0.50%
2025	413,955	0.68%	342,400,193	1.54%

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

EMPLOYMENT

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

	July	**Annual Unemployment Rate**				
	2025	2024	2023	2022	2021	2020
Arlington	4.0%	4.0%	3.9%	3.2%	3.7%	6.5%
Texas	4.0%	4.1%	4.0%	3.5%	4.1%	6.7%
United States	4.2%	4.0%	3.6%	3.3%	3.7%	6.5%

Source: Texas Labor Market Information.

ARLINGTON MAJOR EMPLOYERS

Employer	**Type of Business**	**Number of Employees**
General Motors Co.	Automobile Assembly	8,919
Arlington Independent School District	Public Education	8,646
University of Texas at Arlington	Higher Education	8,636
Texas Health Resources	Medical	4,062
Six Flags Over Texas	Amusement Park	3,900
City of Arlington	Muncipal Government	3,710
The Parks at Arlington	Retail	3,500
Texas Rangers Baseball Club	Major League Baseball	2,300
J.P. Morgan Chase	Banking Services	1,965
Texas Health Arlington Memorial Hospital	Medical	1,670
Total		47,308

BUILDING PERMITS

	Number of Permits Issues		
	2024	**2023**	**2022**
New Single-Family	413	673	649
New Multifamily	108	53	297
New Commercial	87	63	127
Other (Residential and Commercial)	8,296	8,290	7,576
Grand Total	8,904	9,079	8,649

Source: City of Arlington Building Inspections Division

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APPENDIX B

EXCERPTS FROM THE

CITY OF ARLINGTON, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Arlington, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2024 (the "Report"), and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Arlington, Texas
Arlington, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying 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 as of September 30, 2024, 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.

We did not audit the financial statements of the Arlington Convention and Visitors Bureau, Inc., or the Arlington Tourism Public Improvement District, discretely presented component units of the City, which represent 5%, 4%, and 13%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Additionally, we did not audit the financial statements of the Part-Time, Seasonal and Temporary Employees Deferred Income Plan, a fiduciary component unit of the City, which represent 1%, 1%, and 0.4%, respectively, of the assets, net position, and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions on the aggregate discretely presented component units and the aggregate remaining fund information, insofar as they relate to the amounts included for the Arlington Convention and Visitors Bureau, Inc., the Arlington Tourism Public Improvement District and the Part-Time, Seasonal, and Temporary Employees Deferred Income Plan are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension and other postemployment benefit information as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 supplementary information including the combining financial statements, individual fund budgetary comparison schedules, and the schedules of capital assets used in the operation of governmental funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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, including comparing and reconciling such 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 combining financial statements, individual fund budgetary comparison schedules, and the schedules of capital assets used in the operation of governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Forvis Mazars, LLP

Dallas, Texas
March 18, 2025

ARLINGTON℠

THE AMERICAN DREAM CITY

Management's Discussion and Analysis
For the Year Ended September 30, 2024 (Unaudited)

As management of the City of Arlington (City), we offer readers of the City's Annual Comprehensive Financial Report (ACFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found beginning on page one of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $3.1B (net position). Of this amount, $48.5M represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased $104M during the current period primarily due to increases in property tax and investment activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $511.4M, a change of $44.9M in comparison with the prior year. Within this total, $385M is restricted for specific legal requirements and $117.5M has been committed or assigned to specific types of expenditures, and $2.6M is non-spendable. The remaining unassigned fund balance in the general fund can be used for any lawful purpose.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was $95.5M, or approximately 31% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

Both 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 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. Property taxes, sales taxes, and franchise fees provide most of the funding for these activities, with the addition of charges for services, grants, and contributions.
- Business Type Activities - Functions that are intended to recover all or a significant portion of their costs through user fees and charges are reported here. The City's water and sewer system and storm water utilities are reported here.
- Component Units - For fiscal year 2024, the city includes seven discretely presented component units in its report - Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB), Arlington Housing Finance Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Economic Development Corporation, the Arlington Convention Center Development Corporation (ACCDC) and Arlington Tourism Public Improvement District (ATPID).

The government-wide financial statements can be found on pages 29-31 of this report.

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

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

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

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

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

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

Proprietary Funds
The City maintains three 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, storm water utilities, and aviation operations. The City uses internal service funds to account for the management of its fleet 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 (major fund), Storm Water Utility (major fund), and Aviation (non-major) 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 Annual Comprehensive Financial Report.

The basic proprietary fund financial statements can be found beginning on page 36 of this report.

Fiduciary Funds
Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. All the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. The City reports two different fiduciary funds. The Pension and Other Employee Benefit trust funds are used to report resources held in trust for Part Time Deferred Income Trust and the Disability Income Plan. The City also reports one custodial fund to report resources, not in a trust, that are held by City for other parties outside of the City as a reporting entity.

The fiduciary fund financial statements can be found beginning on page 40 of this report.

NOTES TO THE FINANCIAL STATEMENTS
The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 43 of this report.

OTHER INFORMATION
In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's general fund budgetary comparison and progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 95 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 113-142 of this report.

Government-wide Overall Financial Analysis
As noted earlier, net position may serve as a useful indicator of a government's financial position. The City's combined net position was $3.1B as of September 30, 2024.

Long-term liabilities, which consist of bonds, notes, leases, compensated absences and postemployment benefit obligations, decreased by $17.6M from the previous year for governmental and business-type activities combined. The City's net OPEB liability decreased $1.5M. The City's total pension liability for the year decreased by $63.8M.

The largest portion of the City's net position $2.84B (91.5%) 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. Accordingly, these assets are not available for future spending. They do, however, represent an obligation on the part of the City to maintain these assets into the future.

City of Arlington's Net Position

(Amounts Expressed in Millions)

For the Years Ended September 30,

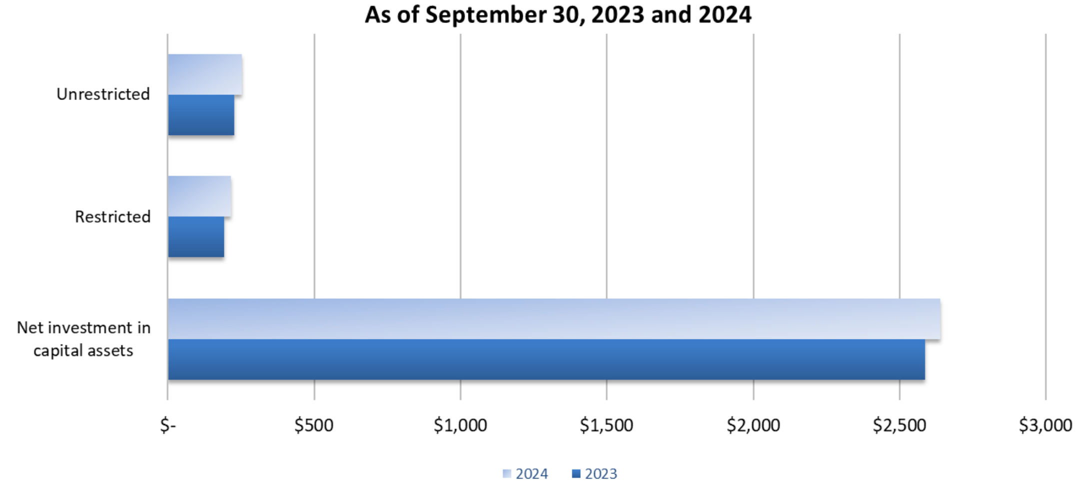
	Governmental Activities		Business-type Activities		Total	
	2023	**2024**	**2023**	**2024**	**2023**	**2024**
Current and other assets	$ 716	$ 752	$ 366	$ 386	$ 1,082	$ 1,138
Capital, lease, SBITA, and PPP assets	2,835	3,056	1,048	1,136	3,883	$ 4,192
Total assets	3,551	3,808	1,414	1,522	4,965	5,330
Total deferred outflows of resources	158	96	10	6	168	102
Long-term liabilities outstanding	1,383	1,359	364	371	1,747	1,729
Other liabilities	141	141	60	67	201	208
Total liabilities	1,524	1,500	424	438	1,948	1,938
Total deferred inflows of resources	176	373	4	5	180	377
Net position:						
Net investment in capital assets	1,836	1,998	750	846	2,586	2,844
Restricted for debt service	58	86	64	54	122	139
Restricted for special revenue	56	59	-	-	56	59
Restricted for use of impact fees	15	17	-	-	15	17
Restricted for net OPEB asset	-	-	-	-	-	-
Restricted for net pension asset	-	1	-	-	-	1
Unrestricted	44	(137)	182	186	226	49
Total net position	$ 2,009	$ 2,024	$ 996	$ 1,085	$ 3,005	$ 3,109

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 and lease assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of $216.5M (7.0%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of $48.5M (1.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

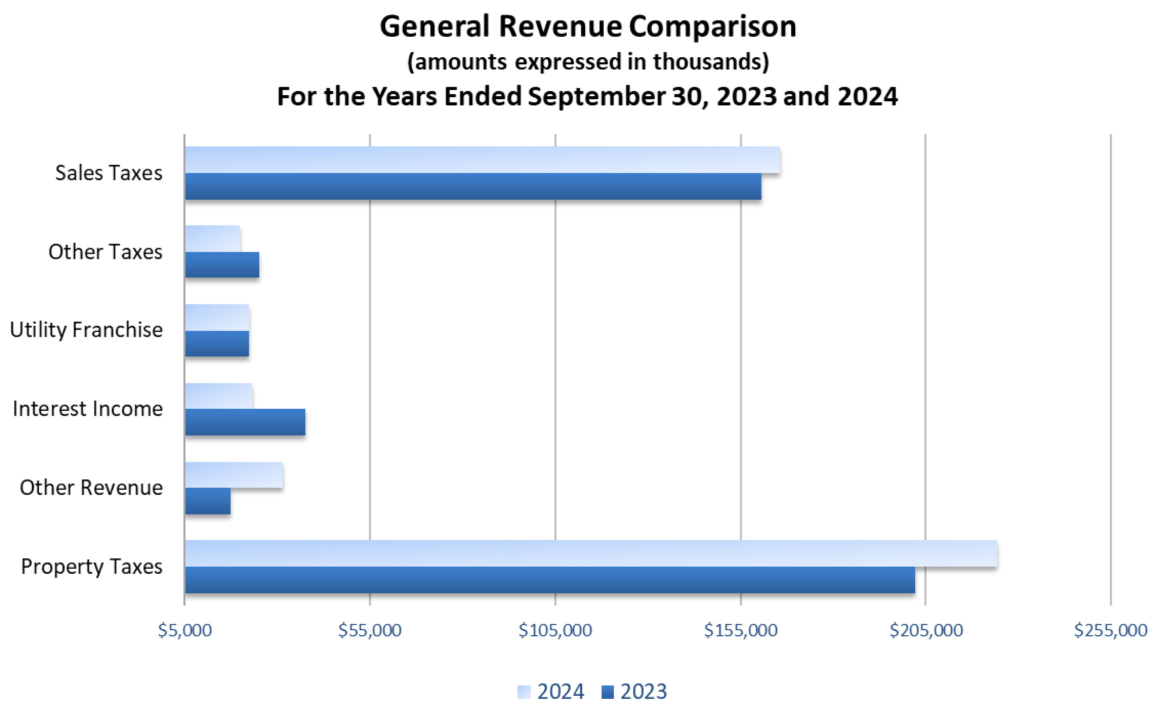
At the end of the current fiscal year, the City reports positive balances in all reported categories of net position, both for the governmental and business-type activities. Overall net position changed $104M from the prior fiscal year.

City of Arlington's Net Position (amounts expressed in millions)
As of September 30, 2023 and 2024



Governmental Activities
The City's general revenues increased compared to the prior year, increased overall by .91%. Property tax revenue accounted for much of the increase this year compared to last.

Property tax collections changed from the prior year by about $22.1M and Arlington once again saw growth in assessed valuation. The residential property values increased by 6.9% and commercial property values increased by 2.19% compared to the prior year. The property tax rate for 2024 was set at $0.5898 per $100 assessed valuation: down 0.01 from $0.5998 in the prior year.

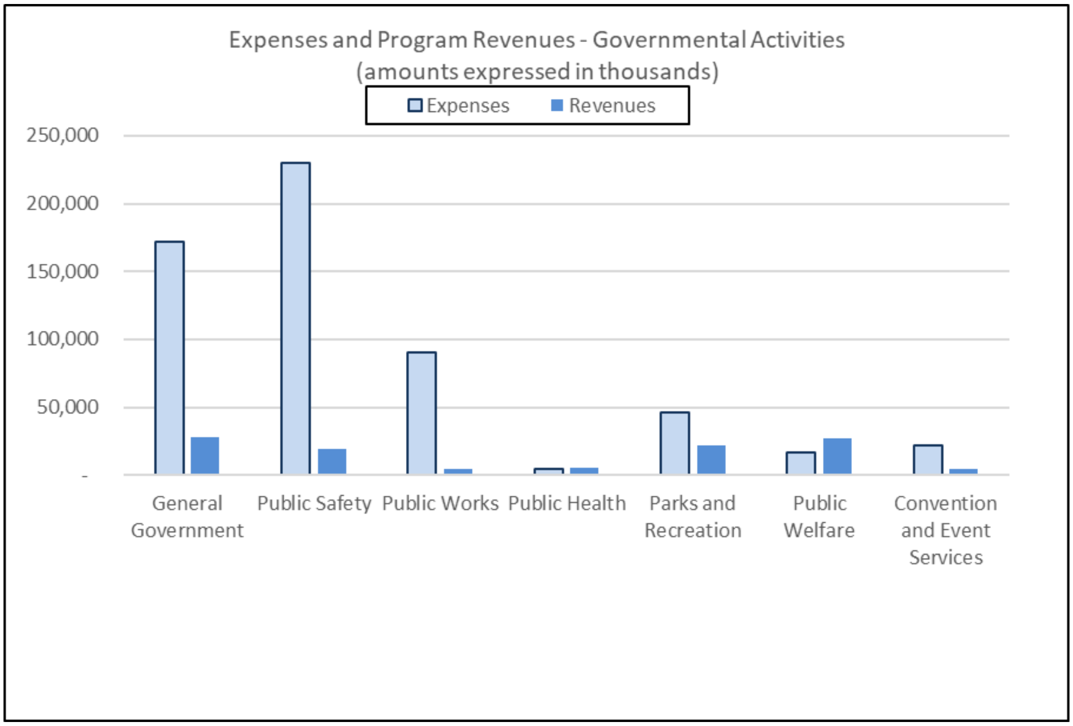


Charges for services and capital grants and contributions remained relatively unchanged from the prior year. However, operating grants and contributions saw a $1.3M increase, mainly driven by higher public safety-related grants. Additionally, interest income rose by $12M compared to the previous year, benefiting from favorable market conditions.

Sales tax revenue grew by $4.9M, a 3.1% increase, consistent with historical trends. However, utility franchise fee collections declined by 1.0% in 2024, largely due to a drop in electrical franchise fees as well as reductions in telephone and cable television franchise fees.

Overall, expenses rose by approximately $19.2M (3.4%) compared to the previous year. The primary driver of this increase was $15.3M in public safety expenditures. This surge is mainly due to the acquisition of a new fire apparatus and the hiring of 24 additional police officers and 40 new firefighters, as well as the funding of previously frozen positions in both the police and fire departments from fiscal year 2021. Public welfare expenses decreased by $19M primarily due to reduced Chapter 380 agreements. Additionally, general government expenses increased $20.5M from prior year, an increase primarily driven by higher operational costs.

As shown in the chart below, revenues generated by the City's programs are not sufficient to cover the costs. The City relies on property taxes, sales taxes, investment income and other general revenues to cover the costs associated with the various programs.



City of Arlington's Changes in Net Position

(Amounts expressed in thousands)

For the Years Ended September 30,

	Governmental Activities		Business-type Activities		Total	
	2023	**2024**	**2023**	**2024**	**2023**	**2024**
Revenues						
Program Revenues:						
Charges for services	$ 71,333	$ 71,485	$ 215,991	$ 229,755	$ 287,324	$ 301,240
Operating grants and contributions	24,544	37,160	-	-	24,544	37,160
Capital grants and contributions	2,200	2,250	7,875	6,713	10,075	8,963
General Revenues:						
Taxes	387,710	409,411	-	-	387,710	409,411
Utility franchise fees	22,429	22,205	-	-	22,429	22,205
Interest income	11,321	23,233	10,792	15,162	22,113	38,395
Other	50,120	21,020	4,407	11,000	54,527	32,020
Total revenues	569,657	586,764	239,065	262,630	808,722	849,394
Expenses						
General government	151,737	172,227	-	-	151,737	172,227
Public Safety	214,764	230,108	-	-	214,764	230,108
Public Works	86,916	90,291	-	-	86,916	90,291
Public Health	3,732	4,546	-	-	3,732	4,546
Parks and recreation	48,097	46,366	-	-	48,097	46,366
Public welfare	35,467	16,468	-	-	35,467	16,468
Convention and event services	22,249	22,155	-	-	22,249	22,155
Water, sewer and storm water, aviation	-	-	141,238	163,438	141,238	163,438
Total expenses	562,962	582,161	141,238	163,438	704,200	745,599
Increase in net position before transfers	6,695	4,603	97,827	99,192	104,522	103,795
Transfers and capital contributions	43,791	36,801	(43,791)	(36,801)	-	-
Increase (decrease) in net position	50,486	41,404	54,036	62,391	104,522	103,795
Net Position, October 1, Restated*	1,958,647	1,982,690	942,200	1,022,679	2,900,847	3,005,369
Net Position, September 30	$ 2,009,133	$ 2,024,094	$ 996,236	$ 1,085,070	$ 3,005,369	$ 3,109,164

* See Note I.R.

Business-type Activities

During the current fiscal year, net position for business-type activities changed $62.4M from the prior fiscal year for an ending balance of $1,085.1B. The increase in overall net position of business-type activities is the result of the increased amount of water and sewer revenue. The revenue increase of $23.6M in business-type activities (Water and Wastewater/Storm Water Utility/Aviation) is a result of an increase in water sales and sewer service revenues reported in service charges and interest for the current year. Expenses increased by $22.2M from the prior year driven by increases in salaries and wages and the creation of the Enterprise Aviation Fund which incurrred $9M in expenses.

CAPITAL, LEASE, SBITA, and PPP ASSETS/DEBT ADMINISTRATION

Capital, Lease, SBITA, and PPP Assets

The City's net investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to $4.2B (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, water treatment plants, lease, SBITA, and PPP assets and stadiums. The total change in capital, lease, SBITA, and PPP assets for the current fiscal year was $309.1M. This is a 1.08% increase over the prior fiscal year. Footnote III 5 in the notes to the financial statements provides more detailed information regarding the City's capital, lease, SBITA, and PPP asset activity.

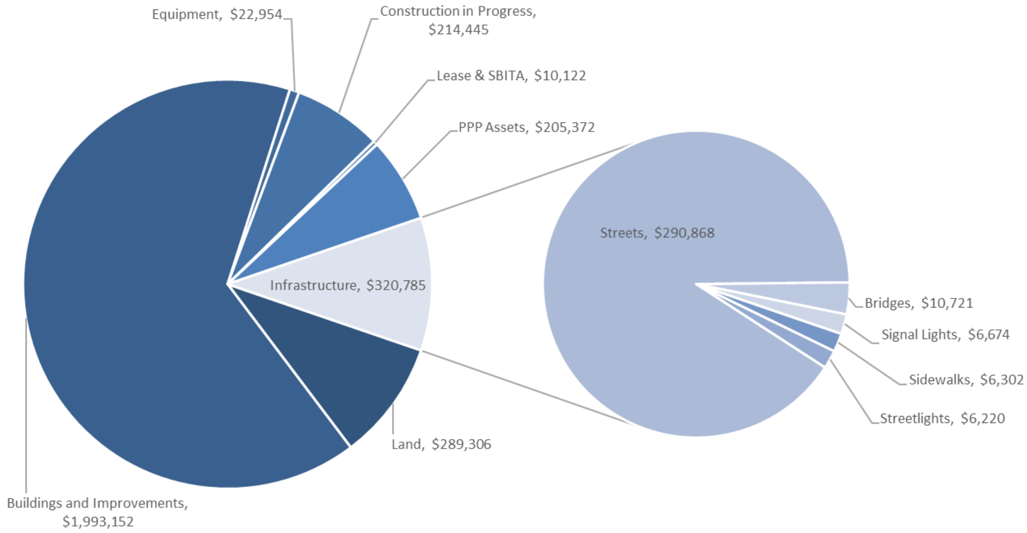
City of Arlington's Capital, Lease, SBITA, and PPP Assets
(in thousands, net of depreciation and amortization)

	Governmental activities		Business-type activities		Total	
	2023	2024	2023	2024	2023	2024
Land	$ 294,329	$ 289,306	$ 23,757	$ 29,916	$ 318,086	$ 319,222
Buildings and improvements	2,059,554	1,993,152	6,861	32,355	2,066,415	2,025,507
Machinery and equipment	18,638	22,954	419	762	19,057	23,716
Construction in progress	136,107	214,445	208,430	235,117	344,537	449,562
Infrastructure	321,233	320,785	-	-	321,233	320,785
Lease and SBITA assets	4,669	10,122	-	269	4,669	10,391
PPP assets	-	205,372	-	-	-	205,372
Drainage system	-	-	106,911	110,506	106,911	110,506
Water and sewer system	-	-	701,954	726,916	701,954	726,916
Totals	$ 2,834,530	$ 3,056,136	$ 1,048,332	$ 1,135,841	$ 3,882,862	$ 4,191,977

Major capital asset events during the current fiscal year included the following:

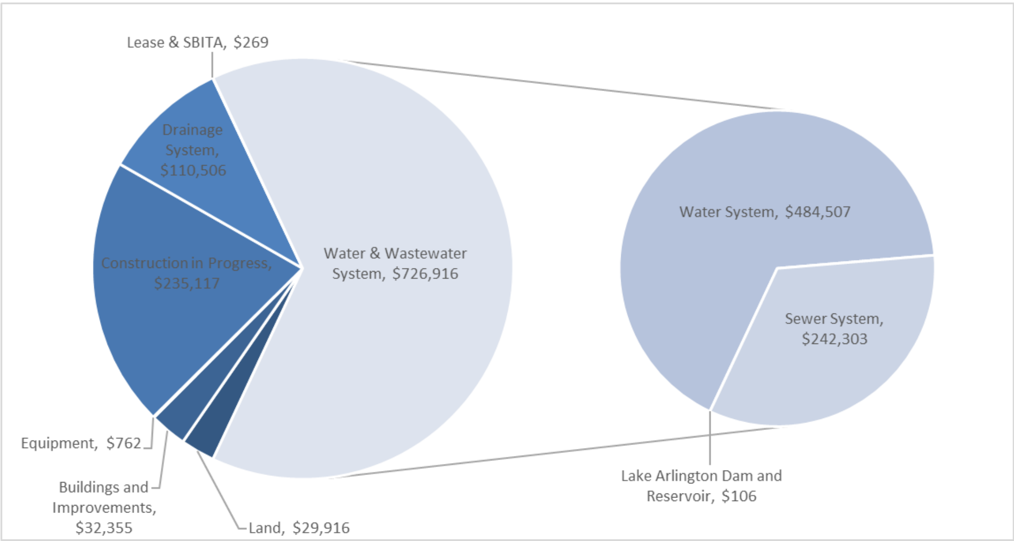
- Private developer capital contributions of $6.7M to the City's water and sewer infrastructure in connection with various residential and commercial developments
- Water and sewer system capital improvements and expansion of $54.9M
- Storm drainage system capital improvements and expansion of $18.2M
- Street construction projects capital outlay totaling $48.4M
- Improvements to parks and recreation facilities of $39.5M
- Aviation FBO acquisition of $14M asset addition
- PPP asset addition for the Arlington Convention Center totaling $205.4M

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



Asset		Book Value	Accumulated Depreciation	Net Value
Sidewalks	$	72,348 $	(66,046) $	6,302
Streetlights		21,685	(15,465)	6,220
Streets		971,919	(681,051)	290,868
Bridges		43,200	(32,479)	10,721
Signal Lights		20,787	(14,113)	6,674
	$	1,129,939 $	(809,154) $	320,785

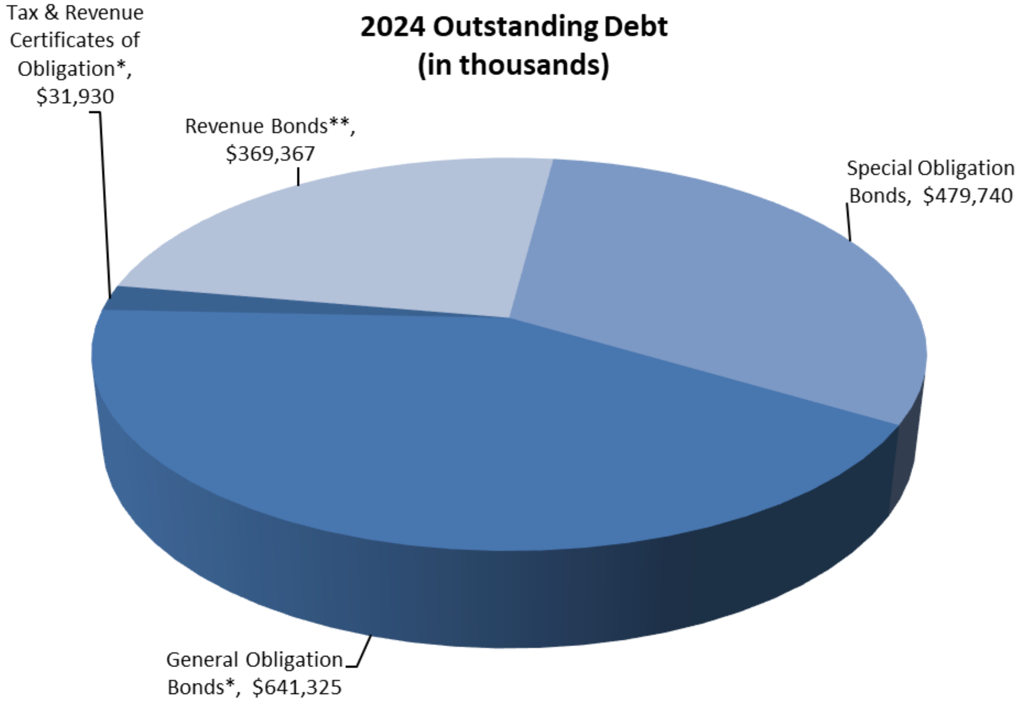
The City's business-type activities infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):

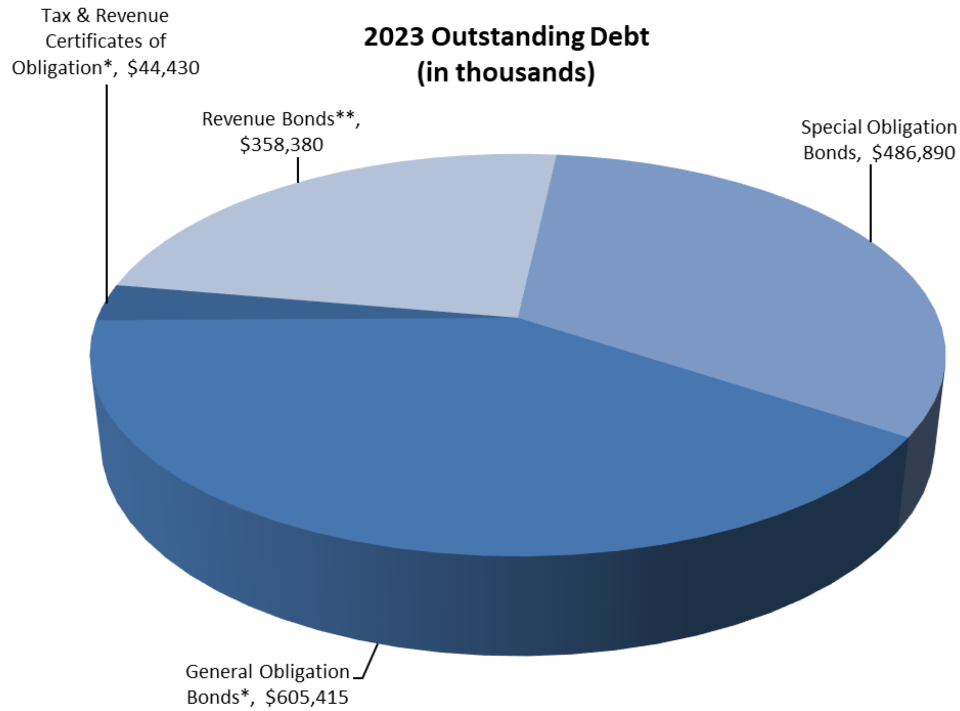


Asset		Book Value	Accumulated Depreciation	Net Value
Lake Arlington Dam and Reservoir	$	2,619 $	(2,513) $	106
Water System		779,731	(295,224)	484,507
Sewer System		400,469	(158,166)	242,303
	$	1,182,819 $	(455,903) $	726,916

Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of $1.52B, a slight increase from the prior year.





**Secured by City Tax Base*

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

City of Arlington's Outstanding Debt
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2024	2023	2024	2023	2024
General obligation bonds (backed by the City)	$ 605,415	$ 641,325	$ -	$ -	$ 605,415	$ 641,325
Combination tax and revenue certificates of obligation (backed by the City)	44,430	31,930	-	-	44,430	31,930
Special tax revenue bonds	486,890	479,740	-	-	486,890	479,740
Revenue bonds (backed by fee revenues)	-	-	358,380	369,367	358,380	369,367
Total	$ 1,136,735	$ 1,152,995	$ 358,380	$ 369,367	$ 1,495,115	$ 1,522,362

During the current fiscal year, the City issued $75.8M in Permanent Improvement Bonds, $7.7M in Tax Increment Revenue Bonds, $30M in Water and Wastewater System Revenue Bonds and $9.5M in Stormwater Revenue Bonds. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2024, the City's debt ratings were as follows by type and agency:

	Fitch	S&P	Moody's
City GO/CO	AA+	AAA	Aa1
WWS Revenue	AAA	AAA	Aa1
Storm Water Revenue	AAA	AAA	Aa1
Venue Senior (Sales Tax/HOT/STMV) - Underlying (Series 2017/2018A & B)	AA+	AA	Aa1
Venue Senior (Sales Tax/HOT/STMV) - Insurance (Series 2017/2018A & B)		AA	
Venue Subordinate (Sales Tax/HOT/STMV) - Underlying (Series 2018C)			Aa2
Venue Subordinate (Sales Tax/HOT/STMV) - Insurance (Series 2018C)		AA	
Stadium (Ticket and Parking Tax)*	NR	NR	NR
Ballpark (Ticket and Parking Tax)*	NR	NR	NR

^ Venue Senior Lien (Series 2017, 2018A & B) – Insured by Assured Guaranty (AG)
^ Venue Subordinate Lien (Series 2018C) – Insured by Build America Mutual Assurance Corp (BAM)
* AMBAC insured / AMBAC no longer rated

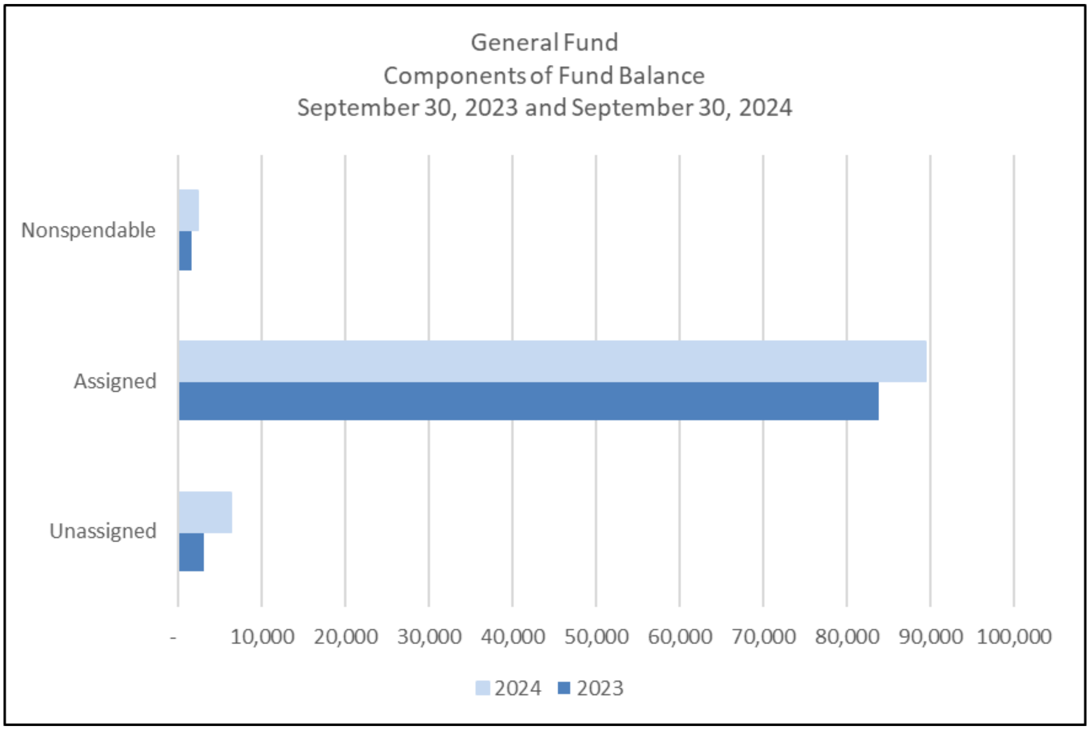
General bonded debt per capita increased from $1,691 in 2023 to $1,724 in 2024.

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 1.73%.

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 on September 30, 2024 was $11.4M.

THE CITY'S FUNDS

The governmental funds of the City reported a combined fund balance of $511.4M. The General Fund balance was $97.8M, which changed $11.3M from the previous year, primarily due to increased tax revenue. The Debt Service fund balance increased $27.5M, ending the year with $85.7M. The increase was a result of the reduced debt payments and increased sales taxes received during the fiscal year. Other changes in fund balances noted include:



- Street Capital Projects fund balance increased in fiscal year 2024, up from $113M to $137.6M.
- The City's water and sewer fund net position of $858.9M increased by $33M in the current year. The increase in net position is primarily due to operating revenues exceeding expenses by $60.7M, capital contributions of $6.7M and net transfers out of $46.1M.
- The Storm Water Utility fund saw an increase of $20.1M to net position in 2024. Storm water fee revenues exceeded fund expenses by $18.6M and transfers out of $3.2M were completed, increasing net position to $195.8M at the end of the fiscal year.
- In 2024, the City entered an agreement with GKY Realty, Ltd. and Harrison Aviation, Ltd. to dissolve the FBO lease arrangement previously in effect, effective April 1, 2024, making the City the sole operator of Arlington Municipal Airport. The City owns most of the land, buildings, and hangars at the Airport and paid $14 million for additional assets. Prior to this agreement, the Operators managed the Airport under a separate agreement with the City. As part of the new deal, the City also purchased business property from Harrison for $3 million. Several subleases previously held by GKY were assigned to the City. During 2024, the City created the enterprise Aviation fund to account for the activity and operations of the Airport.

GENERAL FUND BUDGET HIGHLIGHTS

During fiscal year 2024 there were two amendments to the general fund operating budget. The first, decreased expenditures by $1.2M, increased expenditures by $1M to support relocation expenses and lease payments, and decreased budgeted revenues by $1.4M due to the creation of the enterprise Aviation Fund. The second, increased expenditures and revenues each by $227,967 for building management and rental revenue related to new lease agreements for 401, 501, and 601 Sanford Street.

Actual expenditures on a budgetary basis of $347.7M were less than budgeted expenditures of $361.9M. Revenues on a budgetary basis were less than the budgeted amount of $353.1M by $1.5M. Taxes, licenses and permits, and other revenues were lower than budgeted and are attributable to the variance.

ECONOMIC FACTORS AND FISCAL YEAR 2024

Each year, the City Council identifies community priorities that guide how to allocate the City's resources. The annual Budget and Business Plan are developed to address the City Council's adopted priorities. Economic development continues to be a priority to capitalize on development throughout the region. The City must continue to look for ways to innovate, provide the highest value possible to residents, respond to challenges, and plan. The 2025 Budget also focuses on public safety funding, opening, and maintaining City facilities. General Fund property tax revenues are budgeted at $152M and sales taxes increased to $97.2M. Key budget priorities in 2025 are:

- Enhance regional mobility
- Support youth and families
- Champion great neighborhoods
- Invest in our economy
- Leverage technology
- Build unity

The City's total General Fund revenues and transfers for 2025 are budgeted at $336.7M, and total General Fund expenditures are expected to be $335.5M, an increase of $13.1M over 2024.

The General Fund's largest single revenue source is property taxes. This revenue represents 46.7% of the General Fund budget. The property tax rate for 2025 is $0.5998 per $100 valuation. The tax rate is split out into two categories, operations, and maintenance, $0.4146 per $100 valuation, to the General Fund, and interest and sinking, $0.1852 per $100 valuation, for debt service. The General Fund property tax revenue for 2025 is estimated to be $152M, up $7.2M (1.05%) from last year's estimate.

The City's portion of the local 8.25 cent sales tax rate is two cents. The General Fund receives one cent, one-quarter cent is dedicated to the Street Maintenance Fund, one-quarter cent is dedicated to funding the City's Economic Development Corporation, and one-half cent provides for debt service for venue debt. Sales tax revenue for the General Fund for fiscal year 2025 is estimated at $97.2M, an increase of $4.1M from 2024 estimates.

The City's Water and Sewer Fund accounts for approximately 28.8% 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 $100.8M and $93M respectively for FY 2025. 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 2025 Operating Budget can be accessed on the City's website: http://www.arlington-tx.gov/budget/.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances and to show the City's fiscal accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Amy Mapes, Controller (amy.mapes@arlingtontx.gov), in the Finance Department, at the City of Arlington, 500 E. Border St., 11th Floor, Arlington, TX 76010. The City is also an active member of MSRB's Electronic Municipal Market Access (EMMA), which keeps the Arlington ACFR on file. Additionally, the ACFR can be found on the City's website at http://www.arlington-tx.gov/finance/financial-reports/.

ARLINGTON℠

THE AMERICAN DREAM CITY

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
ASSETS				
Cash and cash equivalents	$ 514,334	$ 69,428	$ 583,762	$ 95,528
Investments	-	-	-	91,892
Land held for resale	7,653	-	7,653	-
Receivables (net of allowance for uncollectibles):				
Taxes	8,139	-	8,139	-
Sales taxes	27,904	-	27,904	3,986
Trade accounts	-	16,490	16,490	-
Franchise fees	5,406	-	5,406	-
Unbilled trade accounts	-	14,138	14,138	-
Special assessments	122	-	122	-
Accrued interest	5,575	174	5,749	233
Lease	85,190	2,757	87,947	-
PPP receivable	58,133	-	58,133	-
Other	16,924	698	17,622	1,622
Internal balances	5,634	(5,634)	-	-
Due from component units	489	-	489	-
Due from other governments	13,251	-	13,251	-
Inventory of supplies	2,455	4,681	7,136	-
Prepaid expenses	124	-	124	370
Net pension asset	671	-	671	-
Net OPEB asset	186	-	186	-
Restricted assets-				
Bond contingency-				
Investments	-	32,350	32,350	-
Capital construction-				
Capital Investments	-	226,426	226,426	-
Escrow	-	14,530	14,530	-
Meter deposits-				
Investments	-	9,728	9,728	-
Capital and Lease Assets-				
Land	289,306	29,916	319,222	10,500
Buildings and improvements	2,663,971	64,282	2,728,253	934
Water and sewer system	-	1,182,819	1,182,819	-
Machinery and equipment	167,625	13,960	181,585	6,753
Infrastructure	1,129,939	-	1,129,939	-
Lease and SBITA assets	16,060	583	16,643	-
PPP Asset	207,446	-	207,446	-
Drainage systems	-	172,160	172,160	-
Construction in progress	214,445	235,117	449,562	-
Accumulated depreciation/amortization	(1,632,656)	(562,996)	(2,195,652)	(1,907)
Total Assets	3,808,326	1,521,607	5,329,933	209,911
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	6,627	379	7,006	-
Pension items	74,968	4,672	79,640	-
OPEB items	14,458	884	15,342	-
Total Assets and Deferred Outflows of Resources	3,904,379	1,527,542	5,431,921	209,911

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, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable and accrued liabilities	46,125	8,407	54,532	5,009
Unearned revenue	8,171	286	8,457	4,418
Retainage payable	6,441	-	6,441	-
Accrued interest	6,245	-	6,245	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	9,814	9,814	-
Retainage payable	-	5,996	5,996	-
Accrued interest	-	3,535	3,535	-
Meter deposits	-	9,728	9,728	-
Noncurrent liabilities:				
Due within one year:				
Estimated claims payable	5,822	-	5,822	-
General obligation and certificates	53,465	-	53,465	-
Special tax revenue debt	9,270	-	9,270	-
Accrued compensated absences	1,689	203	1,892	3
Revenue bonds	-	28,985	28,985	-
Leases and SBITA payable	3,901	392	4,293	-
Due in more than one year:				
Estimated claims payable	5,620	-	5,620	-
Rebatable arbitrage payable	2,114	318	2,432	-
Total other postemployment benefit liability	99,903	6,945	106,848	-
General obligation and certificates	657,868	-	657,868	-
Special tax revenue debt	506,448	-	506,448	-
Estimated pollution remediation	38	-	38	-
Accrued compensated absences	38,144	2,705	40,849	283
Revenue bonds	-	357,682	357,682	-
Net pension liability	42,057	2,924	44,981	-
Leases and SBITA payable	6,543	-	6,543	-
Total Liabilities	1,499,864	437,920	1,937,784	9,713
DEFERRED INFLOWS OF RESOURCES				
Pension items	7,590	-	7,590	-
OPEB items	28,075	1,842	29,917	-
PPP related	261,401	-	261,401	-
Leases related	83,355	2,710	86,065	-
Total Liabilities and Deferred Inflows of Resources	1,880,285	442,472	2,322,757	9,713
NET POSITION				
Net investment in capital assets	1,998,472	845,640	2,844,112	10,564
Restricted for debt service	85,698	53,638	139,336	-
Restricted for special revenue	59,237	-	59,237	-
Restricted for use of impact fees	17,114	-	17,114	-
Restricted for net pension asset	671	-	671	-
Restricted for net OPEB asset	186	-	186	-
Restricted for housing assistance	-	-	-	142
Restricted for Arlington Economic Development	-	-	-	67,826
Unrestricted (deficit)	(137,284)	185,792	48,508	121,666
Total Net Position	$ 2,024,094	$ 1,085,070	$ 3,109,164	$ 200,198

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, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Primary Government:								
Governmental Activities:								
General government	$ 134,010	$ 27,710	$ 486	$ -	$ (105,814)	$ -	$ (105,814)	$ -
Public safety	230,108	10,343	9,151	-	(210,614)	-	(210,614)	-
Public works	90,291	2,153	-	2,000	(86,138)	-	(86,138)	-
Public health	4,546	5,296	-	-	750	-	750	-
Parks and recreation	46,366	20,813	424	250	(24,879)	-	(24,879)	-
Public welfare	16,468	302	27,099	-	10,933	-	10,933	-
Convention and event services	22,155	4,868	-	-	(17,287)	-	(17,287)	-
Interest	38,217	-	-	-	(38,217)	-	(38,217)	-
Total Governmental Activities	582,161	71,485	37,160	2,250	(471,266)	-	(471,266)	-
Business-Type Activities:								
Water and sewer	143,308	196,590	-	6,713	-	59,995	59,995	-
Storm water utility	11,091	27,838	-	-	-	16,747	16,747	-
Aviation	9,039	5,327	-	-	-	(3,712)	(3,712)	-
Total Business-Type Activities	163,438	229,755	-	6,713	-	73,030	73,030	-
Total Primary Government	$ 745,599	$ 301,240	$ 37,160	$ 8,963	$ (471,266)	$ 73,030	$ (398,236)	$ -
Component Units:								
Arlington Housing Authority	$ 52,290	$ -	$ 52,309	$ -	$ -	$ -	$ -	$ 19
Arlington Convention and Visitors Bureau	12,696	7,250	5,242	-	-	-	-	(204)
Arlington Tomorrow Foundation	8,804	-	-	-	-	-	-	(8,804)
Arlington Housing Finance Corporation	622	368	-	-	-	-	-	(254)
Arlington Tourism Public Improvement District	3,728	3,737	-	-	-	-	-	9
Arlington Convention Center Development Corp	72	68	-	-	-	-	-	(4)
Arlington Economic Development Corp	14,726	24,555	-	-	-	-	-	9,829
Total Component Units	$ 92,938	$ 35,978	$ 57,551	$ -	$ -	$ -	$ -	$ 591
General Revenues:								
Taxes:								
Property taxes					224,172	-	224,172	-
Sales taxes					165,531	-	165,531	-
Criminal justice tax					218	-	218	-
State liquor tax					2,777	-	2,777	-
Bingo tax					103	-	103	-
TIF/TIRZ					1,133	-	1,133	-
Occupancy tax					15,477	-	15,477	-
Franchise fee based on gross receipts					22,205	-	22,205	-
Intergovernmental revenues					-	3,500	3,500	-
Interest/Dividend revenue					23,233	15,162	38,395	5,923
Net increase (decrease) in fair value of investments					8,071	7,500	15,571	15,616
Other					12,949	-	12,949	15,440
Transfers					36,801	(36,801)	-	-
Total General Revenues and Transfers					512,670	(10,639)	502,031	36,979
Changes in Net Position					41,404	62,391	103,795	37,570
Net Position - Beginning, Restated (See Note I.R.)					1,982,690	1,022,679	3,005,369	162,628
Net Position - Ending					$ 2,024,094	$ 1,085,070	$ 3,109,164	$ 200,198

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

CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Convention and Event Services	Other Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 62,739	$ 76,921	$ 146,031	$ 5,274	$ 193,032	$ 483,997
Land held for resale	-	-	-	-	7,653	7,653
Receivables (net of allowance for uncollectibles)						
Taxes	5,632	553	-	1,954	-	8,139
Sales taxes	15,945	7,973	-	-	3,986	27,904
Franchise fees	5,406	-	-	-	-	5,406
Special assessments	-	-	122	-	-	122
Accrued interest	5,221	288	-	49	-	5,558
Lease agreements	57,212	-	-	27,713	265	85,190
PPP receivable	58,133	-	-	-	-	58,133
Other	12,524	85	2	431	3,447	16,489
Due from component units	489	-	-	-	-	489
Due from other funds	10,015	-	-	-	-	10,015
Due from other governments	-	-	-	-	13,251	13,251
Prepaid Expenditures	124	-	-	-	-	124
Inventory of supplies, at cost	2,248	-	-	-	207	2,455
Total Assets	$ 235,688	$ 85,820	$ 146,155	$ 35,421	$ 221,841	$ 724,925
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 17,223	$ 2	$ 5,907	$ 172	$ 19,650	$ 42,954
Retainage payable	-	-	2,534	-	3,907	6,441
Unearned revenue	2,071	120	122	637	5,221	8,171
Due to other funds	-	-	-	-	10,015	10,015
Total Liabilities	19,294	122	8,563	809	38,793	67,581
Deferred Inflows of Resources;						
Taxes	4,858	-	-	-	-	4,858
Landfill	1,722	-	-	-	-	1,722
Lease agreements	55,953	-	-	27,212	190	83,355
PPP agreements	56,029	-	-	-	-	56,029
Total Deferred Inflows of Resources	118,562	-	-	27,212	190	145,964
Fund Balances:						
Nonspendable:						
Inventory	2,248	-	-	-	207	2,455
Prepaid items	124	-	-	-	-	124
Restricted for:						
Debt Service	-	85,698	-	-	-	85,698
Capital projects	-	-	137,592	-	102,891	240,483
Special revenue	-	-	-	-	59,237	59,237
Committed to:						
Capital projects	-	-	-	-	6,774	6,774
Special revenue	-	-	-	-	10,750	10,750
Assigned to:						
Working capital	29,887	-	-	-	-	29,887
Subsequent years' expenditures	21,063	-	-	-	-	21,063
Compensated absences	1,675	-	-	-	-	1,675
Other post employment benefits	1,718	-	-	-	-	1,718
Future initiatives	17,151	-	-	-	-	17,151
Dispatch	1,332	-	-	-	-	1,332
Information technology	4,212	-	-	-	-	4,212
Business Continuity	4,062	-	-	-	-	4,062
Park performance	-	-	-	-	2,181	2,181
Event Reserve Trust Fund	8,350	-	-	-	-	8,350
Special revenue	-	-	-	7,400	818	8,218
Unassigned	6,010	-	-	-	-	6,010
Total fund balances	97,832	85,698	137,592	7,400	182,858	511,380
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 235,688	$ 85,820	$ 146,155	$ 35,421	$ 221,841	$ 724,925

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

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION OF GOVERNMENTAL FUNDS
AS OF SEPTEMNER 30, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

Total fund balances per balance sheet			$ 511,380
Amounts reported for governmental activities in the statement of net position are different because:			
Capital, lease, SBITA, and PPP assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding $22,025 recorded in the internal service funds).			3,034,112
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Taxes			4,858
Internal service funds are used by management to charge the cost of fleet services, knowledge services, risk management, workers' compensation and group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			45,557
Long-term liabilities, including bonds payable, arbitrage, compensated absences, and related deferred outflows and inflows of resources, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable		$ (1,152,995)	
Premium on bonds		(75,738)	
Discount on bonds		1,681	
Deferred outflow of resources (refunding)		6,627	
Accrued interest payable		(6,245)	
Estimated pollution remediation		(38)	
Compensated absences		(39,833)	
Lease and SBITA		(10,444)	
Rebatable arbitrage payable		(2,114)	
Pension:			
Net pension asset (liability)	$ (41,386)		
Deferred inflow/outflow-actuarial gain, assumption changes and contributions	67,378	25,992	
Other Post Employment Benefits (OPEB)			
Total OPEB liability	(99,717)		
Deferred inflow/outflow-actuarial gain, assumption changes and contributions	(13,617)	(113,334)	
Deferred inflow of resources (PPP)		(205,372)	(1,571,813)
Net position of governmental activities			$ 2,024,094

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, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Convention and Event Services	Other Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes	$ 234,944	$ 123,356	$ -	$ 11,504	$ 39,731	$ 409,535
Licenses and permits	10,168	-	-	-	-	10,168
Utility franchise fees	22,205	-	-	-	-	22,205
Fines and forfeitures	5,918	-	-	-	-	5,918
Leases, rents and concessions	13,417	-	-	3,181	10	16,608
Service charges	10,208	-	1,297	1,687	23,273	36,465
Interest revenue	5,337	4,451	5,188	100	7,396	22,472
Net increase (decrease) in fair value of investments	949	11	2,887	31	3,676	7,554
Contributions	-	-	2,000	-	950	2,950
Intergovernmental revenues	426	60	-	-	35,974	36,460
Gas lease royalty	-	-	-	-	2,278	2,278
Other	41	-	-	351	11,081	11,473
Total Revenues	303,613	127,878	11,372	16,854	124,369	584,086
EXPENDITURES						
Current-						
General government	65,431	-	-	-	6,396	71,827
Public safety	193,488	-	-	-	28,835	222,323
Public works	26,864	-	-	-	44,716	71,580
Public health	2,841	-	-	-	1,617	4,458
Public welfare	-	-	-	-	16,398	16,398
Parks and recreation	18,605	-	-	-	18,471	37,076
Convention and event services	-	-	-	15,263	6,862	22,125
Capital outlay	-	-	48,367	-	48,401	96,768
Debt service-						
Principal retirement	-	67,367	-	-	-	67,367
Interest and fiscal charges	-	46,136	-	-	-	46,136
Total Expenditures	307,229	113,503	48,367	15,263	171,696	656,058
Excess (deficiency) of revenues over (under) expenditures	(3,616)	14,375	(36,995)	1,591	(47,327)	(71,972)
OTHER FINANCING SOURCES (USES)						
Issuance of bonds	-	-	57,051	-	18,798	75,849
Refunded bond principal	-	7,685	-	-	-	7,685
Bond premium	-	1,624	4,874	-	1,607	8,105
Transfers in	38,114	3,817	958	3,306	31,292	77,487
Transfers out	(23,204)	-	(1,319)	(3,347)	(24,425)	(52,295)
Total Other Financing Sources (Uses)	14,910	13,126	61,564	(41)	27,272	116,831
Net Change in Fund Balances	11,294	27,501	24,569	1,550	(20,055)	44,859
Fund Balances, October 1, Restated (See Note I.R.)	86,538	58,197	113,023	5,850	202,913	466,521
Fund Balances, September 30	$ 97,832	$ 85,698	$ 137,592	$ 7,400	$ 182,858	$ 511,380

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, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

Net change in fund balances - total governmental funds		$ 44,859
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.		111,600
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.		(88,264)
Revenues in the statement of activities that do not provide current financial recources are not reported as revenues in the funds.		946
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of certificates of obligation	(83,535)	
Repayment of general obligation debt	67,275	
Proceeds from issuance of bonds - premiums	(8,104)	
Amortization of bond premium, deferred loss	7,788	
		(16,576)
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. Current year changes in:		
Compensated absences	(18,592)	
Accrued interest expense	(289)	
Estimated pollution remediation	(3)	
Net pension asset (liability)	(4,365)	
Net OPEB liability	978	
Arbitrage liability	(2,114)	
Estimated settlement	1,900	
		(22,485)
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.		11,324
Change in net position of governmental activities		$ 41,404

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds				
	Water and Sewer	Storm Water Utility	Aviation - Non Major	Total	Governmental Activities - Internal Service Funds
ASSETS					
Current Assets:					
Cash and cash equivalent investments	$ 52,239	$ 14,121	$ 3,068	$ 69,428	$ 30,337
Receivables (net of allowances for uncollectibles):					
Trade accounts	13,399	2,868	223	16,490	-
Accrued interest	151	-	23	174	17
Unbilled trade accounts	12,884	1,254	-	14,138	-
Leases receivable	2,722	-	35	2,757	-
Other	462	-	236	698	435
Inventory of supplies, at cost	4,681	-	-	4,681	-
Subtotal	86,538	18,243	3,585	108,366	30,789
Restricted Assets:					
Bond contingency-cash and cash-like investments	18,117	1,332	-	19,449	-
Capital construction-cash and cash-like investments	85,187	29,181	-	114,368	-
Total Current Assets	189,842	48,756	3,585	242,183	30,789
Noncurrent Assets:					
Restricted Assets:					
Bond contingency-					
Investments	11,595	1,306	-	12,901	-
Capital construction-					
Investments	83,467	28,591	-	112,058	-
Escrow	14,530	-	-	14,530	-
Meter deposit investments	9,728	-	-	9,728	-
Capital Assets:					
Land	7,956	15,828	6,132	29,916	-
Buildings and improvements	9,261	-	55,021	64,282	467
Water and sewer system	1,182,819	-	-	1,182,819	-
Machinery and equipment	13,706	23	231	13,960	67,327
Drainage system	-	172,160	-	172,160	-
Right to use asset - SBITA	522	61	-	583	-
Construction-in-progress	171,733	61,694	1,690	235,117	-
Accumulated depreciation and amortization	(471,759)	(61,712)	(29,525)	(562,996)	(45,769)
Total Capital Assets Net of Accumulated Depreciation and Amortization	914,238	188,054	33,549	1,135,841	22,025
Total Noncurrent Assets	1,033,558	217,951	33,549	1,285,058	22,025
Total Assets	1,223,400	266,707	37,134	1,527,241	52,814
Deferred Outflows of Resources:					
Deferred charges on debt refunding	243	136	-	379	-
Pension items	4,672	-	-	4,672	-
OPEB items	884	-	-	884	-
Total Assets and Deferred Outflows of Resources	$ 1,229,199	$ 266,843	$ 37,134	$ 1,533,176	$ 52,814

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

(continued)

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds				
	Water and Sewer	Storm Water Utility	Aviation - Non Major	Total	Governmental Activities - Internal Service Funds
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	$ 7,086	$ 625	$ 696	$ 8,407	$ 1,449
Accrued compensated absences	174	29	-	203	-
Revenue bonds payable from unrestricted assets	6,323	4,545	286	11,154	-
Current Liabilities Payable From Restricted Assets:					
Accounts payable and accrued liabilities	6,151	3,663	-	9,814	-
Retainage payable	5,284	712	-	5,996	-
Accrued interest	2,970	565	-	3,535	-
Estimated claims payable	-	-	-	-	5,822
Revenue bonds payable from restricted assets	18,117	-	-	18,117	-
Meter deposits	9,728	-	-	9,728	-
Total Current Liabilities	55,833	10,139	982	66,954	7,271
Noncurrent Liabilities:					
Estimated claims payable	-	-	-	-	5,618
Rebatable arbitrage payable	101	217	-	318	-
Compensated absences	2,241	382	82	2,705	13
Revenue bonds payable from unrestricted assets	297,416	60,266	-	357,682	-
Net pension liability	2,924	-	-	2,924	-
SBITA lease liability	351	41	-	392	-
OPEB liability	6,945	-	-	6,945	-
Total Noncurrent Liabilities	309,978	60,906	82	370,966	5,631
Total Liabilities	365,811	71,045	1,064	437,920	12,902
Deferred Inflows of Resources:					
Lease related	2,675	-	35	2,710	-
OPEB items	1,842	-	-	1,842	-
Total Liabilities and Deferred Inflows of Resources	370,328	71,045	1,099	442,472	12,902
NET POSITION					
Net investment in capital assets	659,904	152,187	33,549	845,640	22,025
Restricted for debt service	51,000	2,638	-	53,638	-
Unrestricted	147,967	40,973	2,486	191,426	17,887
Total Net Position	$ 858,871	$ 195,798	$ 36,035	1,090,704	$ 39,912
Reconciliation to government-wide statements of net position:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(5,634)	
Net position of business-type activities				$ 1,085,070	

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, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Aviation - Non Major	Total	
Operating Revenues:					
Water sales	$ 97,257	$ -	$ -	$ 97,257	$ -
Sewer service	86,105	-	-	86,105	-
Storm water fee - commercial	-	12,431	-	12,431	-
Storm water fee - residential	-	13,266	-	13,266	-
FBO fuel	-	-	2,904	2,904	-
Rents and royalties	-	-	2,017	2,017	-
Service charges	-	-	-	-	48,158
Sundry	13,228	2,141	3,906	19,275	-
Total Operating Revenues	196,590	27,838	8,827	233,255	48,158
Operating Expenses:					
Purchase of water	22,686	-	-	22,686	-
Purchase of sewage treatment	46,377	-	-	46,377	-
Purchase of fuel	-	-	2,161	2,161	2,673
Salaries and wages	18,114	2,937	1,203	22,254	171
Benefits	5,199	837	353	6,389	25
Operations and maintenance	19,922	2,071	3,895	25,888	4,757
Claims (net of adjustments)	-	-	-	-	38,144
Depreciation	23,100	3,381	1,427	27,908	4,731
Miscellaneous services	451	-	-	451	-
Total Operating Expenses	135,849	9,226	9,039	154,114	50,501
Operating Income (Loss)	60,741	18,612	(212)	79,141	(2,343)
Nonoperating Revenues (Expenses):					
Interest revenue	12,626	2,352	184	15,162	780
Net increase in the fair value of investments	5,991	1,395	114	7,500	517
Gain on sale of assets	-	-	-	-	435
Interest expense and fiscal charges	(7,133)	(1,865)	-	(8,998)	-
Total Nonoperating Revenues (Expenses)	11,484	1,882	298	13,664	1,732
Income (loss) before transfers and contributions	72,225	20,494	86	92,805	(611)
Contributions in aid of construction	6,713	-	-	6,713	-
Transfers in	170	2,800	10,588	13,558	11,609
Transfers out	(46,070)	(3,207)	(1,082)	(50,359)	-
Change in Net Position	33,038	20,087	9,592	62,717	10,998
Total Net Position, October 1*	825,833	175,711	26,443	1,027,987	28,914
Total Net Position, September 30	$ 858,871	$ 195,798	$ 36,035	$ 1,090,704	$ 39,912
Net change in net position - total enterprise funds				$ 62,717	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(326)	
Change in net position of business-type activities				$ 62,391	

The notes to the financial statements are an integral part of this statement.
* Aviation restated beginning balance (See Note I.R.).

CITY OF ARLINGTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds				
	Water and Sewer	Storm Water Utility	Aviation Nonmajor	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 194,487	$ 26,488	$ 8,333	$ 229,308	$ 48,098
Cash payments to suppliers	(87,929)	(1,740)	(5,073)	(94,742)	(43,486)
Cash payments to employees	(21,854)	(3,234)	(1,501)	(26,589)	(183)
Net Cash Provided By Operating Activities	84,704	21,514	1,759	107,977	4,429
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	170	2,800	10,588	13,558	11,609
Transfers out	(46,070)	(3,207)	(1,082)	(50,359)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(45,900)	(407)	9,506	(36,801)	11,609
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(55,445)	(18,283)	(15,128)	(88,856)	(12,133)
Increase/Decrease in escrow balance	11,844	-	-	11,844	-
Proceeds from sales of capital assets	-	-	-	-	544
Proceeds from issuance of long-term debt	30,045	10,191	-	40,236	-
Repayment of long-term debt	(25,150)	(4,115)	-	(29,265)	-
Interest payment long-term debt	(8,851)	(1,745)	-	(10,596)	-
Net Cash Provided By Capital Related Financing Activities	(47,557)	(13,952)	(15,128)	(76,637)	(11,589)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from interest earnings	12,514	2,352	275	15,141	768
Purchase of investments	(140,518)	(36,263)	-	(176,781)	-
Maturities/sales of investments	167,023	48,529	-	215,552	-
Net Cash Provided By Investing Activities	39,019	14,618	275	53,912	768
Net Increase (Decrease) In Cash And Cash Equivalents	30,266	21,773	(3,588)	48,451	5,734
Cash and cash equivalents, October 1	125,277	22,861	6,656	154,794	24,603
Cash and cash equivalents, September 30	$ 155,543	$ 44,634	$ 3,068	$ 203,245	$ 30,337
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 60,741	$ 18,612	$ (212)	$ 79,141	$ (2,343)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	23,100	3,381	1,427	27,908	4,731
Amortization of bond premium	2,594	431	-	3,025	-
Amortization of deferred loss on bond refunding	(91)	(20)	-	(111)	-
Provision for bad debts	3	46	-	49	-
(Increase) decrease in-					
Receivables	(2,106)	(1,349)	(492)	(3,947)	(61)
Inventory of supplies	(1,957)	-	-	(1,957)	-
Prepaid expenses	-	-	-	-	-
Increase (decrease) in-					
Accounts payable and accrued liabilities	(477)	(220)	981	284	537
Net pension/OPEB liability	562	61	35	658	-
Estimated claims payable	-	-	-	-	1,552
Retainage payable	696	339	-	1,035	-
Meter deposits	375	-	-	375	-
Accrued compensated absences	1,264	233	20	1,517	13
Total adjustments	23,963	2,902	1,971	28,836	6,772
Net Cash Provided By Operating Activities	$ 84,704	$ 21,514	$ 1,759	$ 107,977	$ 4,429
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	6,713	-	-	6,713	-

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF SEPTEMBER 30, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
ASSETS		
Cash and cash equivalents	$ -	$ 3,665
Investments		
Money market fund	352	-
Corporate bonds	2,529	-
Fixed income mutual bond funds	843	-
Common stock mutual bond funds	904	-
Total Investments	4,628	-
Total Assets	$ 4,628	$ 3,665
LIABILITIES		
Accounts payable and accrued liabilities	$ -	$ -
Restricted for individuals, organizations, and other governments	-	-
Total Liabilities	-	-
NET POSITION		
Restricted for pensions	3,393	-
Restricted for OPEB	1,235	-
Restricted for individuals, organizations, and other governments	-	3,665
Total Net Position	$ 4,628	$ 3,665

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, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
ADDITIONS		
Employer contributions	$ 140	$ -
Employee contributions	279	-
Net change in fair value of investments	672	-
Other additions (deductions)	-	12,903
Seizures	-	32
Total Additions	1,091	12,935
DEDUCTIONS		
Benefits	793	-
Plan administration	98	-
Other deductions	-	12,419
Total Deductions	891	12,419
Increase (Decrease) in Net Position	200	516
Net Position, October 1	4,428	3,149
Net Position, September 30	$ 4,628	$ 3,665

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

ARLINGTON℠

THE AMERICAN DREAM CITY

CITY OF ARLINGTON, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

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 and amortization expenses on the City's capital, lease, subscription, and PPP assets, including infrastructure.

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

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

B. Reporting Entity

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

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 39, 61, 80, 84 and 90, defines component units as legally separate entities that meet any one of the following tests:

- The City appoints the voting majority of the board of the component unit and:
    - Is able to impose its will on the component unit and/or
    - Is in a relationship of financial benefit or burden with the component unit
- The component unit is both:
    - fiscally dependent upon the City, and
    - there is a financial benefit or burden.
- The financial statements of the City would be misleading if data from the component unit were omitted.

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

<u>Arlington Housing Authority</u>
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.

<u>Arlington Convention and Visitors Bureau, Inc.</u>
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.

<u>Arlington Tomorrow Foundation</u>
The Arlington Tomorrow Foundation (the "ATF") oversees an endowment fund with a corpus of $114 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.

<u>Arlington Housing Finance Corporation</u>
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.

<u>Arlington Convention Center Development Corporation</u>
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 (the "EDC") was formed in 2015 to create a vibrant, globally connected and innovative community that fosters equitable growth for all. The EDC recruits business and industry, helps local companies grow and generates quality job opportunities throughout the Arlington metro area. The EDC also seeks to attract and retain community business partners, businesses, and workforce members to invest and make their home in Arlington. The board of directors is made up of the seven members appointed by the Mayor and City Council. The EDC's management is designated by the City and City employees are responsible for the daily activites of the EDC; accordingly, the City has financial accountability over the EDC's activities. Separate Arlington Economic Development Corporation component unit financial statements are not prepared.

Arlington Tourism Public Improvement District

The Arlington Tourism Public Improvement District (the "ATPID") was created in fiscal year 2017 to improve convention and group hotel bookings and hotel room night consumption in the City. Funds are provided through a 2% tax applied to hotels with 75 or more rooms within the designated district within the City. A board consisting of participating ATPID hotel/motel members direct the use of all funds generated. The City authorized the creation of the district and must approve a budget annually. The board (ATPID) has contracted with the City to collect the funds, and with ACVB to administer the programs and use the funds. Separate component unit financial statements can be obtained from the ACVB at 1905 E. Randol Mill Road, Arlington, Texas 76011.

Fiduciary Component Units

Part-Time, Seasonal and Temporary Employees Deferred Income Plan

The purpose of the PSTDIP is to provide a systematic plan for the retirement of eligible employees of the City, and under the conditions set forth, a pension upon the retirement of such an Employee. This is a 401(a) single employer defined benefit pension plan that provides retirement, disability and death benefits for all part-time, seasonal and temporary employees.

The City's Retirement Committee administers the PSTDIP. 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.

PSTDIP issues stand-alone financial statements with a June 30 year-end that can be obtained from the City of Arlington at 500 E. Border Street, 11th Floor, Arlington, TX 76010.

Disability Income Plan (DIP)

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

The City provides active employees with disability insurance through a policy obtained from a commercial carrier. Previously, all City employees had participated in a Disability Income 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.

The Disability Income Plan does not issue separate GAAP financial reports. Its financial statements are presented in the notes to this ACFR.

C. Government-wide and Fund Financial Statements

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

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

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

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

Internal Service Funds, which provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. Financial statements of internal service funds are allocated between the governmental and business-type activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc.).

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

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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. Custodial funds, however, report only assets and liabilities and therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are 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, including lease liabilities, 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. General capital asset acquisition, including entering into contracts giving the City of Arlington the right to use leased and subscription assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

The following major funds, nonmajor funds and other funds, by fund category and fund type are reported by the City:

1. Governmental Funds:

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

Major Funds:

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

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

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

d. Convention and Event Services Fund accounts for the operations of the Convention Center.

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

2. Proprietary Funds:

Proprietary funds are classified into two fund types: enterprise funds and internal service funds.

The focus of Enterprise Fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The City's Enterprise Funds are the Water and Sewer Utility Fund, Storm Water Utility Fund (both of which are major funds) and the Aviation fund, a nonmajor Enterprise fund created in FY24. The Water and Sewer Utility Fund accounts for the administration, operation and maintenance of the water and sewer utility system, as well as billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the Fund. The City's solid waste function is contracted out. The billings for this function are done by the City as a conduit for the contractor. The fee for this service is accounted for in the Water Utility Fund, while revenues from solid waste franchise fees and landfill royalties are accounted for in the General Fund. The Storm Water Utility Fund accounts for the design, construction and maintenance of the City's storm water drainage systems. The Aviation fund accounts for all airport related activities including fuel sales and various leases.

The City created an additional business-type, the Aviation Enterprise Fund, to report and manage the activities of the Arlington Municipal Airport and its related activities. This change resulted from moving existing balances and activities that were previously reported in the City's existing non-major governmental funds that will be in the new Aviation Enterprise Fund. These funds include a gas lease fund, an airport grants fund, an airport capital project fund, and an airport bond fund. The existing aviation-related assets which were previously reported as aviation assets used in Governmental Activities showed a net book value of $19,288,121. These assets will be recognized in the Aviation Enterprise Fund as non-depreciable and depreciable assets, as appropriate, within the newly created Aviation Enterprise Fund.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis. These services include fleet services; self-insurance; workers' compensation insurance; and group health insurance. Major fund reporting requirements do not apply to internal service funds.

3. Fiduciary Fund Types:

The City additionally reports the following fiduciary fund types:

a. Pension and other employee benefit trust funds are used to account for the accumulation of resources to be used for the retirement and disability benefit payments to qualified employees.

b. Custodial Funds are used 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. These include amounts held for court proceedings and amounts held for infrastructure improvements donated by developers.

E. Cash, Cash Equivalents and Investments

To facilitate cash management, the operating cash of certain funds and component units is pooled into a cash management pool for the purpose of increasing income through combined investment activities. This cash and investment pool is available for use by all funds and component units except the Trust Funds and the AHA, which maintain separate investments. Each fund's portion of this pool is allocated through its cash and cash equivalent account on the balance sheet. In addition, certain 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 equivalents - as these balances are used essentially as demand deposit accounts by the individual funds. Investments included in the cash management pool which are restricted for use are reported as investments. Additionally, certificates of deposit and temporary investments held separately from the City's cash management pool and which are purchased with original maturities at the time of purchase of three months or less are reported as cash equivalent investments.

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

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

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

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

F. Inventories and Prepaid Items

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

In governmental funds, prepaid items are accounted for using the purchases method. Under this method prepaid items are treated as expenditures when purchased rather than accounted for as an asset. Funds under the accrual basis of accounting recognize the proportionate amount of expense in each benefiting period.

G. Capital, Lease, SBITA, and PPP Assets

Capital, lease, SBITA, and PPP assets purchased or acquired are carried at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a services concession agreement are recorded in accordance with GASB 94. 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, lease, SBITA, and PPP assets are defined by the government as assets with an initial, individual cost of more than $25,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are completed.

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

Assets	Years
Buildings	45-50
Improvements Other than Buildings	20-40
Equipment	5-10
Right-to-Use Assets	5-20
Drainage Improvements	35-50
Meters	10
Streets	20-25
Storm/sanitary sewer	50
System infrastructure	20-50

A lease, SBITA, or PPP asset will be amortized in a systematic rational manner over the shorter of the lease/subscription term or the useful life of the underlying asset.

H. 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.

I. Leases and Subscription-Based Information Technology Agreements (SBITA)

Lessee

The City of Arlington is a lessee for various noncancellable leases of land, buildings, equipment, and software. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities with an initial individual value of $25,000 or more.

At the commencement of a lease, the City of Arlington initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgments related to leases include how the City of Arlington determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City of Arlington uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City of Arlington generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City of Arlington is reasonably certain to exercise.

The City of Arlington monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

The City of Arlington is a lessor for various noncancellable leases of a right-of-way, buildings and equipment. The City of Arlington recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City of Arlington initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City of Arlington determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City of Arlington uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City of Arlington monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

J. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability/asset, pension related deferred outflows and inflows of resources, and pension and OPEB expense, City specific information about its Fiduciary Net Position in the plans can be found in their audited financial statements. Additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by Texas Municipal Retirement System (TMRS) and Part-Time Seasonal and Temporary Employees Deferred Income Program (PSTDIP), Disability Income Plan (DIP), Supplemental Death Benefits, and Retiree Health Insurance statements. 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 PSTDIP audited financial statements and TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*, as amended.

Beginning in fiscal year 2015, and in accordance with GASB 68 and 71, the City's net pension liability/asset is recorded on the face of the financial statements. The City elected to allocate the net pension liability/asset 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 1.08% 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 $487.1K. Detailed pension information is discussed in footnote 6.

Beginning in fiscal year 2017, and in accordance with GASB 75, the City's net OPEB liability/asset is recorded on the face of the financial statements. The City elected to allocate the total or net OPEB liability/asset 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. Detailed OPEB information is discussed in footnote 7.

K. <u>Compensated Absences</u>

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 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. The full amount of accumulated sick leave pay up to 120 days maximum is paid if termination is through retirement or death.

Accumulated vacation and sick leave are 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. <u>Long-term Obligations</u>

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 payables are reported net of the applicable bond premium or discount.

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

M. Nature and Purpose of Classifications of Fund Equity

Fund balances for governmental funds are reported based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution 11-361 dated September 27, 2011, adopting the fund balance policy, authorized the City Manager or his designee to assign fund balance to a specific purpose.

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

N. Minimum Fund Balance Policy

It is the desire of the City to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a General Fund working capital reserve at a minimum level of 8.33% (1/12) 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 investment in capital assets consists of capital, lease, SBITA and PPP assets net of accumulated depreciation and amortization and the outstanding balances of any borrowing spent for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for the same purpose, it is the City's policy to consider restricted net position to be depleted before unrestricted net position is applied.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (reduction of liability/expense/expenditure) until then. The City has three 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 two are deferred pension and OPEB related items reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four 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, OPEB related items, and leases related deferrals are reported in the government-wide statement of net position and in fund level statements.

Q. New Accounting Pronouncements

During fiscal year 2024, the City adopted the following Governmental Accounting Standards Board ("GASB") Statement:

Statement No. 100, *Accounting Changes and Error Corrections*, is effective for the City beginning in fiscal year 2024. This statement was created to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions and assessing accountability.

The City is in the process of reviewing possible impacts of GASB pronouncements which will become effective in future years, and notes the following statements are applicable to the City:

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

Statement No. 101, *Compensated Absences,* is effective for the City beginning in fiscal year 2025. The statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Statement No. 102, *Certain Risk Disclosures,* is effective for the City beginning in fiscal year 2025. This statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. These concentrations and constraints limit a government's ability to acquire resources or control spending. The objective is to provide users with timely information with which to understand and anticipate certain risks to a government's financial condition.

Statement No. 103, *Financial reporting Model Improvements,* is effective for the City beginning in fiscal year 2026. The objective of this statement is to provide an easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. This objective is met by increasing the focus on the explanations of the reasons for changes from year to year in the government wide financial statements and fund financial statements.

Statement No. 104, *Disclosure of Certain Capital Assets*, is effective for the City beginning in fiscal year 2026. The Statement is to provide essential information about certain types of capital assets to be disclosed separately in the capital asset note disclosures. This objective will require disclosure of the ending balance of capital assets held for sale, historical cost and accumulated depreciation by major class of asset and carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

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

R. Restatement – Change within Financial Reporting Entity

At the beginning of fiscal year 2024, the City created a new business-type enterprise fund, the Aviation Fund. The purpose of this fund is to present the financial activity and account for the City's operations and activities related to the City of Arlington Municipal Airport (the "Airport"). Previously, the City accounted for the Airport's operations and activities in Other Nonmajor Governmental Funds. In accordance with GASB Statement No. 100, the City has restated the beginning net position/fund balance for the fiscal year ended September 30, 2024 to reflect this change within the financial reporting entity, as follows (amounts in thousands):

					Government-Wide			
	Other Nonmajor Governmental Funds		Aviation Fund		Governmental Activities		Business-Type Activities	
Beginning Net Position/Fund Balance as previously reported	$	209,569	$	-	$	2,009,133	$	996,236
Creation of Aviation Fund	$	(6,656)	$	6,656	$	(26,443)	$	26,443
Net Position/Fund Balance, as restated	$	202,913	$	6,656	$	1,982,690	$	1,022,679

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, the Enterprise Funds, and certain Special Revenue Funds (Park Performance, Convention and Event Services and Street Maintenance). All unencumbered appropriations lapse at fiscal year-end, except certain of those of the Special Revenue Funds. The budgets for the General Fund, the Debt Service Fund, and certain Special Revenue Funds are prepared on the modified accrual basis, except for encumbrances which are treated as expenditures on the budgetary basis and interdepartmental expenses which are eliminated. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include encumbrances, debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. The schedules comparing budget and actual amounts for these governmental funds include adjustments to those budgetary basis for the differences noted above and for certain other revenue and expenditure items which are reported in the City's budget differently than they are reported for accounting principles generally accepted in the United States.

Budgetary level of control is exercised at the fund level. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures of the General Fund, Debt Service Fund, and certain Special Revenue funds must be approved by the City Council.

During Fiscal Year 2024, there were two (2) amendments to the Operating Budget, one to establish the Aviation Fund as an Enterprise fund within the City's annual operating budget and to authorize a decrease in full-time staff positions in the General Fund, a decrease in General Fund expenditure appropriations, and establish authorized full-time staff positions, expenditure appropriations, and proposed revenues in the Aviation Fund. The amendment also included adding one (1) full-time position in the Fire Department and will increase General Fund's authorized appropriations to cover relocation expenses and lease payments for temporary space for City Staff while the City Office Tower is being renovated. The other amendment authorized an increase in appropriations in the General Fund for expenses associated with taking over management of the buildings located at 401, 501, 601 Sanford Street, Arlington, Texas, and increase appropriations in the Street Maintenance Fund to provide additional resources for contracted street maintenance.

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

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

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

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

General Fund	Street Capital Projects Fund	Convention & Event Services	Nonmajor Funds	Total
$ 10,249	$ 56	$ 183	$ 62,733	$ 73,221

B. Excess of expenditures over appropriations

For the year ended September 30, 2024, there were no expenditures exceeding budget in the aggregate.

C. Deficit fund equity

There were no funds with a deficit fund balance as of September 30, 2024.

III. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - At September 30, 2024, the carrying amount of the City's demand deposits was $3,779,377 (bank balance, $4,834,408). The balance in cash on hand was $36,265 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 $514,334, Business-type Activities $337,932, Custodial Funds $3,665, Pension Trust Investment Funds $4,628.

As of September 30, 2024, the City had the following investments (amounts in thousands):

Cash, Cash-Like Investments	Fair Value	Avg Maturity (in days)	Credit Risk
Treasury	3,109	506	AA+
Agency	593,638	501	AAA
Pools	160,484	1	AAA
Non-Texas Municipal	22,233	522	AA+
Certificates of Deposit	9,002	15	AAA
Money Market Fund	68,279	1	AAA
	$ 856,744		

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 above table lists Local Gov't Investment Pools and Money Market Funds with a 1 day weighted average maturity as the City only invests in government pools and funds that maintain a stable $1 NAV (net asset value). While the interest income derived from these particular types of investments fluctuate based on market movements and the characteristics of the pools and funds, the value of the principal is not affected.

The following table lists the fund groups authorized in the City's investment policy and the maximum maturity and maximum weighted average maturity ("WAM"):

Fund	Maximum Maturity	Maximum WAM
General Operating	3 Years	18 Months
Capital Project	3 Years	18 Months
Working Capital Reserve	5 Years	4 Years
Venue Debt Service Reserve and Debt Service	7 Years	5 Years
Self Insurance	7 Years	5 Years
Closure/Post-closure Trust Fund	10 Years	8 Years

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

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

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

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

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

The City's investments in local government investment pools include investments in TexPool Prime, TexPool, TexasDaily, TexStar and Texas Class Government and Texas Class. These are public funds investment pools operating as an SEC 2a-7 like pool in full compliance with the Public Funds Investment Act and are rated as AAA money market funds by Standard & Poor's. The City has Local Government Investment Pools of $160,484 (amounts in thousands), recorded at amortized cost or net asset value (NAV).

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, 2024 (amounts in thousands):

		Fair Value Measurements Using		
	9/30/2024	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by Fair Value Level				
Treasury	3,009	-	3,009	-
Agency	593,638	-	593,638	-
Non-Texas Municipal	22,251	-	22,251	-
	618,898	-	618,898	-

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

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

2. PROPERTY TAXES

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

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Chief Appraiser. The total market value for FY24 was $62,061,939,678 which encompasses all properties in Arlington, including real estate, personal, and mineral properties prior to any exemptions or abatements. The assessed value for the tax roll as of September 1, 2023, upon which the original FY24 levy was based, was $40,985,244.

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, 2024, the City had a tax rate of $0.5898 ($0.4080 for general government and $0.1818 for debt service) per $100 assessed valuation with a tax margin of $1.9102 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 $682,654,115 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately $40,985,244.

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

3. VENUE DEVELOPMENT PROJECT

Overview

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

The 2004 Venue Election and the Cowboys Project

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

The City financed a portion of AT&T Stadium by issuing $297,990,000 special tax revenue bonds in three issuances, Series 2005A, Series 2005B, and Series 2005C (collectively the "Series 2005 Bonds"). The Series 2005B Bonds were refinanced by the issuance of the City's $112,185,000 Special Tax Revenue Bonds, Series 2008 (the "Series 2008 Bonds") and the City's $62,820,000 Special Tax Revenue Bonds, Series 2009 (the "Series 2009 Bonds" and together with the Series 2008 Bonds, the "Prior Obligations"). Subsequently, all outstanding Series 2008 and Series 2009 Bonds were refinanced by issuing the City's $110,200,000 Senior Lien Special Tax Refunding Bonds, Series 2017 (the "Series 2017 Bonds").

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the "Tenant") to lease 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 for guaranteed annual rental payments of $1 million for the first 10 years and $1.25 million annually 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 cost of the stadium is $1,109,951,954, with accumulated depreciation of $359,192,556.31. The Stadium Lease falls within the scope of GASB Statement No. 87, which governs lease accounting, and is further detailed in Note I, Section I and Note 14 of the financial statements.

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. On September 30, 2024, outstanding conduit debt was $112,595,000.

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 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 renewal.

In July 2013, the Cowboys and AT&T reached an agreement for the stadium's naming rights. The City receives 5% of the revenue as additional rent from the naming rights deal, up to $500,000 annually.

The 2016 Venue Election and the Rangers Project

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

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Rangers Stadium Company LLC. (the "Tenant") for the lease of the Rangers Complex. The Lease Agreement calls for an initial term from commencing upon occupation through January 1, 2054. Monthly lease payments of $166,666.67 began upon occupation for an annualized rental rate of $2 million per year. The lease agreement contains several renewal options for guaranteed annual rental payments of $1 million per year for two successive renewal periods of five years each. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The cost of the stadium is $1,284,106,396 with an accumulated depreciation of $123,761,793.02.

Conduit Debt - In 2020, $321,717,000 Rangers Baseball Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2020 (the “Rangers Admission and Parking Taxes Revenue Bonds”) with a pledge of a 10% admissions tax and a $3 parking tax for events held at the Complex were issued. The Rangers Admission and Parking Taxes Revenue Bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City’s revenue sources and, accordingly, have not been reported as a liability in the City’s financial statements but are disclosed here as conduit debt. On September 30, 2024, outstanding conduit debt was $305,452,000.

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

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

4. RECEIVABLES

Receivables as of September 30, 2024 for the government’s individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (amounts expressed in thousands):

	General	Debt Service	Storm Water Utility	Water & Sewer	Street Capital Projects	Convention & Event Services	Other Nonmajor Funds	Internal Service Funds	Total
Receivables:									
Taxes	$ 9,108	$ 553	$ -	$ -	$ -	$ 1,954	$ -	$ -	$ 11,615
Franchise Fees	5,406	-	-	-	-	-	-	-	5,406
Trade Accounts	-	-	2,981	14,853	-	-	223	-	18,057
Unbilled Trade Account	-	-	1,254	13,351	-	-	-	-	14,605
Special Assessments	-	-	-	-	122	-	-	-	122
Sales Taxes	15,945	7,973	-	-	-	-	3,986	-	27,904
Lease agreements	57,212	-	-	2,722	-	27,713	300	-	87,947
PPP Receivable	58,133	-	-	-	-	-	-	-	58,133
Accrued Interest	5,221	288	-	151	-	49	23	17	5,749
Other	12,524	85	-	462	2	431	3,683	435	17,622
Gross Receivables	163,549	8,899	4,235	31,539	124	30,147	8,215	452	247,160
Less: Allowance for Uncollectibles	(3,476)	-	(113)	(1,921)	-	-	-	-	(5,510)
Net total Receivables	$ 160,073	$ 8,899	$ 4,122	$ 29,618	$ 124	$ 30,147	$ 8,215	$ 452	$ 241,650

5. CAPITAL, LEASE, SBITA, and PPP ASSETS

Capital, lease, SBITA, and PPP asset activity for the year ended September 30, 2024 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	$ 288,197	$ 1,109	$ -	$ 289,306
Construction in progress-other	135,547	112,582	(33,684)	214,445
Total capital assets, not being depreciated	423,744	113,691	(33,684)	503,751
Capital, lease, SBITA, & PPP assets, being depreciated/amortized:				
Buildings and improvements	2,655,077	8,894	-	2,663,971
Equipment	155,781	14,489	(2,645)	167,625
Right-to-Use buildings	1,319	3,075	(309)	4,085
Right-to-Use equipment	2,675	1,844	(1,640)	2,879
Right-to-Use SBITA assets	4,415	5,153	(472)	9,096
PPP assets	-	207,446	-	207,446
Infrastructure	1,109,595	20,344	-	1,129,939
Total capital, lease, SBITA & PPP assets, being depreciated/amortized	3,928,862	261,245	(5,066)	4,185,041
Less accumulated depreciation/amortization for:				
Buildings and improvements	608,602	62,217	-	670,819
Equipment	137,219	9,987	(2,535)	144,671
Right-to-Use buildings	437	1,201	(126)	1,512
Right-to-Use equipment	1,796	269	(1,177)	888
Right-to-Use SBITA assets	1,506	2,180	(148)	3,538
PPP assets	-	2,074	-	2,074
Infrastructure	788,362	20,792	-	809,154
Total accumulated depreciation/amortization	1,537,922	98,720	(3,986)	1,632,656
Total capital, lease, SBITA, & PPP assets, being depreciated/amortized, net	2,390,940	162,525	(1,080)	2,552,385
Governmental activities capital, lease, SBITA, & PPP assets, net	$ 2,814,684	$ 276,216	$ (34,764)	$ 3,056,136

*As restated for change within the financial reporting entity - See Note I.R.

	Balance at Beginning Of Year*	Additions	Retirements	Balance at End Of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 29,889	$ 27	$ -	$ 29,916
Construction in progress	208,990	74,275	(48,148)	235,117
Total capital assets, not being depreciated	238,879	74,302	(48,148)	265,033
Capital and SBITA assets, being depreciated:				
Buildings and improvements	50,284	13,998	-	64,282
Drainage System	165,204	6,956	-	172,160
Water and sewer system	1,135,438	47,381	-	1,182,819
Machinery and equipment	13,463	497	-	13,960
Right-to-use SBITA assets	-	583	-	583
Total capital and SBITA assets, being depreciated	1,364,389	69,415	-	1,433,804
Less accumulated depreciation for:				
Buildings and improvements	30,343	1,584	-	31,927
Drainage System	58,293	3,361	-	61,654
Water and sewer system	433,484	22,419	-	455,903
Machinery and equipment	12,968	230	-	13,198
Right-to-use SBITA assets	-	314	-	314
Total accumulated depreciation	535,088	27,908	-	562,996
Total capital and SBITA assets, being depreciated/amortized, net	829,301	41,507	-	870,808
Business-type activities capital and SBITA assets, net	$ 1,068,180	$ 115,809	$ (48,148)	$ 1,135,841

*As restated for change within the financial reporting entity - See Note I.R.

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

Governmental activities:	
General government	$ 59,384
Public safety	4,934
Parks and recreation	8,169
Public works	21,501
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	4,732
Total depreciation and amortization expense – governmental activities	$ 98,720
Business-type activities:	
Storm water utility	$ 3,381
Water and sewer	23,100
Nonmajor fund - Aviation	1,427
Total depreciation expense – business-type activities	$ 27,908

Arlington Housing Authority, Inc	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
	(Amounts expressed in thousands)			
Capital, lease and SBITA assets, being depreciated:				
Buildings and Improvements	$ 677	$ -	$ -	$ 677
Lease Assets	257	1,000	(257)	1,000
SBITA Assets	243	-	-	243
Furniture, equipment, and machinery	443	-	-	443
Total capital, lease, and SBITA assets, being depreciated/amortized	1,620	1,000	(257)	2,363
Less accumulated depreciation/amortization for:				
Furniture, buildings, lease and SBITA assets, machinery and equipment	(1,033)	(164)	164	(1,033)
Total accumulated depreciation/amortization	(1,033)	(164)	164	(1,033)
Arlington Housing Authority, Inc. Capital Assets, net	$ 587	$ 836	$ (93)	$ 1,330

Arlington Convention and Visitors Bureau, Inc.	Balance at Beginning Of Year	Transfers and Additions	Transfers and Retirements	Balance at End Of Year
	(Amounts expressed in thousands)			
Capital assets, being depreciated:				
Property and fixtures	$ 274	$ 8	$ -	$ 282
Event fixtures	208	-	-	208
Computer equipment and software	198	24	(5)	217
Leasehold improvements	4,175	168	85	4,428
Construction in progess	85	-	(85)	-
Total capital assets, being depreciated	4,940	200	(5)	5,135
Less accumulated depreciation for:				
Machinery, equipment, construction in progress	(545)	(260)	4	(801)
Total accumulated depreciation	(545)	(260)	4	(801)
Arlington Convention and Visitors Bureau, Inc. Capital Assets, net	$ 4,395	$ (60)	$ (1)	$ 4,334

6. PENSION AND EMPLOYEE RETIREMENT PLANS

Texas Municipal Retirement System

A. Plan Description

The City provides pension benefits for all its full-time employees through a nontraditional, joint contributory, hybrid defined benefit cash balance pension plan in the state-wide Texas Municipal Retirement System (TMRS), one of 909 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

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

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

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2,238
Inactive employees entitled to but not yet receiving benefits	1,558
Active Employees	2,762
	6,558

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 actuarial 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 9.95% and 11.04% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were $30,055,863.

D. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2023, and the Total Pension Liability (Asset) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.
Actuarial assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75% per year

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 24 are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return (Arithmetic)**
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
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 (Asset)

Plan fiduciary net position as a percentage of the total pension liability	97.16%
Covered payroll	$ 226,087,513

Net pension liability (asset) as a percentage of covered employee payroll	19.90%

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) 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 (asset)	$ 256,895,638	$ 44,980,733	$ (130,001,054)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the City recognized pension expense of $30,055,863.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources
Differences between expected and actual economic experience	$ 39,996,611
Changes of assumptions	66,820
Net difference between projected actual earnings on pension plan investments	12,851,494
Contributions subsequent to the measurement date	18,958,856
Total	$ 71,873,781

$18,958,856 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2025	$ 17,500,242
2026	17,883,683
2027	31,299,009
2028	(13,768,009)
Total	$ 52,914,925

Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios - Current Period

Total pension liability		
Service Cost	$	37,485,310
Interest (on the Total Pension Liability)		101,455,419
Change in benefit terms including substantively automatic status		-
Difference between expected and actual experience		8,119,451
Changes in assumptions		(10,638,277)
Benefit payments, including refunds of employee contributions		(75,851,511)
Net change in plan fiduciary net position		60,570,392
Total pension liability - beginning		1,522,226,340
Total pension liability - ending	$	1,582,796,732
Plan fiduciary net position		
Contributions - employer	$	21,822,391
Contributions - employee		15,832,543
Net investment income		163,592,578
Benefit payments, including refunds of employee contribution		(75,851,511)
Administrative Expense		(1,040,740)
Other		(7,272)
Net change in plan fiduciary net position*		124,347,989
Plan fiduciary net position - beggining		1,413,468,010
Plan fiduciary ner position - ending		1,537,815,999
Net pension liability	$	44,980,733

*May be off due to rounding

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 at June 30th each year that can be obtained from the City of Arlington at 500 E. Border Street, 11th Floor, Arlington, TX 76010.

Plan Description

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

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

Contributions. The Retirement Committee establishes rates based on an actuarial determined rate recommended by an independent actuary. The actuarial 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 actuarial determined rate and the contribution rate of plan members. For the year ended June 30, 2024, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 3 percent of annual payroll. The city's contributions to the plan for the year ended September 30, 2024, was $88,659 and was equal to the required contributions.

At the June 30, 2024 valuation and measurement date, the following employees were covered by the terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	2,148
Active Employees	627
	2,809

Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of June 30, 2024 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions:

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

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

Discount Rate:

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

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at 10/01/2023	$ 3,365,544	$ 3,354,192	$ 11,352
Changes for the year:			
Service Cost	181,855	-	181,855
Interest	163,810	-	163,810
Change of benefit term	(256,386)	-	(256,386)
Difference between expected and actual experience	(389,446)	-	(389,446)
Changes of assumptions	(13,942)	-	(13,942)
Contributions-employer	-	129,174	(129,174)
Contributions-employee	-	101,406	(101,406)
Net investment income	-	216,291	(216,291)
Benefit payments, including refunds			
of employee contributions	(360,541)	(360,541)	-
Administrative expense	-	(78,820)	78,820
Other changes	-	-	-
Net changes	(674,650)	7,510	(682,160)
Balance at 9/30/24	$ 2,690,894	$ 3,361,702	$ (670,808)

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

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 5.00%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	Discount Rate (4.00%)	Discount Rate (5.00%)	Discount Rate (6.00%)
City's net pension asset	$ (452,285)	$ (670,808)	$ (855,429)

Pension Plan Fiduciary Net Position

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

For the year ended September 30, 2024, the City recognized pension expense of $438,937.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources
Differences between expected and actual economic experience	-
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	176,061
Contributions subsequent to the measurement date	-
Total	$ 176,061

$0 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:		
2025	$	79,919
2026		110,372
2027		(3,469)
2028		(10,761)
Total	$	176,061

<u>Thrift Savings Plan</u>

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, 2024, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $356,327,000.

The City's total payroll during fiscal 2024 was $250,203,000. The current year contribution was calculated based on a covered payroll of $217,213,000, resulting in a required and actual employer contribution of $4,639,000 and actual employee contributions of $11,609,000. The employer contribution represents 2.14 percent of the covered payroll. The employee contribution represents approximately 5.34 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2024. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

City contributions for the above plans for the year ended September 30, 2024, are as follows (amounts in thousands):

TMRS	$	30,056
THRIFT		4,639
PSTDIP		129
	$	34,824

7. OTHER EMPLOYEE AND POSTEMPLOYMENT BENEFITS

Disability Income Plan

Plan Description

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

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

The Disability Income Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 2024. (amounts in thousands):

STATEMENT OF FIDUCIARY NET POSITION

ASSETS		
Cash and cash-like investments	$	-
Investments:		
Money market fund		30
Corporate bonds		712
Fixed income mutual funds		238
Common stock mutual funds		255
Total investments		1,235
Total Assets		1,235
LIABILITIES		
Accounts payable		-
Total Liabilities		-
NET POSITION		
Restriction for Pensions		-
Restricted for OPEB		1,235
Total Net Position	$	1,235

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

ADDITIONS		
Employer contributions	$	68
Employee contributions		-
Net appreciation in fair value of investments		173
Other additions		-
Total Additions		241
DEDUCTIONS		
Benefits		95
Plan administration		16
Other deductions		-
Total Deductions		111
Increase (Decrease) in Net Position		130
Net Position, October 1		1,105
Net Position, September 30	$	1,235

Benefits Provided

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

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

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

Because the amendment closed the plan to any future disabled employees, there is no longer any liability attributable to the City's active employees. At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

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

Contributions

The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City's contribution is determined through an actuarial valuation. For the year ended September 30, 2024, the City contributed $68,298 to the plan. Administrative costs of DIP are financed through investment earnings.

Net Disability Income Plan Liability

The City's Total Disability Income Plan Liability was measured as of December 31, 2023.

Actuarial assumptions:

The Total Disability Income Plan Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	5%
Inflation	2.5%
Salary Increases	N/A; no active employees
Cost of Living Adjustment	The offsets are assumed to increase by 1.38% per annum. The offsets are assumed to increase in Janaury.
Commencement of Plan Benefits	Age 65 for participants on the LTD plan

Changes in the Net Disability Income Plan Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at 10/01/2023	$ 1,071,120	$ 1,170,896	$ (99,776)
Changes for the year:			
Service Cost	-	-	-
Interest on total OPEB liability	50,846	-	50,846
Change of benefit term	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions or other inputs	(13,020)	-	(13,020)
Employer contributions	-	26,082	(26,082)
Net investment income	-	104,442	(104,442)
Benefit payments	(108,413)	(108,413)	-
Administrative expense	-	(6,484)	6,484
Net changes	(70,587)	15,627	(86,214)
Balance at 9/30/24	$ 1,000,533	$ 1,186,523	$ (185,990)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	Discount Rate (4.00%)	Discount Rate (5.00%)	Discount Rate (6.00%)
City's net OPEB liability (asset)	$ (111,367)	$ (185,990)	$ (251,402)

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to disability income plan from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ -
Changes of assumptions and other inputs	-
Contributions subsequent to the measurement date	45,794
Net difference between projected and actual earnings on OPEB plan investments	106,303
Total	$ 152,097

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

Year Ended September 30:	
2025	$ 28,593
2026	46,238
2027	41,094
2028	(9,622)
Total	$ 106,303

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. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

To be eligible for retiree health insurance, an employee must be eligible to retire from the City of Arlington based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer-based coverage terminates. As of December 31, 2023, there were 283 retired employees who met this requirement.

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

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

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

Retiree Health Insurance City Benefit Payments

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

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

Benefit Payments The City Council through the budget process has the authority to establish and amend payment requirements of the plan. Currently the plan is funded on a pay-as-you-go basis. The City's payments for the year ended September 30, 2024 were $5,505,000.

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	918
Inactive employees entitled to but not yet receiving benefits	283
Active Employees	2,710
	3,911

Net OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2023.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.77%
Inflation	2.50% per year
Salary Increases	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rate in the MP -2021 table to account for future mortality improvements
Health Care Trend Rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.25% after 14 years; Post-65: Initial rate of 6.10% declining to an ultimate rate of 4.25% after 10 years
Participation Rates	Following rates apply for retirees that are eligible for a subsidy and retire between the ages of 50 and 65: 45% for retirees with 10-14 years of service; 55% for retirees with 15-19 years of service; 65% for retirees with 20-24 years of service; 75% for retirees with 25-29 years of service; 80% for retirees with 30 or more years; 70% for retirees that are eligible for a subsidy and retire after the age of 65; 20% for retirees that are not eligible for a subsidy from the City; 10% for retirees that are eligible for a subsidy and retire before the age of 50

Discount Rate:

The discount rate used to measure the Total OPEB Liability was changed from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. The discount rate was based on Fidelity index's "20-Year Municipal GO AA Index" rate.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/2023	$ 99,350,789
Changes for the year:	
Service Cost	2,079,711
Interest on total OPEB liability	3,954,412
Change of benefit term	-
Difference between expected and actual experience	(4,076,064)
Changes of assumptions or other inputs	1,205,084
Benefit payments	(5,501,705)
Net changes	(2,338,562)
Balance at 9/30/24	$ 97,012,227

Covered-employee payroll	$226,087,513
Total OPEB liability as a percentage of covered payroll	42.91%

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	Discount Rate (2.77%)	Discount Rate (3.77%)	Discount Rate (4.77%)
City's total OPEB liability	$ 106,427,208	$ 97,012,227	$ 88,802,775

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

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
City's total OPEB liability	$ 92,992,042	$ 97,012,227	$ 101,654,362

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 4,079,623	$ 12,765,869
Changes of assumptions and other inputs	7,106,715	15,509,890
Benefit payments subsequent to the measurement date	3,562,964	-
Total	$ 14,749,302	$ 28,275,759

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

Year Ended September 30:	
2025	$ (2,181,189)
2026	(2,116,860)
2027	(2,601,498)
2028	(4,942,624)
2029	(4,809,030)
Thereafter	(438,220)
Total	$ (17,089,421)

Supplemental Death Benefits Plan

Plan Description

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

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

Benefits Provided

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

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,767
Inactive employees entitled to but not yet receiving benefits	451
Active Employees	2,762
	4,980

Contributions

The total contribution rate is for .30% of employee gross earnings, with .13% of that rate being the retiree portion. The City's contributions to TMRS for the year ended September 30, 2024, were $638,418.

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2023.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% - 11.85% per year
Discount Rate	3.77%

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. For disabled retirees, the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. Actuarial assumptions used in the December 31, 2021, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period ending December 31,2022.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%, down from 4.05% in the previous year. The discount rate was based on Fidelity index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/2023	$ 8,999,753
Changes for the year:	
Service Cost	248,696
Interest on total OPEB liability	363,574
Change of benefit term	-
Difference between expected and actual experience	12,329
Changes of assumptions or other inputs	504,626
Benefit payments	(293,914)
Net changes	835,311
Balance at 9/30/24	$ 9,835,064

Covered payroll	$226,087,513
Total OPEB liability as a percentage of covered payroll	4.35%

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, 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 (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	Discount Rate (2.77%)	Discount Rate (3.77%)	Discount Rate (4.77%)
City's total OPEB liability	$ 11,755,462	$ 9,835,064	$ 8,332,761

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 65,256
Changes of assumptions and other inputs	-	1,576,121
Benefit subsequent to the measurement date	441,310	-
Total	$ 441,310	$ 1,641,377

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

Year Ended September 30:	
2024	$ (200,493)
2025	(423,233)
2026	(667,017)
2027	(399,329)
2028	48,695
Total	$ (1,641,377)

Expenses (Reduction of Expenses)

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

HEALTH	4,609,927
DIP	(2,403)
Death Benefit	342,940
	4,950,464

8. DEBT AND LIABILITIES

General Obligation Bonds

On June 18, 2024, the City issued Permanent Improvement Bonds, Series 2024A of $75,850,000 with an interest rate of 4.00 to 5.00 percent and serial maturities on August 15 from 2025 through 2044. Interest on the bonds is due every February 15 and August 15, beginning February 15, 2025. The bonds were issued to provide funds for: (i) designing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including fire station facilities, police administrative facilities and evidence storage facilities, including the acquisition of land therefor; (ii) renovating, repairing, improving, and equipping existing City service and administrative facilities, including repair, replacement, and improvement of roofs, mechanical, electrical, plumbing, air conditioning, heating and ventilation equipment and systems, façade improvements, and improvements required by the Americans with Disabilities Act and other applicable laws; (iii) acquiring, developing, renovating and improving parks and open spaces for park and recreation purposes in and for the City; (iv) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges, and other public ways of the City, including streetlighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of way in connection therewith; (v) paying the costs of issuance of the 2024A Bonds. Total interest requirements for the Series 2024A bonds at a rate from 4.00 to 5.00 percent is $38,382,527 in the aggregate.

On June 18, 2024, the City issued Permanent Improvement Refunding Bonds, Series 2024B of $7,685,000 with an interest rate of 3.50 to 5.00 percent and serial maturities on August 15 from 2025 through 2034. Interest on the bonds is due every February 15 and August 15, beginning February 15, 2024. The bonds were issued to provide funds for: (i) refund certain currently outstanding revenue obligations of the City, to achieve debt service savings; and (ii) pay costs of issuance associated with the sale of the 2024B Bonds. Total interest requirements for the Series 2024B bonds at a rate from 3.50 to 5.00 percent is $3,268,500 in the aggregate. The current refunding resulted in the reacquistion price exceeding the net carrying amount of the old debt by $35,306. As a result of the transaction, the City reduced total debt service by $589,085 and resulted in an economic gain of $412,159.

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

Governmental activities	2-5%	$	388,570
Governmental activities refunding	1-5%		113,725
Total Governmental		$	502,295

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

Year Ending September 30	Principal	Interest
2025	$ 38,415	$ 21,529
2026	38,495	19,156
2027	37,750	17,469
2028	35,215	15,731
2029	33,095	14,231
2030-2034	158,955	50,258
2035-2039	111,695	21,711
2040-2044	48,675	4,925
	$ 502,295	$ 165,010

General obligation debt authorized and unissued as of September 30, 2024, amounted to $229,435,000.

General Obligation Pension Bonds

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

Year Ending September 30	Principal	Interest
2025	$ 9,090	$ 2,262
2026	9,155	2,198
2027	9,245	2,109
2028	9,345	2,010
2029	9,465	1,888
2030-2034	49,595	7,175
2035-2039	43,135	2,284
	$ 139,030	$ 19,926

Certificates of Obligation

Annual debt service requirements to maturity for certificates of obligation of the primary government as of September 30, 2024 are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2025	$ 5,960	$ 1,036
2026	5,975	863
2027	4,595	647
2028	4,020	487
2029	3,545	348
2030-2034	6,240	654
2035-2039	1,595	72
	$ 31,930	$ 4,107

Special Tax Revenue Debt

Annual debt service requirements to maturity for special tax revenue of the primary government as of September 30, 2024 are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2025	$ 9,270	$ 22,801
2026	10,300	22,327
2027	11,705	21,788
2028	13,215	21,178
2029	13,880	20,512
2030-2034	88,935	90,414
2035-2049	332,435	112,109
	$ 479,740	$ 311,129

Revenue Bonds

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

On June 20, 2024, the City issued $30,045,000 in Water and Wastewater System Revenue Improvement and Refunding Bonds, Series 2024 which partially refunded Water and Wastewater System Revenue Bonds, Series 2014A of $1,330,000. Proceeds from the sale of the Bonds are being used to provide funds for the purpose of improving and extending the System and paying the costs of issuing the Bonds. These bonds mature June 1 over a period from 2025 to 2044. Interest, at a rate of 4.00 to 5.00 percent, is $14,566,155 in the aggregate. The current refunding resulted in the reacquisition price exceeding the net carrying amount of the old debt by $1,130. As a result of the transaction, the City reduced total debt service payments by $105,251 and resulted in an economic gain of $69,923.

Also on June 20, 2024, the City issued $9,490,000 in Municipal Drainage Utility System Revenue Bonds, Series 2024. Proceeds from the sale of the Bonds will be used for the purpose of providing funds to pay the costs of drainage improvements, including the acquisition and construction of equipment and facilities for the System and to pay costs of issuance associated with the sale of the Bonds. These bonds mature June 1 over a period from 2025 to 2044. Interest, at a rate of 4.00 to 5.00 percent, is $4,528,405 in the aggregate.

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

	Business Activities					
Year Ending	Water/Wastewater		Water/Wastewater TWDB		Storm Water Utility	
September 30	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 18,170	$ 8,734	$ 6,270	$ 337	$ 4,545	$ 2,243
2026	18,075	8,061	6,270	319	4,510	2,096
2027	18,080	7,245	6,270	299	4,480	1,931
2028	16,925	6,450	6,260	277	4,445	1,763
2029	15,160	5,701	6,255	253	4,410	1,591
2030-2034	71,900	19,269	28,505	914	18,185	5,630
2035-2039	49,030	7,255	24,205	308	14,600	2,587
2040-2044	16,070	1,403	-	-	6,030	526
	$ 223,410	$ 64,118	$ 84,035	$ 2,707	$ 61,205	$ 18,367

Net revenues of the City's water operations have been pledged for repayment of the City's Water & Wastewater 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, 2024, net pledged revenues for the water enterprise fund were $96,467,000 and debt service on the revenue bonds was $23,820,000.

Gross revenues of the City's storm water utility have been pledged for repayment of the City's Storm Water Utility 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 drainage improvements of the City's Storm Water infrastructure. The pledge continues for the life of the bonds. For the year ended September 30, 2024, gross pledged revenues for the City's Storm Water Utility were $24,325,000 and debt service on the revenue bonds was $4,115,000.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2024 (amounts expressed in thousands):

	10/1/2023	Increases	Reductions	9/30/2024	Due Within One Year
Governmental activities:					
General obligation debt	$ 605,415	$ 83,535	$ (47,625)	$ 641,325	$ 47,505
Certificates of obligation	44,430	-	(12,500)	31,930	5,960
Special tax revenue debt	486,890	-	(7,150)	479,740	9,270
Premium on special bonds	40,097	-	(3,341)	36,756	-
Premium on general bonds	36,578	8,104	(5,920)	38,762	-
Discount on general bonds	(765)	-	83	(682)	
Discount on special bonds	(916)	-	136	(780)	-
Net governmental bonds payable	1,211,729	91,639	(76,317)	1,227,051	62,735
Compensated absences	21,289	21,455	(2,911)	39,833	1,689
Claims	11,790	6,425	(6,773)	11,442	5,822
Estimated pollution remediation	35	38	(35)	38	-
Net pension liability	101,702	-	(59,645)	42,057	-
Net other post-employment benefit liability	101,308	-	(1,405)	99,903	-
Rebateable abitrage payable	-	2,114	-	2,114	-
Total governmental long-term liabilities	$ 1,447,853	$ 121,671	$ (147,086)	$ 1,422,438	$ 70,246
Business-type activities:					
Water and sewer bonds	$ 302,550	$ 30,762	$ (25,150)	$ 308,162	$ 24,440
Premium on water and sewer bonds	13,852	1,878	(2,036)	13,694	-
Storm water utility bonds	55,830	9,490	(4,115)	61,205	4,545
Premium/Discount on storm water utility bonds	3,336	640	(370)	3,606	-
Net water and sewer bonds payable	375,568	42,770	(31,671)	386,667	28,985
Compensated Absences	1,328	1,858	(278)	2,908	203
Net pension liability	7,069	-	(4,145)	2,924	-
Net other postemployment benefit liability	7,043	-	(98)	6,945	-
Rebatable arbitrage payable	891	-	(573)	318	-
Total business-type long term liabilities	$ 391,899	$ 44,628	$ (36,765)	$ 399,762	$ 29,188

Net Pension Liability/Asset and OPEB Liability/Asset – The net pension and OPEB liability represents the actuarially-determined liability for employees' projected pension and OPEB benefit payments to be provided to current active and inactive employees; that is attributed to those employees' past periods of service, less the pension plans and OPEB plan's fiduciary net position. The City allocates pension and OPEB items between governmental activities and business type activities based on employee payroll funding.

9. PRIOR YEAR BOND REFUNDINGS

In FY24 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, 2024, previously defeased debt still outstanding amounted to $0.

Bond	Maturity Date	Interest Rate	Par Amount
Permanent Improvement and Refunding Bonds, Series 2014			
Serials	8/15/2031	3.500%	$ 725,000
	8/15/2032	4.000%	725,000
	8/15/2033	4.000%	720,000
	8/15/2034	4.000%	720,000
			$ 2,890,000
Combination Tax and Revenue Certificate of Obligation, Series 2014			
Serials	8/15/2031	3.000%	$ 1,445,000
	8/15/2032	4.000%	1,445,000
Term 2034	8/15/2033	4.000%	1,445,000
	8/15/2034	4.000%	1,445,000
			$ 5,780,000
			$ 8,670,000

Bond	Maturity Date	Interest Rate	Par Amount
Water and Wastewater System Revenue Bonds, Series 2014A	6/1/2033	4.000%	$ 665,000
Term 2034	6/1/2034	4.000%	665,000
			$ 1,330,000

10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2024, is as follows (amounts in thousands):

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 10,015	$ -
Nonmajor Funds	-	10,015
	$ 10,015	$ 10,015

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2025. Transfers between funds during the year were as follows (amounts in thousands):

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	$ 23,204	$ 38,114
Street Capital Projects	1,319	958
Convention and Event Services	3,347	3,306
Debt Service Fund	-	3,817
Total Major Governmental Funds	27,870	46,195
Major Enterprise Fund-Water and Sewer	46,070	170
Major Enterprise Fund-Storm Water Utility	3,207	2,800
Other Funds:		
Nonmajor Governmental Funds	24,425	31,292
Nonmajor Enterprise Funds	1,082	10,588
Internal Service Funds	-	11,609
Total All Funds	$ 102,654	$ 102,654

The Water and Sewer, Storm Water Utility, and Convention and Event Services transferred $6,119,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred $8,165,000 to Street Maintenance Fund and Special Transportation (Handitran) to cover budgeted operating expenses.

The Enterprise Funds transferred $19,124,000 to General Fund to cover their budgeted operating costs.

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

11. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

State and federal laws and regulations require the City to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City historically reported 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.

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

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

12. COMMITMENTS AND CONTINGENCIES

Trinity River Authority
The City entered into a 50-year contract dated October 10, 1973, with the Trinity River Authority (TRA) whereby the TRA agrees to provide supplemental sewage treatment for consideration. Beyond the initial 50-year period, the contract states that it shall continue in effect until any outstanding bonds or any bonds issued to refund same, if any, have been paid in full. 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, 2024. The projects include construction in streets, parks, traffic, library, and water and sewer facilities. At year-end, the City's significant commitments with contractors are as follows (amounts in thousands):

Project	Spent-to-Date	Remaining Commitment
Street Construction	$ 88,862	$ 56,152
Park Construction	64,912	23,289
Traffic Construction	7,750	562
Fire Construction	10,276	10,668
Storm Water Utility Construction	61,694	27,971
Water and Sewer Construction	198,408	40,770
	$ 431,902	$ 159,412

The street and traffic construction projects are funded primarily by permanent improvement bonds proceeds. The park construction projects are funded by permanent improvement bond proceeds, certificate of obligation proceeds, and park fee revenues. Water, sewer and storm water utility construction projects are funded by revenue bond proceeds and cash from operating revenues of the water, 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, 2024, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at $250,000.

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

13. RISK MANAGEMENT

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

Risk Management Fund (RMF)
The RMF was created for the purpose of acting on the City's behalf in financing various governmental programs as prescribed by ordinance or resolution of the City Council. In October 1986, the City Council adopted an ordinance

to establish the City's Self-Insurance and Risk Management Program (the "Program"). The purpose of the Program is to provide the City a defined and funded self-insurance program for bodily injury, property damage, personal injury, advertising injury, and regulatory injury.

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

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

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

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation coverage through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of $750,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. Over the past five years there have been four claims for which payments have been received totaling $114,136.52 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 2024 and 2023 were as follows (amounts in thousands):

	Workers Compensation		Health		Self Insurance Risk Management	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Unpaid claims, Oct. 1	$ 3,377	$ 3,385	$ 2,758	$ 2,587	$ 5,655	$ 4,243
Incurred Claims (including IBNRs and changes in estimates)	3,734	1,426	32,197	28,290	1,863	2,037
Claim payments	(2,920)	(1,434)	(31,957)	(28,119)	(3,267)	(625)
Unpaid claims, Sept. 30	$ 4,191	$ 3,377	$ 2,998	$ 2,758	$ 4,251	$ 5,655

14. LEASES AND SBITA

Leases

Per GASB Statement No. 87, a lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

Lessee

The City, as a lessee, has entered into lease agreements involving office buildings, facility space, a natatorium, radio communications equipment, parking lots, and wireless service agreements. The terms and conditions for these leases vary. Some leases are fixed, periodic payments over the lease term, which ranges between 2-10 years. The City uses the interest rate charged by the lessor as the discount rate. When the interest charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and the associated lease asset is recognized on the government-wide Statement of Net Position.

The City did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment.

As of September 30, 2024, the City had minimum principal and interest payment requirements for its leasing activities, with a remaining term more than one year, as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2025	$ 2,129,906	$ 50,113	$ 2,180,019
2026	1,108,100	25,663	1,133,763
2027	507,392	16,495	523,887
2028	726,798	6,724	733,522
2029	114,280	1,811	116,091
Thereafter	70,095	738	70,833
	$ 4,656,571	$ 101,544	$ 4,758,115

The following is a summary of lease liability transactions of the City for the year ended September 30, 2024 (amounts expressed in thousands):

	Balance Beginning of the Year	Increases	Reductions	Balance at the End of the Year	Due within One Year
Governmental activities:					
Leases payable	$ 1,838	$ 4,919	$ (2,100)	$ 4,657	$ 2,130

Lessor

The City of Arlington is the Lessor related to Globe Life Field with Rangers Baseball, LLC. This lease was in existence as of the beginning of the fiscal year and has 29 years remaining on the contract. The City received combined annual payments of $2,000,000. The City recognized net Lease and Interest Revenue of $691,906 in the fiscal year related to this lease. There were no inflows of resources recognized during the year ended September 30, 2024 for variable or other payments not previously included in the measurement of the lease receivable. As of September 30, 2024, the City's receivable for lease payments was $48,916,059. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2024, the balance of the deferred inflow of resources was $47,975,298.

The City of Arlington is the Lessor related to Cowboy's Stadium with Cowboys Stadium, LP. This lease was in existence as of the beginning of the fiscal year and has 14 years remaining on the contract. The City received combined annual payments of $2,000,000. The City recognized net Lease and Interest Revenue of $381,222 in the fiscal year related to this lease. There were no inflows of resources recognized during the year ended September 30, 2024 for variable or other payments not previously included in the measurement of the lease receivable. As of September 30, 2024, the City's receivable for lease payments was $26,533,946. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2024, the balance of the deferred inflow of resources was $26,004,186.

Additionally, as the Lessor, the City leases City-owned properties such as buildings, office spaces, land, and water pump stations. These leases all had varying terms between 5 and 20 years. The City recognized $164,631 in net lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2024, the City's receivable for lease payments was $12,497,089. Also, the City has deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2024, the balance of deferred inflow of resources was $12,085,364.

The City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the amount of the lease receivable, adjusted for lease payments received before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The City uses the lessee's rate or the rate disclosed in the agreement. If the rate is not readily available, the City uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term.

Aviation Enterprise Fund

The City dissolved its Fixed Based Operator (FBO) lease agreement with operators in 2024, making the City the sole operator of the Arlington Municipal Airport. An FBO is a commercial enterprise that provides aeronautical services such as fueling, aircraft parking and storage to the general aviation community. The City purchased various assets worth approximately $14 million and assumed several subleases as part of the transaction.

Airport Leases

The Aviation Department has entered into lease agreements with various individuals and companies for the lease of various items which include buildings, hangar, terminal building leases, and tie-down. These contracts have various leases dates ranging from 1984 to 2052. The annual amount expected to be received from these various leases is $303,485. The City recognized net lease and interest revenue of $202,325 in the fiscal year related to these leases.

Excluded Leases – Regulated

The Aviation Department does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. As part of the purchase of the FBO, the City assumed various regulated leases. The annual amount expected to be received from these regulated leases is $2,009,801. The City recognized net lease and interest revenue of $1,336,309 in the fiscal year related to these leases.

Subscription-Based Information Technology Arrangements

Per GASB Statement No. 96, a subscription-based information technology arrangement (SBITA) is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange-like transaction. The City has entered into subscription-based arrangements for cloud storage, infrastructure planning, budget, court, financial, security, and IT support. These subscriptions all had varying terms between two and four years. The measurement of the SBITA liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, and residual value guarantee payments that are fixed in substance.

As of September 30, 2024, the City had minimum principal and interest payment requirements for its governmental subscription activities, with a remaining term more than one year, as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2025	$ 1,771,349	$ 58,775	$ 1,830,124
2026	799,373	41,927	841,300
2027	726,080	31,569	757,649
2028	701,421	21,494	722,915
2029	725,881	11,360	737,241
Thereafter	1,062,970	876	1,063,846
	$ 5,787,074	$ 166,001	$ 5,953,075

The following is a summary of SBITA liability transactions of the City for the year ended September 30, 2024 (amounts expressed in thousands):

	Balance beginning of year	Increases	Reductions	Balance at End of Year	Due Within One Year
Governmental activities:					
SBITA payable	$ 2,934	$ 5,153	$ (2,300)	$ 5,787	$ 1,771
Business activities:					
SBITA payable	-	583	(191)	392	392
Total SBITA payable	$ 2,934	$ 5,736	$ (2,491)	$ 6,179	$ 2,163
Total Leases and SBITA payable	$ 4,772	$ 10,655	$ (4,591)	$ 10,836	$ 4,293

15. 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, 2024, for all discretely presented component units is as follows (amounts in thousands):

Condensed Schedule of Net Position

	Arlington Tomorrow Foundation	Housing Authority	Arlington Economic Development Corporation	Other Discretely Presented Component Units	Total Discretely Presented Component Untis
Current and other assets	$ 114,579	$ 8,432	$ 62,329	$ 8,291	$ 193,631
Capital assets	-	1,330	5,846	9,104	16,280
Total assets	114,579	9,762	68,175	17,395	209,911
Other liabilities and deferred inflows of resources	1,010	2,959	349	5,395	9,713
Total liabilities	1,010	349	349	5,395	9,713
Net position:					
Net investment in capital assets	-	268	5,846	4,450	10,564
Restricted	-	142	61,980	-	62,122
Unrestricted	113,569	6,393	-	7,550	127,512
Total net position	$ 113,569	$ 6,803	$ 67,826	$ 12,000	$ 200,198

Condensed Schedule of Activities

	Arlington Tomorrow Foundation	Housing Authority	Arlington Economic Development Corporation	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	$ 8,804	$ 52,290	$ 14,726	$ 17,118	$ 92,938
Program Revenues:					
Charges for services	-	-	24,555	11,423	35,978
Operating grants and contributions	-	52,309	-	5,242	57,551
Capital grants and contributions	-	-	-	-	-
Net Program (Expense) Revenue	(8,804)	19	9,829	(453)	591
Interest/dividend/change in FMV revenues	18,127	79	2,964	369	21,539
Other non tax general revenues	14,857	465	4	114	15,440
Changes in Net Position	24,180	563	12,797	30	37,570
Net position, October 1	89,389	6,240	55,029	11,970	162,628
Net position, September 30	$ 113,569	$ 6,803	$ 67,826	$ 12,000	$ 200,198

16. TAX ABATEMENTS

As of September 30, 2024, the City of Arlington (City) provides for tax abatements and tax rebates through two mechanisms – Tax Abatement Agreements and Chapter 380 Agreements. The City's Tax Abatements are authorized under Chapter 312 of the Texas Tax Code and the City's Policy Statement for Tax Abatement. Under a tax abatement agreement, the taxable value is reduced by a specific percentage, and the amount of the abatement is deducted from the recipient's tax bill. The City's tax abatements are administered by Tarrant Appraisal District. Chapter 380 agreements are authorized under VTCA Local Government Code Chapter 380 and the City's Chapter 380 Economic Development Programs Policies and Procedures. Under a 380 agreement, the recipient pays the total taxes due to the City, and the City rebates a portion of taxes paid based on the terms of the agreement.

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

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

Development and Redevelopment

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

Recruitment

The City offers recruitment tax abatement agreements to attract and incentivize new business to the City. Abatements may be granted to a company agreeing to relocate to the City or to establish new business in the City; the project must meet requirements of the Tax Code and the City's policy statements to be considered for an abatement. The City may grant tax abatements for recruitment if the City Council finds the abatement is in the public interest because it will facilitate one or more of the following objectives: (1) increase tax base, (2) provide quality employment, and (3) contribute to the diversity and quality of Arlington's business community. The value and duration of the tax abatement is determined by the degree to which the project meets the objectives of the City's Economic Development Strategic Plan, number and types of jobs to be created, and sales taxes, hotel taxes or other incomes that would be generated. Additional levels of abatement are considered based upon the project's employment numbers, industry type, and wages. Applicants undergo the same application and evaluation process required for development/redevelopment abatements. The City abates up to 100% percent of the additional property taxes (*i.e.,* real estate, business personal property, or both) resulting from the increased taxable value of the project. The City may also rebate a portion of the sales, hotel occupancy, and mixed beverage taxes generated by a project. A portion of the City's local tax collections generated by the recipient's purchase or sale of taxable items associated with the project and consummated in the City may be rebated for a specified period. In exchange for the abatement/rebatements(s), the recipient commits to comply with the terms of the agreement, such as project completion deadlines, added value requirements, job creation, etc. If the recipient fails to comply, the same breach and recapture provisions described above may apply. Based on the economic impact of the project, the City may make other commitments to the recipient in addition to the tax abatement/rebatement. Additional incentives include development fee waivers, infrastructure improvements, and grants for hiring Arlington residents.

Retention

The City offers retention tax abatements to incentivize existing businesses to remain in the City and to encourage renovation, expansion, and job growth. Abatements may be granted to existing businesses looking to expand and renovate existing facilities or to construct new facilities to accommodate product/service demand and employment growth. Criteria for retention abatements include increasing and preserving the City's tax base, creating and retaining employment opportunities, and updating the skills of existing employees. The value and duration of the tax abatement is determined by the degree to which the project meets the objectives of the City's Economic Development Strategic Plan, number and types of jobs to be created/retained, community impact, and sales taxes, hotel taxes or other incomes that would be generated. Additional levels of abatement are considered based upon the project's employment numbers, industry type, and wages. Applicants undergo the same application and evaluation process required for all abatements. The City abates up to 100% percent of the additional property tax (*i.e.,* real estate, business personal property, or both) resulting from the increased taxable value of the project. The City may also rebate a portion of the sales taxes and other income generated from the project. In exchange for abatement/rebatement(s), the recipient commits to comply with the terms of the agreement, including project completion deadlines, added value and/or taxable sales requirements, and job creation and retention numbers. If the recipient fails to comply, the same breach and recapture provisions described for all abatements may apply. As part of a tax abatement, the City can make other commitments to support business retention (*e.g.,* development fee waivers, infrastructure improvements, hiring grants, etc.).

Tax Abatement Program

Program	Property Tax	Sales Tax	Hotel Occupancy Tax	Mixed Beverage Taxes	Other Commitments
Development/Redevelopment	$ 1,211,518	$ 336,181	$ 1,806,677	$ 478,766	$ 4,787,222
Recruitment	1,027,339	6,165,797	-	-	524,000
Retention	3,912,238	-	-	-	248,893
Total Tax Abated	$ 6,151,095	$ 6,501,978	$ 1,806,677	$ 478,766	$ 5,560,115

For the fiscal year ended September 30, 2024, the City's property tax revenues were reduced by $6,151,095 under active tax abatement and Chapter 380 agreements for Development/Redevelopment, Recruitment, and Retention. Sales tax revenues were reduced by a total of $6,501,978 for Development/Redevelopment and Recruitment rebatements. Hotel occupancy tax revenues were reduced by $1,806,677 and mixed beverage taxes were reduced by $478,766 for Development/Redevelopment rebatements. In addition to tax abatements/rebatements, recipients qualified for $5,560,115 in other commitments from the City in the form of fee waivers, hiring grants, relocation and retention incentives, and reimbursements for infrastructure improvements.

As a result of the City's tax abatement/rebatement program, the property tax base increased by more than $1.8 billion with property value growth of more than 2,063% above the base year value. The projects receiving abatements/rebatements of the City's sales tax, hotel occupancy tax, and mixed beverage taxes generated more than $17 million in local tax revenue, of which 52% was rebated.

Tax revenues were reduced as a result of the City's tax abatement agreements only; no other governments' tax abatement agreements caused a reduction in the City's tax revenues. However, the City may also act as a conduit for the refunding of state sales, hotel occupancy, and mixed beverage taxes generated by a qualifying project under Sections 151.429 (h), 351.102, and 351.1022 of the Texas Tax Code, Section 2303.5055 of the Texas Government Code, and other applicable laws.

17. PUBLIC-PRIVATE PARTNERSHIPS (PPP)

The City is the transferor in a service concession arrangement PPP with Republic Waste Services of Texas, LTD as operator for the operation of the City of Arlington Landfill. The agreement conveys to the operator the right, either through licenses or permits, to operate and maintain the City of Arlington Landfill in compliance with the Landfill permits which includes, but is not limited to, operating and maintaining the scales and scale house, determining the disposal rate for any waste or material to be accepted at or disposed of in the Landfill, and disposal of all waste acceptable for disposal at the City of Arlington Landfill. To the extent the agreement remains in full force and effect and the City is in material compliance with the terms and conditions of the agreement, Republic shall pay to the City a lump-sum payment of $3,000,000 on or prior to May 2, 2045, in addition to monthly usage fees. The total receivable associated with the above PPP Arrangement is $58.1 million as of September 30, 2024, and the deferred inflows resulting from such arrangements are $56 million as of September 30, 2024. The discount rate applied to the measurement of the receivable for installment payments was 1.4%. There were no variable payments received under the arrangement.

The City (transferor) has entered into a public-private partnership (PPP) arrangement with the Arlington Convention Center Hotel Owner, LLC (operator) for the construction and operation of a convention center and parking facility (leased premises). During fiscal year 2024, the leased premises were completed and placed into service. Under the agreements, the City retains ownership of the land and leased premises, and the operator leases the leased premises for a nominal fee of $10 per year. The agreement includes an option for the operator to purchase the leased premises after 30 years for $100 million, less lease payments, all operating costs paid by the operator as described in the agreements, and all project costs as defined by the agreements. As of September 30, 2024, the City has recognized a PPP asset in the amount of $207.5M and a deferred inflow of resources in the amount of $205.4M for the transfer of the leased premises. This PPP asset is included in governmental capital and lease assets on the Statement of Net Position.

18. POLLUTION REMEDIATION

The City is responsible for following all applicable environmental rules when managing sites with environmental clean-up or management requirements. The Texas Commission on Environmental Quality (TCEQ) requires that the City conduct groundwater monitoring of the leaking petroleum storage tanks. The liability is calculated using the current value of outlays to remediate the properties – the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. The liability is an estimate and is subject to revision as a result of price increases or reductions, changes in technology, or changes in applicable laws or regulations. As of September 30, 2024, the environmental remediation liability is $38,000.

19. SUBSEQUENT EVENTS

Water & Wastewater System Revenue Bonds, Series 2025 (TWDB)
On February 25, 2025, the City of Arlington issued $16,585,000 of water and wastewater system bonds to the Texas Water Development Board to fund various water projects.

Risks and Uncertainties
On January 27, 2025, Office of Management and Budget (OMB) issued M 25-13, pausing all activities related to obligation or disbursement of all federal financial assistance with certain exceptions. The memo has since been rescinded; however, it is unclear whether future assistance could be at risk. The potential impacts of the executive orders on the City's future federal financial assistance have not been evaluated.

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)
REVENUES						
Taxes	$ 246,352	$ 246,352	$ 234,944	$ 5,819	$ 240,763	$ (5,589)
Licenses and permits	10,635	10,635	10,168	-	10,168	(467)
Utility franchise fees	32,627	32,627	22,205	11,050	33,255	628
Fines and forfeitures	5,805	5,805	5,918	-	5,918	113
Leases, rents and concessions	10,154	10,154	13,417	-	13,417	3,263
Service charges	9,276	9,276	10,208	-	10,208	932
Interest revenue	3,894	3,894	5,575	-	5,575	1,681
Intergovernmental revenues	32,097	32,097	426	31,847	32,273	176
Other revenue	2,282	2,282	41	-	41	(2,241)
Net increase (decrease) in the fair value of investments	-	-	949	(949)	-	-
Total Revenues	353,122	353,122	303,851	47,767	351,618	(1,504)
EXPENDITURES						
Current-						
General government	89,417	89,417	65,431	13,150	78,581	10,836
Public safety	215,163	215,163	193,488	20,434	213,922	1,241
Public works	33,213	33,213	26,864	5,495	32,359	854
Public health	2,795	2,795	2,841	(55)	2,786	9
Parks and recreation	21,311	21,311	18,605	1,451	20,056	1,255
Capital Outlay	-	-	-	-	-	-
Total Expenditures	361,899	361,899	307,229	40,475	347,704	14,195
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(8,777)	(8,777)	(3,378)	7,292	3,914	12,691
OTHER FINANCING SOURCES (USES)						
Transfers in	22,135	22,135	38,114	(16,870)	21,244	(891)
Transfers out	(16,547)	(16,547)	(23,204)	8,790	(14,414)	2,133
Total Other Financing Sources (Uses)	5,588	5,588	14,910	(8,080)	6,830	1,242
Net Change In Fund Balances	(3,189)	(3,189)	11,532	(788)	10,744	13,933
Fund Balances, October 1, Restated	86,538	86,538	86,538	86,538	86,538	-
Fund Balances, September 30	$ 83,349	$ 83,349	$ 98,070	$ 85,750	$ 97,282	$ 13,933

City of Arlington, Texas
Notes to Required Supplementary Information

Budgetary Information

The City Council adopts an annual legal budget, which covers the General Fund. All unencumbered appropriations for the General Fund lapse at fiscal year-end. The budget for the General Fund is 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 budgetary comparison schedule includes adjustments to the budgetary basis for the differences noted above and for certain other revenue and expenditure items which are reported in the City's budget differently than they are reported for accounting principles generally accepted in the United States.

Budgetary level of control is exercised at the fund level. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures of the General Fund must be approved by the City Council. During Fiscal Year 2023 there was an amendment to the Operating Budget to authorize an increase in full-time staff positions in the General Fund and increase appropriations in the General Fund for that position and for Advanced Emergency Medical Technician certification pay.

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

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

General Fund encumbrances are added to the actual expenditures for budgetary comparison. 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.

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

Fiscal year ending December 31,	**2014**	**2015**	**2016**
Total pension liability			
Service Cost	$ 22,819,492	$ 24,035,779	$ 26,189,763
Interest on total pension liability	69,393,550	71,780,403	72,528,701
Differences between expected and actual experience	(10,846,092)	(8,105,420)	1,387,760
Changes of assumptions	-	9,851,969	-
Benefit payments and refunds	(46,622,851)	(49,131,541)	(50,018,009)
Net change in total pension liability	34,744,099	48,431,190	50,088,215
Total pension liability-beginning	1,003,238,111	103,792,210	1,086,413,400
Total pension liability-ending	$ 1,037,982,210	$ 152,223,400	$ 1,136,501,615
Plan fiduciary net position			
Contribution-employer	$ 24,198,117	$ 24,012,910	$ 23,983,655
Contribution-member	10,501,146	10,884,708	11,245,390
Net investment income	51,180,304	1,377,207	62,140,092
Benefit payments and refunds	(46,622,851)	(49,131,541)	(50,018,009)
Administrative expense	(534,366)	(838,887)	(701,918)
Other	(43,934)	(41,433)	(37,818)
Net change in plan fiduciary net position	38,678,416	(13,737,036)	46,611,392
Plan fiduciary net position-beginning	894,699,665	933,378,081	919,641,045
Plan fiduciary net position-ending	$ 933,378,081	$ 919,641,045	$ 966,252,437
Net pension liability (asset)	104,604,129	166,772,355	170,249,178
Plan fiduciary net position as a percentage of total pension liability	89.92%	84.65%	85.02%
Covered payroll	149,837,550	15,437,235	160,574,881
Net pension liability (asset) as a percentage of covered payroll	69.81%	108.03%	106.02%

2017	2018	2019	2020	2021	2022	2023
$ 27,615,497	$ 28,887,256	$ 30,217,987	$ 31,806,730	$ 31,842,328	$ 33,724,840	$ 37,485,310
75,735,090	79,408,986	83,399,154	87,803,207	91,640,326	96,193,891	101,455,419
6,101,332	6,665,740	7,744,979	2,170,782	11,973,234	19,402,794	8,119,451
-	-	4,696,314	-	-	-	(10,638,277)
(56,616,054)	(54,703,360)	(58,324,155)	(64,890,993)	(66,080,292)	(70,654,888)	(75,851,511)
52,835,865	60,258,622	67,734,279	56,889,726	69,375,596	78,666,637	60,570,392
1,136,501,615	1,189,337,480	1,249,596,102	1,317,330,381	1,374,220,107	1,443,595,703	1,522,262,340
$ 1,189,337,480	$ 1,249,596,102	$ 1,317,330,381	$ 1,374,220,107	$ 1,443,595,703	$ 1,522,262,340	$ 1,582,832,732
$ 26,419,418	$ 28,034,989	$ 29,405,032	$ 187,107,707	$ 32,711,607	$ 20,727,511	$ 21,822,391
11,876,965	12,429,434	13,023,433	13,445,849	13,448,518	14,267,738	15,832,543
133,891,278	(32,369,787)	159,738,998	89,261,871	182,776,361	(114,144,630)	163,592,578
(56,616,054)	(54,703,360)	(58,324,155)	(64,890,993)	(66,080,292)	(70,654,888)	(75,851,511)
(694,027)	(625,874)	(903,100)	(577,979)	(845,088)	(987,348)	(1,040,740)
(35,172)	(32,699)	(27,128)	(22,550)	5,788	1,178,200	(7,272)
114,842,408	(47,267,297)	142,913,080	224,323,905	162,016,894	(149,613,417)	124,347,989
966,252,437	1,081,094,845	1,033,827,548	1,176,740,628	1,401,064,533	1,563,081,427	1,413,468,010
$ 1,081,094,845	$ 1,033,827,548	$ 1,176,740,628	$ 1,401,064,533	$ 1,563,081,427	$ 1,413,468,010	$ 1,537,815,999
108,242,635	215,768,553	140,589,732	(26,844,447)	(119,521,723)	108,758,330	44,980,733
90.90%	82.73%	89.33%	101.95%	108.28%	92.86%	97.16%
169,628,359	177,549,206	185,842,479	192,069,624	192,052,642	203,775,466	226,087,513
63.81%	121.53%	75.65%	-13.98%	-62.23%	53.37%	19.90%

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

	2015	2016	2017	2018
Actuarially Determined Contribution	$ 23,963,340	$ 24,833,575	$ 25,821,067	$ 27,624,357
Contributions in relation to the actuarially determined contribution	$ 24,327,508	$ 24,587,350	$ 26,075,876	$ 27,711,328
Contribution deficiency (excess)	$ (364,168)	$ 246,225	$ (254,809)	$ (86,971)
Covered payroll	$ 153,414,470	$ 164,680,024	$ 167,367,622	$ 175,499,227
Contributions as a percentage of covered payroll	16.24%	14.93%	15.58%	15.79%

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	25 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.

2019	2020	2021	2022	2023	2024
$ 29,093,440	$ 29,866,086	$ 31,360,302	$ 23,896,550	$ 21,528,919	$ 25,299,037
$ 29,102,133	$ 30,010,778	$ 31,713,751	$ 20,249,587	$ 21,219,509	$ 26,015,181
$ (8,693)	$ (144,692)	$ (353,449)	$ 3,646,963	$ 309,410	$ (716,144)
$ 184,074,211	$ 186,055,660	$ 188,547,864	$ 199,110,980	$ 219,891,289	$ 242,227,015
15.81%	16.13%	16.82%	10.17%	9.65%	10.74%

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

Fiscal year ending September 30	2015	2016	2017	2018
Total pension liability				
Service Cost	$ 115,148	$ 184,052	$ 187,047	$ 185,246
Interest on total pension liability	123,377	128,068	127,591	131,661
Differences between expected and actual experience	(64,695)	(71,751)	(76,857)	(114,652)
Assumption changes	-	125,033	-	-
Benefit payments and refunds	(96,757)	(149,233)	(137,960)	(173,000)
Net change in total pension liability	77,073	216,169	99,821	29,255
Total pension liability-beginning	2,234,030	2,311,103	2,527,272	2,627,093
Total pension liability-ending	$ 2,311,103	$ 2,527,272	$ 2,627,093	$ 2,656,348
Plan fiduciary net position				
Contribution-employer	$ 22,419	$ 53,802	$ 60,813	$ 46,504
Contribution-member	98,985	100,575	101,289	100,133
Net investment income	63,092	98,561	130,343	71,859
Benefit payments and refunds	(96,757)	(149,233)	(137,960)	(173,000)
Administrative expense	(75,217)	(56,783)	(44,296)	(64,053)
Other	-	-	-	-
Net change in plan fiduciary net position	12,522	46,922	110,189	(18,557)
Plan fiduciary net position-beginning	2,668,525	2,681,047	2,727,969	2,838,158
Plan fiduciary net position-ending	$ 2,681,047	$ 2,727,969	$ 2,838,158	$ 2,819,601
Net pension liability (asset)	(369,944)	(200,697)	(211,065)	(163,253)
Plan fiduciary net position as a percentage of total pension liability	116.00%	108.00%	108.00%	106.15%
Covered payroll	2,590,679	3,352,500	3,376,300	3,337,767
Net pension liability (asset) as a percentage of covered payroll	-14.30%	-6.00%	-6.30%	-4.90%

	2019	2020	2021	2022	2023	2024
	$ 194,554	$ 174,664	$ 145,741	$ 172,501	$ 317,189	$ 181,855
	134,220	141,268	149,886	147,791	156,178	163,810
						(256,386)
	(47,470)	-	(199,230)	(68,355)	-	(389,446)
	-	-	-	-	-	(13,942)
	(138,464)	(122,330)	(135,887)	(167,480)	(145,580)	(360,541)
	142,840	193,602	(39,490)	84,457	327,787	(674,650)
	2,656,348	2,799,188	2,992,790	2,953,300	3,037,757	3,365,544
	$ 2,799,188	$ 2,992,790	$ 2,953,300	$ 3,037,757	$ 3,365,544	$ 2,690,894
	$ 82,293	$ 76,850	$ 73,688	$ 121,509	$ 130,281	$ 129,174
	109,711	98,126	81,877	94,781	170,838	101,406
	206,103	248,242	314,938	(391,970)	122,887	216,291
	(138,464)	(122,330)	(135,887)	(167,480)	(145,580)	(360,541)
	(79,339)	(57,037)	(49,162)	(68,180)	(66,946)	(78,820)
	-	24,800	-	-	-	-
	180,304	268,651	285,454	(411,340)	211,480	7,510
	2,819,601	2,999,905	3,268,556	3,554,010	3,142,712	3,354,192
	$ 2,999,905	$ 3,268,556	$ 3,554,010	$ 3,142,670	$ 3,354,192	$ 3,361,702
	(2,007,177)	(275,766)	(600,710)	(104,955)	11,352	(670,808)
	107.20%	109.20%	120.30%	103.46%	99.66%	124.93%
	3,657,033	3,270,867	2,729,233	3,159,367	5,694,600	3,380,200
	-5.50%	-8.40%	-22.00%	-3.30%	0.20%	-19.85%

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

Fiscal year ending September 30,	2015	2016	2017	2018	2019
Actuarially Determined Contribution	$ 22,419	$ 53,802	$ 81,875	$ 71,762	$ 92,340
Actual contribution	22,419	53,802	60,813	46,504	82,293
Contribution deficiency (excess)	$ -	$ -	$ 21,062	$ 25,258	$ 10,047
Covered payroll	$ 2,590,679	$ 3,352,500	$ 3,376,300	$ 3,337,767	$ 3,657,033
Contributions as a percentage of covered payroll	0.9%	1.6%	1.8%	1.4%	2.3%

Notes to Schedule

Actuarially determined contribution rates are calculated at June 30 of the previous year end for the fiscal year in which contributions are reported.

The actuarially methods and assumptions used to determine the contribution rates reported 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. Active rates were multiplied by 54.5% for males and 51.5% for females. Retiree rates were multiplied by 109% for males and 103% for females.

	2020	2021	2022	2023	2024
$	83,313 $	73,688 $	94,781 $	153,754 $	121,687
	76,850	73,688	94,781	130,281	129,174
$	6,463 $	- $	- $	23,473 $	(7,487)
$	3,270,867 $	2,729,233 $	3,159,367 $	5,694,600 $	3,380,200
	2.3%	2.7%	3.0%	2.3%	3.8%

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

Fiscal year ending December 31,	**2017**	**2018**	**2019**
Total pension liability			
Service Cost	$ -	$ -	$ -
Interest on total pension liability	70,519	68,017	67,549
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	40,256	(91,774)
Changes of assumptions	-	-	-
Benefit payments and refunds	(121,545)	(119,556)	(115,737)
Net change in total OPEB liability	(51,026)	(11,283)	(139,962)
Total OPEB liability-beginning	1,471,153	1,420,127	1,408,844
Total OPEB liability-ending	$ 1,420,127	$ 1,408,844	$ 1,268,882
Plan fiduciary net position			
Employer contributions	$ 69,396	$ 73,960	$ 80,319
Nonemployer contributing entities contributions	-	-	-
Employee contributions	-	-	-
OPEB plan net investment income	96,395	(23,482)	155,531
Benefit payments	(121,545)	(119,556)	(115,737)
OPEB plan administrative expense	(18,204)	(6,607)	(32,464)
Other	-	-	-
Net change in plan fiduciary net position	26,042	(75,685)	87,649
Plan fiduciary net position-beginning	1,295,794	1,321,836	1,246,151
Plan fiduciary net position-ending	$ 1,321,836	$ 1,246,151	$ 1,333,800
Net OPEB liability (asset)-ending	$ 98,291	$ 162,693	$ (64,918)
Plan fiduciary net position as a percentage of total pension liability	93.08%	88.45%	105.12%
Covered payroll	N/A	N/A	N/A
Total OPEB liability as a percentage of payroll	N/A	N/A	N/A

Notes: There were no benefit changes during the year. GASB 75 requires 10 fiscal years of data. The City will build this schedule over the remaining 10-year period. 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.

	2020	2021	2022	2023
	$ -	$ -	$ -	$ -
	60,415	57,653	52,702	50,846
	-	-	-	-
	42,447	(32,836)	24,873	(13,020)
	(34,196)	-	-	-
	(121,149)	(126,683)	(120,988)	(108,413)
	(52,483)	(101,866)	(43,413)	(70,587)
	1,268,882	1,216,399	1,114,533	1,071,120
	$ 1,216,399	$ 1,114,533	$ 1,071,120	$ 1,000,533
	$ 74,524	$ 80,675	$ 94,869	$ 26,082
	-	-	-	-
	-	-	-	-
	153,452	43,751	(184,849)	104,442
	(121,149)	(126,683)	(120,988)	(108,413)
	(11,389)	(33,402)	(11,715)	(6,484)
	-	-	-	-
	95,438	(35,659)	(222,683)	15,627
	1,333,800	1,429,238	1,393,579	1,170,896
	$ 1,429,238	$ 1,393,579	$ 1,170,896	$ 1,186,523
	$ (212,839)	$ (279,046)	$ (99,776)	$ (185,990)
	117.50%	125.00%	109.32%	118.59%
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A

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

FY Ending September 30,	Actuarially Determined Contribution	Annual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	$ 36,205	$ 72,769	$ (36,564)	N/A	N/A
2019	$ 40,577	$ 76,844	$ (36,267)	N/A	N/A
2020	$ 61,806	$ 77,848	$ (16,042)	N/A	N/A
2021	$ -	$ 76,654	$ (76,654)	N/A	N/A
2022	$ -	$ 105,519	$ (105,519)	N/A	N/A
2023	$ -	$ 14,689	$ (14,689)	N/A	N/A
2024	$ -	$ 68,298	$ (68,298)	N/A	N/A

Notes to Schedule of Contributions

Valuation Date: December 31, 2023

Methods and Assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar
Amortization Period	1 years remaining, as of the beginning of FYE 23
Asset Valuation	Market Value
Investment Rate of Return	5.00%
Inflation	2.50%
Salary Increases	N/A; no active employees
Mortality	The mortality table for disabled retirees was the gender-distinct 2019 Municipal Retirees of Texas mortality tables were used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied to reflect impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements and are applied before the 3.5% and 3.0% minimum mortality floors are applied.
Cost of Living Adjustment	The TMRS offset is assumed to increase by 1.38% per anum. The offsets are assumed to increase in January.
Commencement of Plan Benefits	Age 65 for participants on the LTD plan.
Notes	GASB 75 requires 10 fiscal years of data. The City will build this schedule over the remaining 10-year period.

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THE AMERICAN DREAM CITY

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS - POSTEMPLOYMENT HEALTHCARE PLAN
LAST 10 FISCAL YEARS (will ultimately be displayed)

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

Fiscal year ending December 31,	2017	2018	2019
Total OPEB liability			
Service Cost	$ 1,955,045	$ 2,288,267	$ 2,267,816
Interest on total pension liability	4,055,831	3,688,623	4,077,730
Differences between expected and actual experience	-	1,772,265	(3,486,806)
Changes of assumptions	5,533,607	(2,475,508)	6,920,378
Benefit payments and refunds	(5,722,995)	(7,726,176)	(5,854,499)
Net change in total OPEB liability	5,821,488	(2,452,529)	3,924,619
Total OPEB liability-beginning	108,336,234	114,157,722	111,705,193
Total OPEB liability-ending	$ 114,157,722	$ 111,705,193	$ 115,629,812
Covered payroll	$ 151,329,108	$ 171,282,611	$ 167,712,006
Total OPEB liability as a percentage of payroll	75.36%	69.14%	68.95%

The ending Total OPEB Liability was as of December 31, 2023.

Changes of assumptions reflect a change in the discount rate from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023, and updates to the health care trend assumption.

Note: GASB 75 requires 10 fiscal years of data. The City will build this schedule over the next 10-year period.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

	2020	2021	2022	2023
	$ 2,601,055	$ 3,256,735	$ 3,207,862	$ 2,079,711
	3,123,353	2,619,684	2,375,998	3,954,412
	8,814,880	(2,275,506)	(9,774,732)	(4,076,064)
	8,918,233	360,464	(21,217,754)	1,205,084
	(6,707,698)	(6,047,590)	(5,534,007)	(5,501,705)
	16,749,823	(2,086,213)	(30,942,633)	(2,338,562)
	115,629,812	132,379,635	130,293,422	99,350,789
	$ 132,379,635	$ 130,293,422	$ 99,350,789	$ 97,012,227
	$ 192,069,624	$ 192,052,642	$ 203,775,466	$ 226,087,513
	68.92%	67.84%	48.76%	42.91%

CITY ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CHANGES IN THE CITY'S SUPPLEMENTAL DEATH BENEFITS FUND-TMRS
LAST 10 FISCAL YEARS (will ultimately be displayed)

Fiscal year ending December 31,	2017	2018	2019
Total OPEB liability			
Service Cost	$ 220,517	$ 284,079	$ 241,595
Interest on total pension liability	280,475	284,647	309,177
Differences between expected and actual experience	-	(107,778)	(238,208)
Changes of assumptions	716,266	(633,002)	1,642,715
Benefit payments and refunds	(67,851)	(71,020)	(74,337)
Net change in total OPEB liability	1,149,407	(243,074)	1,880,942
Total OPEB liability-beginning	7,343,661	8,493,069	8,249,995
Total OPEB liability-ending	$ 8,493,068	$ 8,249,995	$ 10,130,937
Covered payroll	n/a	n/a	n/a
Total OPEB liability as a percentage of payroll	n/a	n/a	n/a

Methods and Assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount rate	4.05%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Note: GASB 75 requires 10 fiscal years of data. The City will build this schedule over the next 10-year period. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

	2020	2021	2022	2023
	$ 364,932	$ 441,721	$ 489,061	$ 248,696
	282,562	246,262	242,125	363,574
	(181,851)	(61,484)	72,889	12,329
	1,678,100	413,423	(4,606,685)	504,626
	(76,828)	(211,258)	(224,153)	(293,914)
	2,066,915	828,664	(4,026,763)	835,311
	10,130,937	12,197,852	13,026,516	8,999,753
	$ 12,197,852	$ 13,026,516	$ 8,999,753	$ 9,835,064
	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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BRACEWELL

October __, 2025

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CITY OF ARLINGTON, TEXAS
WATER AND WASTEWATER SYSTEM
REVENUE BONDS
SERIES 2025B

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

CITY OF ARLINGTON, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2025B, dated September 15, 2025, in the principal amount of $___________.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Bond Ordinance") and the pricing certificate (the "Pricing Certificate") executed pursuant thereto (the Bond Ordinance and Pricing Certificate together are referred to herein as the "Ordinance").

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; and customary certificates of officers, agents and representatives of the Issuer, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such

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laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance.

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

BASED ON SUCH EXAMINATION AND IN RELIANCE ON SUCH REPRESENTATIONS, CERTIFICATIONS, AND ASSUMPTIONS, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding special obligations of the Issuer;

(B) The Bonds are payable from and secured by a lien on and pledge of the Net Revenues of the Issuer's water and wastewater system, as defined and described in the Ordinance; and

(C) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. This opinion is limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations or certifications of the Issuer and other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

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