

PRELIMINARY OFFICIAL STATEMENT

Dated August 4, 2026

Ratings:
S&P: "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 is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) 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.



\$54,275,000*
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
PERMANENT IMPROVEMENT BONDS, SERIES 2026

August 1, 2026

Interest Accrues from Delivery Date

Due: August 15, as shown below

PAYMENT TERMS . . . Interest on the \$54,275,000* City of Arlington, Texas, Permanent Improvement Bonds, Series 2026 (the "Bonds") will accrue from the Delivery Date (as defined below), will be payable February 15 and August 15 of each year, commencing February 15, 2027, 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., the nominee of The Depository Trust Company ("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. **No physical delivery of the Bonds will be made to the 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" 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 pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1331 and 1371, Texas Government Code, as amended, elections held on May 6, 2023 and May 3, 2025, and an ordinance adopted by the City Council of the City (the "City Council") on April 21, 2026 authorizing the issuance of the Bonds (the "PIB Authorization Ordinance") in which the City Council delegated pricing of the Bonds to an "Authorized Officer" who will approve a pricing certificate (the "Pricing Certificate," and together with the PIB Authorization Ordinance, the "Bond Ordinance") which will contain the final terms of the sale and will complete the sale of the Bonds. The Bonds are direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Bond Ordinance (see "THE BONDS - Authority for Issuance" and "THE BONDS - Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds, will be used for (i) acquiring, developing, renovating and improving parks, park facilities and open spaces for park and recreation purposes in and for the City, including the acquisition of land therefor (2023 Authorization); (ii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges and street maintenance facilities, including streetlighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith (2023 Authorization); (iii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, and bridges, including streetlighting, right-of-way protection, and related storm drainage improvements (2025 Authorization); (iv) acquiring, developing, renovating and improving parks, park facilities and open spaces for park and recreation purposes in and for the City, including the acquisition of land therefor (2025 Authorization); (v) designing, developing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including rebuilding a fire station and acquiring vehicles and equipment, and including the acquisition of land therefor (2025 Authorization); (vi) renovating, repairing, improving, and equipping existing City administrative buildings and facilities in downtown Arlington, including mechanical, electrical, air conditioning, heating, ventilation, fire alarm and emergency lighting equipment and systems; and (vii) paying the costs of issuance of the Bonds.

MATURITY SCHEDULE

See page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the winning bidder for the Bonds (the "Initial Purchaser") 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 legal matters will be passed upon 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 September 10, 2026 (the "Delivery Date").

BIDS DUE WEDNESDAY, AUGUST 12, 2026 AT 10:15 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*

CUSIP Prefix:⁽¹⁾ 041796

<u>Maturity</u> <u>(8/15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield/Price</u>	<u>CUSIP</u> <u>Suffix⁽¹⁾</u>	<u>Maturity</u> <u>(8/15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield/Price</u>	<u>CUSIP</u> <u>Suffix⁽¹⁾</u>
2028	\$2,860,000				2038	\$ 2,855,000			
2029	2,860,000				2039	2,855,000			
2030	2,860,000				2040	2,855,000			
2031	2,860,000				2041	2,855,000			
2032	2,860,000				2042	2,855,000			
2033	2,860,000				2043	2,855,000			
2034	2,855,000				2044	2,855,000			
2035	2,855,000				2045	2,855,000			
2036	2,855,000				2046	2,855,000			
2037	2,855,000								

(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 Advisor, or the Initial Purchaser take any responsibility for the accuracy of such numbers.

OPTIONAL REDEMPTION OF THE BONDS AT PAR . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2036 (the “Initial Par Call Date”), or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE BONDS –Redemption – Optional Redemption of the Bonds at Par”). 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 applicable provisions of the Bond Ordinance and will be described in the final Official Statement (see “THE BONDS – Mandatory Sinking Fund Redemption”).

OPTIONAL REDEMPTION OF THE BONDS AT MAKE-WHOLE REDEMPTION PRICE . . . The Bonds are subject to redemption prior to maturity by written direction of the City, in whole or in part, on any date prior to the Initial Par Call Date in principal amounts equal to \$5,000 or integral multiple thereof, at the Make-Whole Redemption Price (as defined and to be determined as described herein) (see “THE BONDS –Redemption – Optional Redemption of the Bonds at Make-Whole Redemption Price”).

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Bonds.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended and in effect on the date of this Official Statement (the "Rule"), this document constitutes an Official Statement of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover pages, the maturity schedule and 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 Co-Municipal Advisors. 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. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NONE OF THE CITY, ITS CO-MUNICIPAL ADVISORS, OR THE INITIAL PURCHASER MAKE 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.

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 STATEMENTS.

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 AND IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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The cover page hereof, the maturity schedule, this page, the appendices included herein and any addenda, supplement, or amendment hereto, are part of this 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 Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY	The City of Arlington, Texas (the “City”), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.7 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 Bonds are being issued as \$54,275,000* Permanent Improvement Bonds, Series 2026. The Bonds are anticipated to be issued as serial Bonds maturing on August 15 in each of the years 2028 through 2046, inclusive, unless the Initial Purchaser designate two or consecutive maturities as term bonds (see “THE BONDS – Description of the Bonds”).
PAYMENT OF INTEREST	Interest on the Bonds accrues from the Delivery Date and is payable commencing February 15, 2027, and each August 15 and February 15 thereafter until maturity or prior redemption, as applicable (see “THE BONDS - Description of the Bonds,” and “THE BONDS – Optional Redemption”).
AUTHORITY FOR ISSUANCE OF THE BONDS	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Chapters 1331 and 1371, Texas Government Code, as amended, elections held on May 6, 2023 and May 3, 2025, and an ordinance adopted by the City Council of the City (the “City Council”) on April 21, 2026 authorizing the issuance of the Bonds (the “PIB Authorization Ordinance”) in which the City Council delegated pricing of the Bonds to an “Authorized Officer” who will approve a pricing certificate (the “Pricing Certificate,” and together with the PIB Authorization Ordinance, the “Bond 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 FOR THE BONDS	The Bonds constitute direct obligations of the City, payable from a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see “THE BONDS - Security and Source of Payment”).
OPTIONAL REDEMPTION OF THE BONDS AT PAR	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2036 (the “Initial Par Call Date”), or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption of the Bonds at Par”).
OPTIONAL REDEMPTION OF THE BONDS AT MAKE-WHOLE REDEMPTION PRICE	The Bonds are also subject to redemption prior to maturity by written direction of the City, in whole or in part, on any date prior to the Initial Par Call Date in principal amounts equal to \$5,000 or integral multiple thereof, at the Make-Whole Redemption Price (as defined and to be determined as described herein) (see “THE BONDS –Redemption – Optional Redemption of the Bonds at Make-Whole Redemption Price”).
MANDATORY SINKING FUND REDEMPTION	In the event any of the Bonds are structured as “term bonds”, such term bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Ordinance, which provisions will be included in the final Official Statement (see “THE BONDS - Mandatory Sinking Fund Redemption”).
TAX EXEMPTION	In the opinion of Bond Counsel, under existing law, interest on the Bonds is (i) 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) 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.

* Preliminary, subject to change.

USE OF PROCEEDS

Proceeds from the sale of the Bonds, will be used for (i) acquiring, developing, renovating and improving parks, park facilities and open spaces for park and recreation purposes in and for the City, including the acquisition of land therefor (2023 Authorization); (ii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges and street maintenance facilities, including streetlighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith (2023 Authorization); (iii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, and bridges, including streetlighting, right-of-way protection, and related storm drainage improvements (2025 Authorization); (iv) acquiring, developing, renovating and improving parks, park facilities and open spaces for park and recreation purposes in and for the City, including the acquisition of land therefor (2025 Authorization); (v) designing, developing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including rebuilding a fire station and acquiring vehicles and equipment, and including the acquisition of land therefor (2025 Authorization); (vi) renovating, repairing, improving, and equipping existing City administrative buildings and facilities in downtown Arlington, including mechanical, electrical, air conditioning, heating, ventilation, fire alarm and emergency lighting equipment and systems; and (vii) paying the costs of issuance of the Bonds.

RATINGS The Bonds are rated “Aa1” by Moody’s Ratings, (“Moody’s”) and “AAA” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, (“S&P”). The City’s presently outstanding tax supported debt have underlying ratings of “Aa1” by Moody’s, “AAA” by S&P and “AA+” 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. 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 not defaulted on its debt obligations payable from ad valorem taxation since 1935 when certain bonds were refunded at par with a reduction in interest rate.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Jim Ross Mayor	5 Years	May, 2029	Attorney
Mauricio Galante Councilmember, District 1	2 Years	May, 2027	Entrepreneur
Raul H. Gonzalez Councilmember, District 2	6 Years	May, 2027	Administrator
Nikkie Hunter Councilmember, District 3	5 Years	May, 2029	Healthcare Administration
Tom Ware Councilmember, District 4	Newly Elected	May, 2029	Retired
Brittney Garcia-Dumas Councilmember, District 5	Newly Elected	May, 2029	Entrepreneur
Long Pham Councilmember, District 6	4 Years	May, 2027	Auto Insurance
Bowie Hogg Councilmember, District 7	4 Years	May, 2027	Human Resources Executive
Jason Shelton Councilmember, District 8	Newly Elected	May, 2029	Professor

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Years of Employment with City</u>
Trey Yelverton	City Manager	33
Lemuel Randolph	Deputy City Manager	12
Jennifer Wichmann	Deputy City Manager	22
Spenser Slider	Director of Finance, CFO	14
Molly Shortall	City Attorney	19
Martha Garcia	City Secretary	17

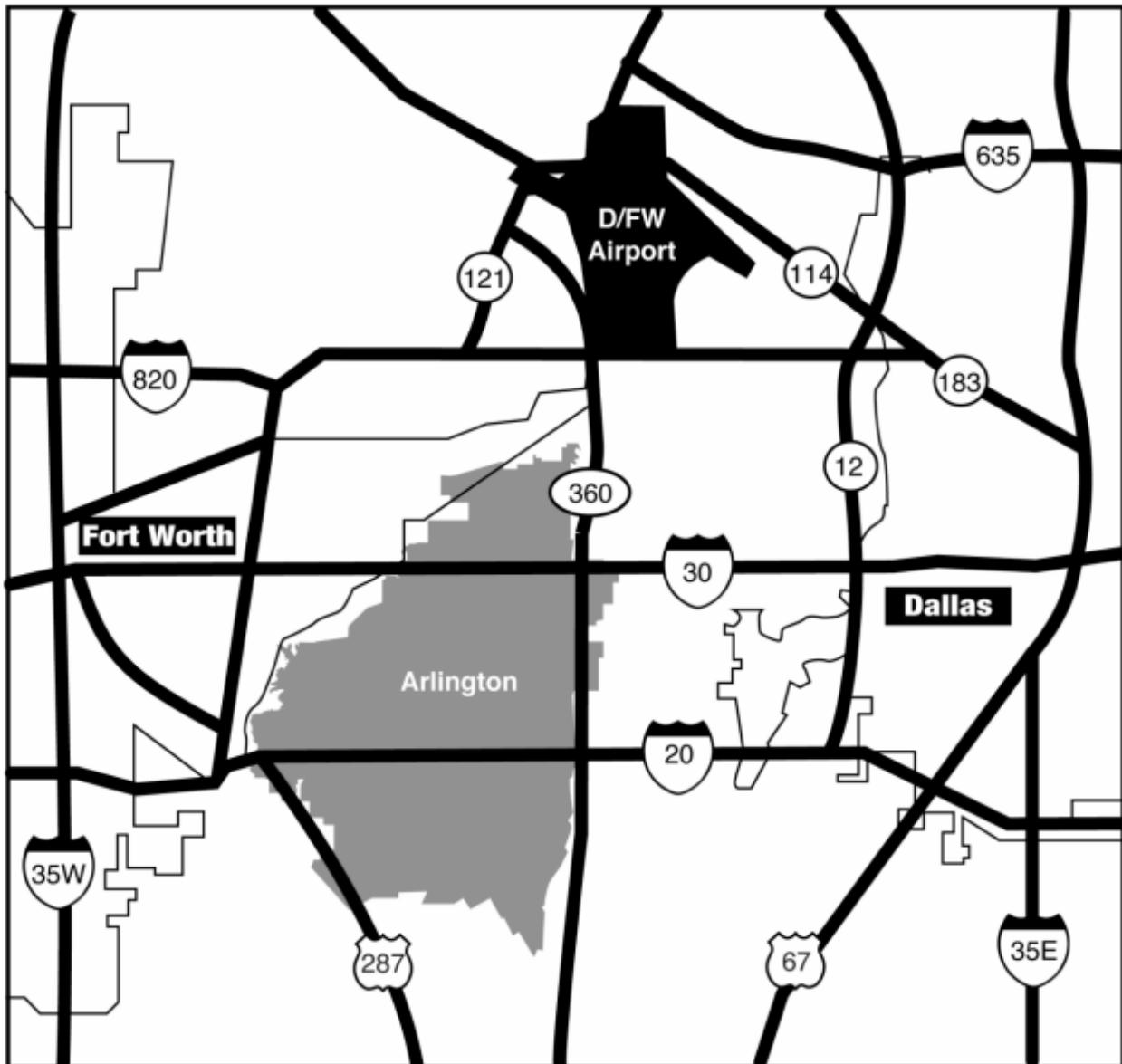
CONSULTANTS, ADVISORS AND INDEPENDENT AUDITOR

Independent Auditor	Forvis Mazars, LLP Dallas, Texas
Bond Counsel	Bracewell LLP Dallas, Texas
Co-Municipal Advisors.....	Hilltop Securities Inc. Fort Worth, Texas
.....	RSI Group LLC 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 S. Mesquite St. (8th Floor) Arlington, Texas 76010 (817) 459-6303	or	Laura Alexander Steven Murray Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, TX 76102 (817) 332-9710	Pamela Mobley RSI Group LLC 1617 Park Place Ave., Suite 110 Fort Worth, Texas 76110 (817) 945-4072
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DALLAS/FORT WORTH/ARLINGTON METROPOLITAN AREA



PRELIMINARY OFFICIAL STATEMENT

RELATING TO

**CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)**

\$54,275,000*

PERMANENT IMPROVEMENT BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the cover page, maturity schedule, and the Appendices hereto, provides certain information regarding the issuance of \$54,275,000* City of Arlington, Texas, Permanent Improvement Bonds, Series 2026 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Ordinance (defined herein), except as otherwise indicated herein.

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

There follows in this Official Statement descriptions of the 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., Fort Worth, Texas.

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

The City is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.7 square miles, has a 2026 estimated population of 420,028. The City operates as a home-rule City under a Council-Manager form of government as established by its City Charter. There is a nine-member City Council (the "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 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

* Preliminary, subject to change. See the Notice of Sale and Bidding Instructions.

THE BONDS

GENERAL . . . The Bonds are dated August 1, 2026, and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the Delivery Date and will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on February 15 and August 15 of each year, commencing February 15, 2027, 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, 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" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapters 1331 and 1371, Texas Government Code, as amended, elections held on May 6, 2023 and May 3, 2025, and an ordinance adopted by the City Council on April 21, 2026 authorizing the issuance of the Bonds (the "PIB Authorization Ordinance") in which the City Council delegated pricing of the Bonds to an "Authorized Officer" who will approve a pricing certificate (the "Pricing Certificate," and together with the PIB Authorization Ordinance, the "Bond Ordinance") which will contain the final terms of the sale and will complete the sale of the Bonds.

SECURITY AND SOURCE OF PAYMENT. . . The principal of and interest on the Bonds are payable from a continuing, direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City.

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

PURPOSE. . . Proceeds from the sale of the Bonds will be used for (i) acquiring, developing, renovating and improving parks, park facilities and open spaces for park and recreation purposes in and for the City, including the acquisition of land therefor (2023 Authorization); (ii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, bridges and street maintenance facilities, including streetlighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith (2023 Authorization); (iii) designing, developing, constructing, improving, extending, and expanding streets, thoroughfares, sidewalks, and bridges, including streetlighting, right-of-way protection, and related storm drainage improvements (2025 Authorization); (iv) acquiring, developing, renovating and improving parks, park facilities and open spaces for park and recreation purposes in and for the City, including the acquisition of land therefor (2025 Authorization); (v) designing, developing, constructing, reconstructing, improving, renovating, expanding, equipping, and furnishing public safety facilities, including rebuilding a fire station and acquiring vehicles and equipment, and including the acquisition of land therefor (2025 Authorization); and (vi) renovating, repairing, improving, and equipping existing City administrative buildings and facilities in downtown Arlington, including mechanical, electrical, air conditioning, heating, ventilation, fire alarm and emergency lighting equipment and systems; and (vii) payment of professional services of attorneys, financial advisors and other professionals in connection with the projects and the issuance of the Bonds.

SOURCES AND USES

The proceeds of the Bonds will be applied approximately as follows:

Sources of Funds

Par Amount	\$	-
Cash Premium		-
Total Sources of Funds	\$	-

Uses of Funds

Deposit to Construction Fund	\$	-
Costs of Issuance		-
Total Uses of Funds	\$	-

PAYMENT RECORD. . . The City has not defaulted on its bonds payable from ad valorem taxation since 1935 when all such bonds were refunded at par with a reduction in interest rate.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Dallas, Texas (the “Paying Agent/Registrar”). Payments of principal and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC or its nominee, Cede & Co., which will then remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described herein under “- Book-Entry-Only System.”

The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the 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 such Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar (see “- Successor Paying Agent/Registrar” herein). In the event use of the Book-Entry-Only System should be discontinued, interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (See “- Record Date for Interest Payment” herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original payment date So long as Cede & Co. is the registered owner of the Bonds, principal and interest on the Bonds will be made as described in “THE BONDS - Book-Entry-Only System”.

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

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

REDEMPTION

Optional Redemption of the Bonds at Par . . . The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2036 (the “Initial Par Call Date”) 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 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. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date..

Optional Redemption of the Bonds at Make-Whole Redemption Price . . . The Bonds maturing on or prior to the Initial Par Call Date are subject to optional redemption prior to their stated maturity dates at the option of the City, in whole or in part on any date (the “Call Date”), at a make-whole price (the “Make-Whole Redemption Price”) equal to the greater of:

- (1) one hundred percent (100%) of the Amortized Value of the Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Bonds to be redeemed and including the Call Date to the maturity date of such Bonds, not including any portion of those payments of interest accrued and unpaid as of the Call Date, discounted to the Call Date on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at a discount rate equal to the greater of (a) the Applicable Tax-Exempt Bond Rate minus 20 basis points; or (b) zero basis points; plus, in each case, accrued interest on such Bonds to the Call Date.

“Amortized Value” means the product of the principal amount of the Bonds to be redeemed and the price of such expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the Call Date, a maturity date equal to the maturity date of such Bonds and a yield equal to the yield of such Bonds as shown on pages ii and iii of this Official Statement.

“Applicable Tax-Exempt Bond Rate” means the “Interpolated AAA Yields” rate for the maturity date of each Bonds to be redeemed, as published by the Municipal Market Data (“MMD”) at least five calendar days, but not more than 60 calendar days, prior to the Call Date of the Bonds to be redeemed, or if no such rate is established for the applicable maturity date, the “Interpolated AAA Yields” rate for the published maturities closest to the applicable maturity date.

Should the MMD no longer publish the “Interpolated AAA Yields” rate, then the Applicable Tax-Exempt Bond Rate will equal the “BVAL Muni AAA Monthly Callable Yields” rate for the maturity date (made available by Bloomberg at the close of each business day). In the further event that Bloomberg no longer publishes the “BVAL Muni AAA Monthly Callable Yields” rate, the Applicable Tax-Exempt Bond Rate will be determined by a verification agent appointed by the City, based upon the rate per annum equal to the semiannual equivalent yield to maturity for those tax-exempt general obligation bonds rated in the highest rating category by Moody’s and S&P, with a maturity date equal to the maturity date of such Bonds having characteristics (other than the ratings) most comparable to those of such Bonds in the judgment of the verification agent. The verification agent’s determination of the Applicable Tax-Exempt Bond Rate shall be final and binding in the absence of manifest error.

The Make-Whole Redemption Price will be determined by a verification agent, investment banking firm or financial advisor (which verification agent, investment banking firm or financial advisor shall be retained by the City at the expense of the City) in order to calculate such Make-Whole Redemption Price. The Paying Agent/Registrar and the City may conclusively rely on such verification agent’s, investment banking firm’s or financial advisor’s determination of such Make-Whole Redemption Price and will bear no liability for such reliance..

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Bonds are structured as “term bonds,” such term bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Ordinance, which provisions will be included 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 OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Bond Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State (the “Comptroller”) 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 States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds to refund the obligations, that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The 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 Bond Ordinance.

Under current State law, after such deposit as described above, the 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 Bond Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

HOLDERS’ REMEDIES . . . The Bond Ordinance establishes the following events of default to the Bonds: (i) failure to make payment of principal of or interest on any of the Bonds when due and payable; or (ii) defaults in the observance or performance of any of other the covenants, conditions or obligations set forth in the Bond Ordinance which materially and adversely affects the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the Bond Ordinance, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City. Under State law, there is no right to the acceleration of maturity of the Bonds upon an event of default under the Bond 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 assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. No assurance can be given that a mandamus or other legal action to enforce a default under the Bond Ordinance would be successful.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 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 Bond Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. 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.

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.

Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. Chapter 1371, Texas Government Code as amended ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds. 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 Bond 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 Bond Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source or revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bond holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion 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.

REGISTRATION, TRANSFER AND EXCHANGE

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, then 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.

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 certificates for the Bonds will 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 Obligation 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 Bond Ordinance. Such new Bonds must be in the denomination of \$5,000 for any one maturity or any integral multiple thereof. The last assignee's claim of title to the Bonds must be proved to the satisfaction of the Paying Agent/Registrar.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on the 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 7 ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but take 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 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 security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or maturity amount as applicable, 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 Bonds. 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.

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 certificate 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 of 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 payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or 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 use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond 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 is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYMENT . . . Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined above), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at their stated maturity upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. 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 when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

In the event of a non payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder 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.

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LEGAL HOLDINGS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code as amended) provides 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 of Texas. 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 Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) ("PFIA"), as amended, 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.

INVESTMENTS

The City invests its funds in investments authorized by Texas law, particularly 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.

ADDITIONAL PROVISIONS . . Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a 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 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 1 - CURRENT INVESTMENTS ⁽¹⁾

As of September 30, 2025, the following percentages of the City's operating funds were invested in the following categories of investments:

<u>Description</u>	<u>% Invested</u>
Federal Agencies	78.49%
Statewide Local Government Investment Pools ⁽²⁾	15.65%
Treasury Securities	2.53%
Non-Texas Municipals	1.75%
Cash	0.63%
Commercial Paper	0.56%
Texas Municipals	0.39%
	<u>100.00%</u>

(1) Reflects current investments for all City funds.

(2) Invested in Texas CLASS, Texas CLASS Government, TexPool, TexPool Prime, and LOGIC.

As of September 30, 2025, the weighted average maturity of the City's operating portfolio was 549 days and the market value of the operating portfolio was 100 percent of its book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TABLE 2 – AUTHORIZED PERMANENT IMPROVEMENT BONDS

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

		<u>Remaining Bonds to Sell</u> <u>(amounts in thousands)</u>			
<u>Election Year</u>	<u>Bond Propositions</u>	<u>Authorized Amount</u>	<u>Previously Issued</u>	<u>The Bonds ⁽¹⁾</u>	<u>Unissued</u>
2018	Fire and Police	\$ 24,500	\$ 20,910	\$ -	\$ 3,590
2018	Parks and Recreation	19,165	18,515	-	650
	Subtotal	\$ 43,665	\$ 39,425	\$ -	\$ 4,240
2023	Fire and Police	\$ 30,080	\$ 20,830	\$ -	\$ 9,250
2023	Parks and Recreation	24,645	4,000	19,045	1,600
2023	Street Improvements	219,460	43,195	22,510	153,755
	Subtotal	\$ 274,185	\$ 68,025	\$ 41,555	\$ 164,605
2025	Street Improvements	\$ 136,995	\$ 3,070	\$ 3,570	\$ 130,355
2025	Public Safety	48,930	20,595	6,670	21,665
2025	Parks and Recreation	9,345	336	2,464	6,545
2025	City Facilities	3,105	-	3,105	-
	Subtotal	\$ 198,375	\$ 24,001	\$ 15,809	\$ 158,565
	Grand Total	\$ 516,225	\$ 131,451	\$ 57,364	\$ 327,410

Source: City of Arlington Finance Department.

(1) Includes the premium of the Bonds being issued. Preliminary, subject to change.

DEBT INFORMATION

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

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

TABLE 3 – KEY DEBT RATIOS

Key Debt Ratios					
Fiscal Year	Estimated Population⁽¹⁾	<u>Estimated Taxable Valuation</u>	<u>Tax-Supported Debt Year Ended Sept. 30</u>	<u>Ratio of Tax-Supported Debt</u>	
		<u>Calendar Year⁽²⁾</u>		<u>Per Capita</u>	<u>Taxable Valuation</u>
2016	380,740	\$ 19,601,363,251	\$ 354,185,000	\$ 930	1.81%
2017	382,230	21,379,080,714	382,735,000	1,001	1.79%
2018	392,462	23,503,192,007	408,365,000	1,041	1.74%
2019	395,477	25,921,882,291	428,490,000	1,083	1.65%
2020	394,266	29,238,009,537	617,190,000	1,565	2.11%
2021	393,420	30,036,634,647	603,925,000	1,535	2.01%
2022	399,560	31,664,722,384	640,830,000	1,604	2.02%
2023	405,420	35,737,311,313	649,845,000	1,603	1.82%
2024	411,167	40,985,245,950	673,255,000	1,637	1.64%
2025	413,955	42,867,412,701	609,765,000	1,473	1.42%
2026	420,028	43,189,364,734	670,930,000 ⁽³⁾	1,597 ⁽³⁾	1.55% ⁽³⁾

Source: City of Arlington Finance Department.

- (1) Population estimates for 2016-2019 were based on percent of occupancy in available residences and U.S. Census Bureau data. 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) Estimated taxable valuation is obtained from Tarrant Appraisal District and the City Finance Department.
- (3) Includes the Bonds. Preliminary, subject to change.

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TABLE 4 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

Fiscal Year Ending	Outstanding Debt			The Bonds ⁽¹⁾			Total Debt Service Requirements	% of Principal Retired
9/30	Principal	Interest	Total	Principal	Interest	Total		
2026	\$ 52,425,000	\$ 24,373,552	\$ 76,798,552	\$ -	\$ -	\$ -	\$ 76,798,552	
2027	50,190,000	22,908,132	73,098,132	-	2,496,735	2,496,735	75,594,868	
2028	48,050,000	20,902,476	68,952,476	2,860,000	2,683,059	5,543,059	74,495,535	
2029	45,580,000	19,108,430	64,688,430	2,860,000	2,540,059	5,400,059	70,088,488	
2030	45,280,000	17,413,003	62,693,003	2,860,000	2,397,059	5,257,059	67,950,062	34.58%
2031	44,930,000	15,753,737	60,683,737	2,860,000	2,254,059	5,114,059	65,797,796	
2032	46,250,000	14,071,025	60,321,025	2,860,000	2,111,059	4,971,059	65,292,083	
2033	45,085,000	12,373,618	57,458,618	2,860,000	1,968,059	4,828,059	62,286,677	
2034	42,420,000	10,740,917	53,160,917	2,855,000	1,825,059	4,680,059	57,840,975	
2035	40,805,000	9,224,507	50,029,507	2,855,000	1,682,309	4,537,309	54,566,816	66.89%
2036	39,545,000	7,779,436	47,324,436	2,855,000	1,539,559	4,394,559	51,718,994	
2037	37,395,000	6,456,182	43,851,182	2,855,000	1,396,809	4,251,809	48,102,991	
2038	34,855,000	5,202,078	40,057,078	2,855,000	1,254,059	4,109,059	44,166,137	
2039	21,190,000	4,062,750	25,252,750	2,855,000	1,111,309	3,966,309	29,219,059	
2040	18,565,000	3,214,488	21,779,488	2,855,000	968,559	3,823,559	25,603,046	89.82%
2041	16,660,000	2,441,675	19,101,675	2,855,000	825,809	3,680,809	22,782,484	
2042	15,255,000	1,700,538	16,955,538	2,855,000	683,059	3,538,059	20,493,596	
2043	11,290,000	1,011,900	12,301,900	2,855,000	540,309	3,395,309	15,697,209	
2044	8,460,000	558,250	9,018,250	2,855,000	397,559	3,252,559	12,270,809	
2045	4,850,000	207,150	5,057,150	2,855,000	254,809	3,109,809	8,166,959	99.61%
2046	-	-	-	2,855,000	129,189	2,984,189	2,984,189	100.00%
	<u>\$ 669,080,000</u>	<u>\$ 199,503,843</u>	<u>\$ 868,583,843</u>	<u>\$ 54,275,000</u>	<u>\$ 29,058,482</u>	<u>\$ 83,333,482</u>	<u>\$ 951,917,324</u>	

(1) Average life of the issue - 10.927 years. Interest on the Bonds has been calculated at the rate of 4.15% for purposes of illustration. Preliminary, subject to change.

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TABLE 5 – COMPUTATION OF SELF-SUPPORTING DEBT

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

TABLE 6 – TAX ADEQUACY ⁽¹⁾

The following analysis assumes 98 percent collection of ad valorem taxes levied against the City's fiscal year 2026 Net Taxable Value.

2026 Principal and Interest Requirements	\$ 76,798,552
\$0.1792 Tax Rate Produces	\$ 76,818,404
Average Annual Principal and Interest Requirements, 2026 - 2046	\$ 45,329,396
\$0.1058 Tax Rate Produces	\$ 45,353,723
Maximum Principal and Interest Requirements, 2026	\$ 76,798,552
\$0.1792 Tax Rate Produces	\$ 76,818,404

(1) Includes the Bonds. Preliminary, subject to change.

TABLE 7 – ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2025/26 Taxable Assessed Value	2025/26 Tax Rate	Total Tax Debt ⁽¹⁾	Estimated % Applicable	City's Overlapping Tax Debt As of 6-1-26	Authorized But Unissued Debt As Of 6-1-26
City of Arlington	\$ 43,189,364,734	\$ 0.62980	\$ 670,930,000 ⁽²⁾	100.00%	\$ 670,930,000 ⁽²⁾	\$ 384,774,000
Arlington ISD	38,554,154,316	1.09300	1,136,315,000	83.01%	943,255,082	469,710,000
Fort Worth ISD	57,147,731,705	1.02900	1,465,040,000	0.27%	3,955,608	461,000,000
Hurst-Euless Bedford ISD	20,406,317,174	1.02900	813,765,000	8.66%	70,472,049	397,300,000
Kennedale ISD	2,065,016,879	1.13500	94,820,025	55.71%	52,824,236	-
Mansfield ISD	22,067,654,226	1.14700	1,222,175,000	28.63%	349,908,703	-
Tarrant County	298,706,022,035	0.18600	314,050,000	16.00%	50,248,000	205,600,000
Tarrant County College District	326,653,911,760	0.11200	547,535,000	16.00%	87,605,600	125,000,000
Tarrant County Hospital District	298,547,261,465	0.16500	429,425,000	16.00%	68,708,000	350,000,000
Viridian Municipal Management District	2,036,923,504	0.51500	292,585,000	100.00%	292,585,000	38,550,000
Total Direct and Overlapping Tax Supported Debt					\$2,590,492,277	
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					6.00%	
Per Capita Overlapping Tax Supported Debt					\$ 6,258	

(1) Source: Municipal Advisory Council of Texas. Net debt outstanding per representative of each jurisdiction.

(2) Includes the Bonds. Preliminary, subject to change.

TAX-SUPPORTED CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program ("CIP") provides for multi-year improvements to the City's public facilities along with the means of financing these improvements. The City's CIP is prepared annually and primarily enabled by recent bond election results. The approved CIP is the result of a process that balances the need for public facilities against the fiscal capability of the City to provide for those needs. The City's tax-supported CIP for fiscal year 2026 is approximately \$57,364,000. The proposed capital projects for the 2026 fiscal year include funds for public safety, parks and recreation, streets and transportation, and administration buildings and facilities. See Table 2 – Authorized Permanent Improvement Bonds.

FINANCIAL INFORMATION

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

CERTIFICATE OF ACHIEVEMENT . . . The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its Annual Comprehensive Financial Report (ACFR) for the year ended April 30, 1966 and then annually from 1977 to 2003 and 2005 to 2017. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2026.

ACCOUNTING STANDARDS

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

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

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

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. 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 acquisitions, including entering into contracts giving the City of Arlington the right to use leased 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 all proprietary funds, and the pension trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer Fund, storm water utility fund, and the aviation nonmajor fund are charges to customers for sales and services. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major funds are used by the City:

1. Governmental Funds:

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

- a) General Fund accounts for several of the City's primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City.
- b) Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c) Street Capital Projects Fund accounts for the purchase of rights of way and land, construction of streets and related facilities, and to account for various other projects related to street construction. Funds are provided primarily through bond sales, interest earnings, and impact fees.
- d) Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Proprietary Funds:

The focus of Enterprise Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. The City's Enterprise Funds are the Water and Sewer Fund, the Storm Water Utility Fund (both of which are major funds) and the Aviation Fund, a nonmajor enterprise fund created in fiscal year 2024. The Water and Sewer Fund accounts for the administration, operation and maintenance of the water and sewer utility system, and the billing and collection activities. The Water and Sewer Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the Water and Sewer Fund. The City's solid waste function is contracted out. The billings for this function are done by the City as a conduit for the contractor. The fee for this service is accounted for in the Water and Sewer Fund, while revenues from landfill fees are accounted for in the General Fund. The Storm Water Utility Fund accounts for the design, construction and maintenance of the City's storm water drainage systems. The Aviation Fund accounts for all airport related activities including fuel sales and various leases.

3. Fiduciary Funds:

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.

GENERAL FUND REVENUES AND EXPENDITURES

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

CERTAIN OPERATIONS OF THE GENERAL FUND

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

Summaries for fiscal years 2021 to 2025 have been compiled from the audited financial statements included in the respective Annual Financial Reports of the City. These unaudited summaries should be read in conjunction with their related audited comprehensive financial statements and notes. For the fiscal year ended September 30, 2025, the General Fund revenues and transfers were greater than expenditures by \$4,667,000 or 1.47% percent of General Fund revenues, leaving a General Fund balance at September 30, 2025, of \$102,499,000. The following table presents a comparison of the City's General Fund balance for fiscal years 2021 to 2025.

TABLE 7 – GENERAL FUND REVENUE AND EXPENDITURE HISTORY (AMOUNTS IN THOUSANDS)

	<u>Fiscal Years Ended September 30th</u>				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning General Fund Balance	\$ 97,832	\$ 86,538 ⁽¹⁾	\$ 82,416	\$ 87,268	\$ 70,610
<u>Revenues</u>					
Ad Valorem Taxes	151,387	140,052	126,068	114,568	111,400
Sales Tax	90,225	91,866	89,039	83,733	72,649
Other Taxes	2,939	3,026	2,951	2,782	2,242
Franchise Fees	22,489	22,205	22,429	23,193	21,468
Service Charges	10,200	10,208	9,417	9,734	7,791
Interest	5,585	5,337	2,133	655	1,217
All Other	34,667	30,919	29,602	31,982	29,109
Total Revenues	<u>\$ 317,492</u>	<u>\$ 303,613</u>	<u>\$ 281,639</u>	<u>\$ 266,647</u>	<u>\$ 245,876</u>
<u>Expenditures</u>					
Total Expenditures	<u>\$ 324,658</u>	<u>\$ 307,229</u>	<u>\$ 294,851</u>	<u>\$ 259,336</u>	<u>\$ 225,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,166)</u>	<u>\$ (3,616)</u>	<u>\$ (13,212)</u>	<u>\$ 7,311</u>	<u>\$ 20,588</u>
<u>Other Financing Sources</u>					
Operating Transfers	<u>\$ 11,833</u>	<u>\$ 14,910</u>	<u>\$ 17,945</u>	<u>\$ (12,163)</u>	<u>\$ (3,930)</u>
Ending General Fund Balance	<u>\$ 102,499</u>	<u>\$ 97,832</u>	<u>\$ 87,149</u>	<u>\$ 82,416</u>	<u>\$ 87,268</u>

Source: City's Finance Department

(1) 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.

TABLE 8 – DEBT SERVICE FUND BUDGET**Fiscal Year 2026**

Beginning Fund Balance	\$ 3,165,298
Debt Service Revenues	77,128,737
Transfers In	<u>1,509,729</u>
Total Available for Debt Service	81,803,764
Debt Service Expenditures ⁽¹⁾	<u>(78,625,897)</u>
Estimated Ending Fund Balance	<u>\$ 3,177,867</u>

Source: City's Finance Department.

(1) Debt Service Expenditures includes Issuance and Agent Fees.

AD VALOREM PROPERTY TAXATION**STATE OF TEXAS TAX CODE**

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Tarrant Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and are prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property.

State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. The 10% is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office; or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. For the 2026 tax year, the Maximum Property Value was increased to \$5,320,000.

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

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

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

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

The governing body of a school district, municipality, or county that adopted an exemption described in (1), above, for the 2022 tax year may not reduce the amount of or repeal the exemption through December 31, 2027.

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from taxation.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see “– City Application of Property Tax Code” herein.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35 of the Property Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

CITY AND TAXPAYER REMEDIES . . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 tax year, and is adjusted annually by the Comptroller to reflect the inflation rate.

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

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

The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “– Temporary Exemption for Qualified Property Damaged by a Disaster” for further information related to a discussion of the applicability of this section of the Property Tax Code.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

“foregone revenue amount” means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

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

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

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

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

“unused increment rate” means the greater of (i) zero; and (ii) the rate expressed in dollars per \$100 of taxable value calculated by dividing (a) the cumulative difference of the foregone revenue amount, calculated using the difference between a city’s voter-approval tax rate and its actual tax rate for each of the preceding three tax years, by (b) the “current total value” as defined in Section 26.012 of the Property Tax Code, and which may be applied to a city’s tax rate when calculating the voter-approval tax rate.

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

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

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

Furthermore, during the 89th Regular Session, the Legislature adopted Senate Bill 1851 (“SB 1851”), which will become effective in connection with the adoption of an ad valorem tax rate for tax year 2026 and thereafter. Under SB 1851, if the Texas Attorney General determines that a city has (a) not had its records and accounts audited and an annual financial statement prepared based on the audit or (b) failed to file its financial statements and auditor's opinion on such financial statements with the city secretary or city clerk before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate for (i) the tax year that begins on or after the date of the Attorney General's determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor's opinion on such financial statement with the city secretary, as applicable.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district’s website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city’s website notice informing the property owner of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district’s office.

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

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

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

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

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

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

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

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

2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS . . . The regular session of the 89th Texas Legislature convened on January 14, 2025 and adjourned on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session. During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities, among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions or the full impact of the legislation approved during the 89th Regular Session or the two called special sessions at this time.

CITY APPLICATION OF PROPERTY TAX CODE . . . The City grants an exemption of 20% of the market value of residence homesteads; the minimum exemption is \$5,000.

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

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

The City Council adopted an ordinance on November 3, 1998, establishing a TIF (the “TIF Zone #1”) encompassing approximately 533 acres in the City’s downtown area. TIF Zone #1 took effect on January 1, 1999. The TIF Zone #1 was extended in November 2018 and will terminate on December 31, 2038. The City Council can terminate TIF Zone #1 at an earlier date by subsequent ordinance. The taxable value for the TIF for the fiscal year ended September 30, 2025 was approximately \$411,618,033 more than its base year value.

The City Council adopted an ordinance on December 19, 2006, establishing a TIF (the “TIF Zone #5”) encompassing 2,187 acres generally defined by Lamar Boulevard to the north, the Union Pacific Railroad to the south, State Highway 360 to the east and Collins Street to the west. TIF Zone #5 took effect on January 1, 2007. The TIF Zone #5 was extended in December 2019 and will terminate on December 31, 2052. The City Council can terminate the TIF Zone #5 at an earlier date by subsequent ordinance. The taxable value for the TIF for the fiscal year ended September 30, 2025 was approximately \$943,975,053 more than its base year value.

The City Council adopted an ordinance on December 18, 2007, establishing a TIF (the “TIF Zone #6”) encompassing approximately 2,000 acres in the northeast quadrant of the City. TIF Zone #6 took effect on January 1, 2007. The TIF Zone #6 Project and Finance Plan was amended and restated in Fiscal Year 2017 to extend the term of the TIF from 30 years to 35 years. The TIF is to expire on December 31, 2041 or until the City has contributed \$230,000,000 in City tax increment, whichever occurs first, and will terminate on December 31, 2036. The taxable value for the TIF for the fiscal year ended September 30, 2025 was approximately \$180,655,026 more than its base year value.

The City Council adopted an ordinance on May 18, 2021, establishing a TIF (the “TIF Zone #7”) encompassing approximately 1,495 acres in the City’s international corridor area of east Arlington, generally defined by Pioneer Parkway and Park Row Boulevard to the north, Arkansas Lane to the south, South Collins Street to the west, and the Grand Prairie city limit to the east. TIF Zone #7 took effect on January 1, 2021. The TIF Zone #7 will terminate on December 31, 2051. The City Council can terminate TIF Zone #7 at an earlier date by subsequent ordinance. The taxable value for the TIF for the fiscal year ended September 30, 2025 was approximately \$398,094,521 more than its base year value.

The 2025-2026 tax roll reflects a \$0 reduction in taxable valuation attributable to state-mandated homestead exemptions.

The abatement value loss on the Fiscal Year 2026 tax roll is \$668,477,045.

The 2025-2026 tax roll reflects a \$922,528,551 reduction in taxable valuation attributable to Freeport Property exemptions.

Section 23.83 of the Property Tax Code allows taxes to be deferred on property that is restricted to scenic use. The Fiscal Year 2026 tax roll reveals an exempt value of \$0 due to scenic deferrals.

The 2025-2026 tax roll reflects a \$0 reduction in taxable valuation attributable to valuation by agriculture deferrals.

The 2025-2026 tax roll reflects a \$28,131,854 reduction in taxable valuation attributable to valuation by pollution control.

The 2025-2026 tax roll reflects a \$5,840,742,304 reduction in taxable valuation attributable to local option homestead exemptions.

The 2025-2026 tax roll reflects a \$5,023,814,287 reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

The tax ceiling carries forward to a surviving spouse aged 55 or older of an individual who is 65 years of age or older. The City has 107,602 residential homestead properties in Fiscal Year 2025-2026 and 31,257 of these properties received an exemption for a disabled individual or individual 65 years of age or older.

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

TAX REVENUE

TABLE 9 – TAX RATE DISTRIBUTION AND COLLECTION RATIOS

FY Ending 09/30	Estimated Net Taxable Valuation ⁽¹⁾	Tax Rate				% Collected ⁽²⁾	
		General Fund (M&O) Tax	Debt Service (I&S) Tax	Total	Calculated Levy	Current	Prior
		Rate	Rate			Year	Years
2022	\$ 31,664,722,384	0.4098	0.2100	0.6198	\$ 196,257,949	94.99	99.86
2023	35,737,311,313	0.4030	0.1968	0.5998	214,352,393	94.16	99.77
2024	40,985,245,950	0.4080	0.1818	0.5898	241,730,981	92.28	99.66
2025	42,867,412,701	0.4146	0.1852	0.5998	257,118,741	91.81	99.36
2026	43,189,364,734	0.4446	0.1852	0.6298	272,006,619	In Process	

Source: Tarrant Appraisal District and City's Finance Department.

(1) Estimated Net Taxable Valuation is the certified roll as of September of each year including minimum estimated value of property under protest. Values may differ from those shown in the City's prior financial statements and elsewhere due to subsequent adjustments.

(2) Prior years collections does include interest and penalties.

TABLE 10 – TAX BASE DISTRIBUTION

	FY2026 Tax Year 2025	FY2025 Tax Year 2024	FY2024 Tax Year 2023	FY2023 Tax Year 2022	FY2022 Tax Year 2021
Residential	54.23%	55.63%	54.42%	52.28%	53.07%
Commercial, Industrial, Retail	45.03%	43.55%	43.74%	46.27%	45.74%
Mineral	0.09%	0.14%	1.01%	0.56%	0.27%
Undeveloped	0.65%	0.68%	0.83%	0.89%	0.92%
	100.00%	100.00%	100.00%	100.00%	100.00%

Source: City of Arlington Finance Department

TABLE 11 – TOP TEN TAXPAYERS ⁽¹⁾

Name of Taxpayer	2025 Taxable Assessed Valuation
General Motors LLC/General Motors Corp.	\$ 363,382,963
Loews Hotels Holding Corporation	307,860,000
Oncor Electric Delivery Co LLC	246,081,488
Parks at Arlington LP	178,099,349
United Parcel Service Inc/BT-OH LLC	175,746,568
Atmos Energy/Mid Tex Division	165,996,283
Big Zilla Dev of Texas LL/Autosales Inc.	150,697,047
CPT Arlington Highlands 1 LP	141,406,258
Hart Arlington TX LLC	114,838,374
Big Box Property Owner C LLC	113,568,150
Total	\$ 1,957,676,480
Top ten taxpayers as % of total property tax rolls	4.46%
Total tax roll	43,874,685,111

(1) Source: Tarrant Appraisal District

MUNICIPAL SALES TAX

The City has adopted the provisions of Sections 321.101 and 321.103 of the Texas Tax Code (collectively, “Chapter 321”), which grants the City the power to impose and levy a one percent sales tax for general purposes of the City. On September 14, 2002, an election to adopt an additional one-quarter cent city sales and use tax for municipal street maintenance as permitted under Chapter 327 of the Texas Tax Code, as amended, was held and the additional one quarter cent sales and use tax was approved. The additional one-quarter cent sales and use tax became effective on January 1, 2003. It was reauthorized in May 2018.

On November 2, 2004, an election to adopt an additional one-half cent sales and use tax for the Dallas Cowboys Complex Development Project as permitted by Chapter 334 of the Texas Local Government Code, as amended, (“Chapter 334”) was held and the additional one-half cent sales and use tax was approved. On November 6, 2016, an election was held to extend the one-half cent sales tax previously collected for the financing of the Dallas Cowboys Complex Development Project to be used to finance a new Rangers Baseball Complex, as permitted by Chapter 334. The election authorizing the extension of the one-half cent sales and use tax to finance the Rangers Baseball Complex in addition to the Dallas Cowboys Complex Development Project was approved by voters.

The Comptroller, after the deduction of a two percent service fee, currently remits monthly the City’s portion of sales tax collections to the City. Chapter 321 provides the Comptroller must remit sales tax collections at least twice annually. Revenue from sales tax levied for general purposes of the City may not be pledged, under the applicable statutes, to the payment of debt service of the City’s debt obligations.

TABLE 12 – MUNICIPAL SALES TAX HISTORY

Fiscal Year Ended	Sales Tax Receipts ⁽¹⁾	Ad Valorem Tax Levy	Sales Tax as a % of Tax Levy	Population Estimate ⁽⁴⁾	Per Capita Sales Tax Collection
9/30					
2022	\$ 83,733,059	\$ 196,257,949	42.66%	399,560	210
2023	89,039,110	214,352,393	41.54%	405,420	220
2024	91,866,296	241,730,981	38.00%	411,167	223
2025	90,225,105	257,118,741	35.09%	413,955	218
2026	93,785,128 ⁽²⁾	272,006,619 ⁽³⁾	34.48%	420,028	223

Source: Tarrant Appraisal District and City’s Finance Department.

(1) Receipts reflect the City’s 1% sales tax to the General Fund.

(2) Source: City’s Finance Department.

(3) Calculated.

(4) Source: North Central Texas Council of Governments.

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PENSION AND EMPLOYEE RETIREMENT PLANS

TEXAS MUNICIPAL RETIREMENT SYSTEM

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 65 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.

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.

Benefit provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS. The contribution rates for the City were 10.74% and 11.70% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$28,976,878.

On August 15, 2020, the City issued \$174,665,000 par value General Obligation Pension Bonds, Taxable Series 2020. The bonds were issued to provide funds to pay a portion of the City's accrued unfunded liability to the TMRS and to pay the costs of issuance of the bonds.

As of December 31, 2023, the City reported the Net Pension Liability (NPL) was \$44,980,733 and the funded ratio based on the NPL was 97.16%. As of December 31, 2024 the City reported the NPL was \$4,156,407 and the funded ratio based on the NPL was 99.75%.

THRIFT SAVINGS PLAN

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution savings are adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401(k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2025, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$400,984,000.

The City's total payroll during fiscal 2025 was \$261,072,000. The current year contribution was calculated based on a covered payroll of \$229,973,000, resulting in a required and actual employer contribution of \$4,884,000 and actual employee contributions of \$12,407,000. The employer contribution represents 2.13 percent of the covered payroll. The employee contribution represents approximately 5.39 percent of the covered payroll.

For additional details about the City's pension and employee retirement plans and benefits including benefit eligibility, employee participation, schedule of employer contributions, actuarial methods and assumptions, funded status and funded progress, see the Audited Basic Financial Statements of the City of Arlington, Texas for the Fiscal Year Ended September 30, 2025, particularly Note 6. PENSION AND EMPLOYEE RETIREMENT PLANS, attached hereto as "APPENDIX B."

OTHER POST EMPLOYMENT BENEFIT PLANS

DISABILITY INCOME PLAN

The City covers its employees with a single-employer defined benefit disability income plan (“DIP”). 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. Further, a 2012 amendment closed the plan to any future disabled employees, there is no longer any liability attributable to the City’s active employees. The plan contemplates that long term disability benefits will be provided through a separate long term disability 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 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. 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, 2025, the City contributed \$45,794 to the plan. Administrative costs of DIP are financed through investment earnings. As of September 30, 2025, the City reported a Net OPEB Asset of \$329,845.

RETIREE HEALTH INSURANCE

The City administers a single-employer self-funded health care plan. The plan provides post-retirement health care benefits (including medical, dental, and vision benefits) to eligible retirees and their dependents. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of General Accounting Standards No. 75. To be eligible for retiree health insurance, an employee must be eligible to retire from the City based upon the policies and requirements of the 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, 2024, there were 285 retired employees who met this requirement. 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, 2025 were \$5,078,260. As of September 30, 2025 the City’s Total OPEB Liability related to post-retirement health care plan was \$92,599,034.

SUPPLEMENTAL DEATH BENEFITS PLAN

The City participates in voluntary single-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”) which is administered by TMRS. This voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit and is a fixed amount of \$7,500. 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 City’s payments to TMRS for the year ended September 30, 2025, were \$633,558. As of September 30, 2025, the City’s Total OPEB Liability related to SDBF was \$9,641,561.

For additional details about the City’s other employee and postemployment benefits including benefit eligibility, employee participation, schedule of employer contributions, actuarial methods and assumptions, funded status and funded progress, see the Audited Basic Financial Statements of the City of Arlington, Texas for the Fiscal Year Ended September 30, 2025, particularly Note 7. OTHER EMPLOYEE AND POSTEMPLOYMENT BENEFITS, attached hereto as “APPENDIX B.”

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CONTINUING DISCLOSURE OF INFORMATION

In the Bond 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").

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information described in Tables 1 through 12, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part 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 12 by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

NOTICE OF CERTAIN EVENTS . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the 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.

In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." 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 Bond Ordinance define "Financial Obligation" as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The City shall also provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, notice of a failure by the City to provide required annual financial information and notices of material events. All documents provided to the MSRB pursuant to this section shall be 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 via the Electronic Municipal Market Access (“EMMA”) system 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's continuing disclosure agreements for the Bonds may be amended by the City 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, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of such Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of such Bonds. The City may also amend or repeal the provisions of the continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of such Bonds. If the City amends its agreements, it must 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 information and data 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.

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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 Bond Ordinance that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond 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 Bond 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 Bond 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.

OTHER INFORMATION

RATINGS

The Bonds are rated “Aa1” by Moody’s Ratings, (“Moody’s”) and “AAA” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, (“S&P”). The City’s presently outstanding tax supported debt of the City has underlying ratings of “Aa1” by Moody’s, “AAA” by S&P and “AA+” by Fitch Ratings, Inc.

An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of the organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the company, if in the judgment of company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds and 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 the City’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 returned to the trial court for further proceedings. The trial court granted the City’s Motion for Summary Judgment dismissing the Plaintiffs’ claims, but the homeowners filed a Motion for New Trial extending the deadline to appeal this order.

The City is involved in a lawsuit concerning a motor vehicle accident that occurred when an Arlington Police Officer proceeded through an intersection on a red light and was struck by the Plaintiff’s vehicle. Plaintiff is seeking damages for bodily injuries and lost wages.

The City is involved in a lawsuit with a prior employee who claims he was subject to discrimination and retaliation based on his race and age. The City filed a Motion for Summary Judgment which is pending before the court. Plaintiff is seeking back pay for a five-day suspension and compensatory damages.

The City is currently involved in litigation with an individual who was issued three criminal citations related to his dog, which was allegedly a service animal. He claims the officer’s actions violated his rights under the American with Disabilities Act and his constitutional rights under the Fourteenth Amendment. Plaintiff seeks lost wages and compensatory damages.

The City is currently involved in litigation concerning a scooter accident that occurred when the Plaintiff lost control of his scooter on a city street. He claims the pavement was uneven, making it a hazardous condition to motorists. Plaintiff is seeking damages for personal injuries.

The City is involved in a lawsuit concerning a motor-vehicle accident involving an employee who was driving a large Animal Services’ truck. Plaintiff is seeking damages for personal injuries.

The City is involved in a lawsuit with an individual who was arrested during a traffic stop. He alleges the officer used excessive force, conducted an illegal search, and denied him medical care, constituting a violation of his constitutional rights under the Fourth, Fifth, and Fourteenth Amendments. Plaintiff seeks lost wages and compensatory damages.

As of May 29, 2026, there are sixteen 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 sixteen lawsuits, the City is engaged in ten 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 risks continue to grow, the City has continued to strengthen its enterprise-wide cybersecurity program and related risk management functions, led by a Chief Information Security Officer designated in 2023. Since that time, the City has completed an initial three-year cybersecurity strategy that established and matured a comprehensive cybersecurity risk management program, including protections for Water Utilities and other critical operational environments supporting essential municipal services. Oversight of cybersecurity risk management and governance resides with the City Manager's Office, and the Chief Information Security Officer, in partnership with the Chief Technology Officer, is responsible for administering and managing the program. Building on that foundation, the City intends to continue investing in and maturing its cybersecurity posture through a five-year strategic roadmap covering fiscal years 2026 through 2031.

The City maintains a significant critical infrastructure footprint, supports large-scale public operations and major global events, and relies on an extensive technology environment to deliver essential services, each of which may increase its exposure to cybersecurity threats and the potential consequences of a disruptive incident. The cyber threat environment continues to evolve with increasing complexity, frequency, and sophistication, including through the malicious exploitation of artificial intelligence by criminal organizations, state-affiliated actors, and other threat actors to execute automated, targeted, and rapidly evolving attacks against public-sector entities and critical infrastructure. No assurance, representation, or warranty, express or implied, can be given that the City's existing controls, policies, procedures, incident response capabilities, or five-year cybersecurity investments will prevent, detect, contain, or fully remediate all cybersecurity incidents. Any significant cybersecurity event, whether arising from external attack, third-party or vendor compromise, infrastructure or utility failure, telecommunications outage, natural disaster, or other circumstances wholly or partially beyond the City's control, could disrupt municipal operations, impair the delivery of essential public services, result in unauthorized access to or disclosure of sensitive or confidential information, require substantial response and remediation expenditures, give rise to regulatory scrutiny or legal liability, and materially adversely affect the City's operations or financial condition.

REGISTRATION AND QUALIFICATION OF THE BONDS FOR SALE

The sales of the Bonds have not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of two million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish the Initial Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding 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 firms have reviewed the information describing the Bonds in this Official Statement to verify

that such description conforms to the provisions of the Bond Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. Certain legal matters will be passed upon by West & Associates, L.L.P. 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.

CO-MUNICIPAL ADVISORS

Hilltop Securities Inc. ("HilltopSecurities") and RSI Group LLC ("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 and RSI, in their capacity as Co-Municipal Advisors, have relied on the opinions 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 to the City 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.

INITIAL PURCHASER

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 the 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.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Initial Purchaser will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in this Official Statement and any addenda, supplement or amendment thereto, for its Bonds, on the date of such Official Statement, on the date of sale of said Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities other than the City and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2025, the date of the last audited financial statements of the City appearing in the Official Statement.

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.

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 Bond Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Bond Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original sources in all respects.

In the Bond Ordinance, the City Council authorized the Authorized Officer to approve, for and on behalf of the City, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the 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.

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. Ordinance, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. Council meetings are broadcast on the local cable public access station and webcast. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the 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%
2026	420,028	1.47%	342,617,520	0.12%

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:

	March 2026	Annual Unemployment Rate				
		2025	2024	2023	2022	2021
Arlington	3.9%	4.0%	4.0%	3.9%	3.2%	3.7%
Texas	4.1%	4.2%	4.1%	4.0%	3.5%	4.1%
United States	4.3%	4.3%	4.0%	3.6%	3.3%	3.7%

Source: Texas Labor Market Information.

ARLINGTON MAJOR EMPLOYERS

Employer	Type of Business	Number of Employees
General Motors Co.	Automobile Assembly	10,500
Arlington Independent School District	Public Education	8,600
University of Texas at Arlington	Higher Education	8,600
Texas Health Resources	Medical	4,000
Six Flags Over Texas	Amusement Park	3,900
City of Arlington	Municipal Government	3,700
The Parks at Arlington	Retail	3,500
Texas Rangers Baseball Club	Major League Baseball	2,300
J.P. Morgan Chase	Banking Services	2,000
Texas Health Arlington Memorial Hospital	Medical	1,700
		<u>48,800</u>

(1) Source: City's Finance Department.

BUILDING PERMITS

	Number of Permits Issues		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
New Single-Family	446	413	673
New Multifamily	120	108	53
New Commercial	114	87	63
Other (Residential and Commercial)	<u>8,997</u>	<u>8,296</u>	<u>8,290</u>
Grand Total	<u>9,677</u>	<u>8,904</u>	<u>9,079</u>

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, 2025

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, 2025 (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

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, 2025, 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 the 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, 2025, 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 4%, 4%, and 17% of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units as of September 30, 2025. 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 0.5%, 0.7%, and 0.3% of the assets, net position, and revenues/additions, respectively, of the aggregate remaining fund information as of September 30, 2025. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, 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 management's discussion and analysis, budgetary comparison, and pension and other postemployment benefit information, as listed in 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 GAAS, 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 GAAS. 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 10, 2026**



CITY OF ARLINGTON, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2025 (Unaudited)

As management of the City of Arlington (City), we offer residents and other readers of the City's financial statements this management discussion and analysis (MD&A). The MD&A provides a narrative overview and analysis of the financial statements of the City for the fiscal year ended September 30, 2025, focusing on why amounts changed from the prior year. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found beginning on page one of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are 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 similar to a private-sector business. The government-wide financial statements include the governmental activities, the business-type activities, and the City's discretely presented component units.

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 other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, culture and recreation, and community development. The business-type activities of the City include a water and sewer operation, a stormwater operation, and an aviation operation.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also seven legally separate component units. For fiscal year 2025, the City was financially responsible for the 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). Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 31-33 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 of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

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

The City maintains twenty individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Streets Capital Projects Fund, all of which are major funds. Data from the other governmental funds are combined into a single aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report. During fiscal year 2025, the Convention and Event Services Fund is presented as a nonmajor governmental fund. In the prior year, this fund was reported as a major fund. The change in classification reflects a reduction in the fund's financial activity relative to total governmental funds, and it no longer meets the criteria for major fund reporting under generally accepted accounting principles. Accordingly, the fund's balances are included within nonmajor governmental funds in the current year. Prior-year amounts have not been restated, and readers should consider this change when comparing year-to-year results.

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 34 of this report.

Proprietary Funds

The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, stormwater utilities, and aviation operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retained risks and for its fleet services. Because both services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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), Stormwater Utility (major fund), and Aviation (nonmajor) 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 are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found beginning on page 38 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for which the City acts as trustee or custodian. Resources held in fiduciary funds are *not* available to support the City's own programs and therefore are *not* reported in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. All of 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 *Part-Time, Seasonal, and Temporary Employees Deferred Income Plan (PSTDIP)* was frozen effective April 4, 2024. The City terminated the *PSTDIP* effective August 1, 2025. The City also reports one custodial fund, the *Escrow Fund*, to report resources, not in a trust, that are held by the City for other parties outside of the City as a reporting entity.

The fiduciary fund financial statements can be found beginning on page 42 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 City uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies). The notes to the financial statements can be found beginning on page 45 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information*. The City presents budgetary comparison schedules for the General Fund and the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 99 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds and pension (and other employee benefit) trust funds are presented immediately following the required supplementary information on budgetary comparisons, and pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 117-145 of this report.

Financial Summary and Detailed Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.2B, at the close of the most recent fiscal year, an increase of \$139.1M from the previous year.

City of Arlington's Net Position

(Amounts Expressed in Millions)

For the Years Ended September 30,

	Governmental Activities		Business-type Activities		Total	
	2024	2025	2024	2025	2024	2025
Current and other assets	\$ 752	\$ 646	\$ 386	\$ 466	\$ 1,138	\$ 1,112
Capital, lease, SBITA, and PPP assets	3,056	3,089	1,136	1,179	4,192	4,268
Total assets	3,808	3,735	1,522	1,645	5,330	5,380
Total deferred outflows of resources	96	51	6	3	102	55
Long-term liabilities outstanding	1,359	1,152	371	413	1,730	1,565
Other liabilities	141	135	67	63	208	198
Total liabilities	1,500	1,287	438	476	1,938	1,763
Total deferred inflows of resources	380	410	5	14	385	424
Net position:						
Net investment in capital assets	1,998	2,049	846	878	2,844	2,927
Restricted for debt service	86	33	54	70	139	103
Restricted for special revenue	59	70	-	-	59	70
Restricted for use of impact fees	17	7	-	-	17	7
Restricted for net OPEB asset	-	-	-	-	-	-
Restricted for net pension asset	1	1	-	-	1	1
Unrestricted	(137)	(71)	186	210	49	139
Total net position	\$ 2,024	\$ 2,090	\$ 1,085	\$ 1,159	\$ 3,109	\$ 3,248

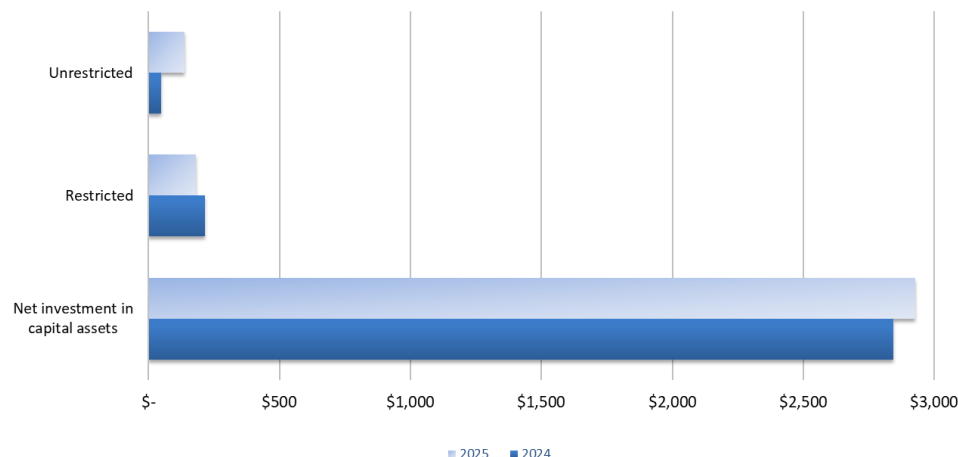
*Some amounts may not foot and cross-foot due to rounding

By far the largest portion of the City's net position, \$2.93B (90.1%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure), net of accumulated depreciation/amortization and less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$181.9M (5.6%) represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the City's unrestricted net position was a surplus balance of \$138.9M (4.3%) and may be used to meet the government's ongoing obligations to citizens and creditors.

City of Arlington's Net Position (amounts expressed in millions)

As of September 30, 2024 and 2025



Governmental Activities

Total assets decreased by \$73M during the fiscal year, primarily due to a decline in accounts receivable and cash and cash equivalents. Accounts receivable decreased significantly due to lower outstanding balances related to sales tax, leases, public/private partnerships (PPP), and other receivables, reflecting the collection of prior-year amounts and the absence of certain one-time revenues recognized in the previous year. Cash and cash equivalents also declined by \$98.6M, largely as a result of the use of available resources to fund operations, capital projects, and debt service during the fiscal year. Together, these factors contributed to the overall decrease in total assets at year-end.

Other liabilities decreased by \$6M during the fiscal year, primarily due to reductions in accounts payable and accrued liabilities and a decrease in the current portion of special tax revenue debt. Accounts payable and accrued liabilities declined as outstanding vendor, payroll, and other short-term obligations at year-end were lower than in the prior year. In addition, the current special tax revenue debt liability decreased as a result of bond redemptions that occurred on January 15, 2025 and August 15, 2025. These redemptions reduced short-term debt obligations and contributed significantly to the overall decrease in current liabilities.

Long-term liabilities, which consist of bonds, notes, leases, subscription-based IT arrangements, compensated absences and postemployment benefit obligations, decreased by \$206.9M from the previous year. The total OPEB liability decreased \$4.3M. The City's net pension liability for the year decreased by \$38.2M.

Business-Type Activities

Total assets increased by \$123.6M during the fiscal year, primarily due to an increase in capital assets. This increase reflects ongoing investments in the City's water and wastewater infrastructure, including treatment facilities, pipelines, and related equipment, as well as improvements and expansions to existing assets to meet service demands. Long-term liabilities increased by \$42M during the fiscal year, primarily due to the issuance of additional revenue bonds.

The City's overall net position increased \$139.1M from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

City of Arlington's Changes in Net Position

(Amounts expressed in thousands)

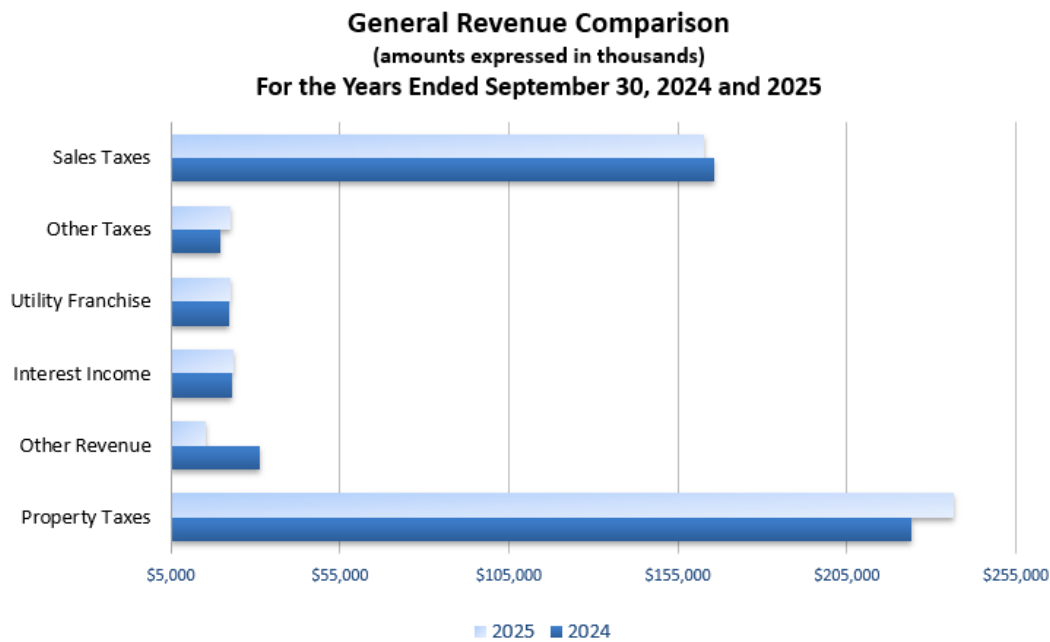
For the Years Ended September 30,

	Governmental Activities		Business-type Activities		Total	
	2024	2025	2024	2025	2024	2025
Revenues						
Program Revenues:						
Charges for services	\$ 71,485	\$ 77,101	\$ 229,755	\$ 251,601	\$ 301,240	\$ 328,702
Operating grants and contributions	37,160	42,122	-	9,612	37,160	51,734
Capital grants and contributions	2,250	250	6,713	-	8,963	250
General Revenues:						
Taxes	409,411	422,167	-	-	409,411	422,167
Utility franchise fees	22,205	22,489	-	-	22,205	22,489
Interest income	23,233	23,358	15,162	15,632	38,395	38,990
Other	21,020	19,992	11,000	224	32,020	20,216
Total revenues	586,764	607,479	262,630	277,069	849,394	884,548
Expenses						
General government	134,010	124,421	-	-	134,010	124,421
Public Safety	230,108	235,887	-	-	230,108	235,887
Public Works	90,291	100,451	-	-	90,291	100,451
Public Health	4,546	3,267	-	-	4,546	3,267
Parks and recreation	46,366	43,115	-	-	46,366	43,115
Public welfare	16,468	29,369	-	-	16,468	29,369
Convention and event services	22,155	14,702	-	-	22,155	14,702
Interest	38,217	23,963	-	-	38,217	23,963
Water, sewer and storm water, aviation	-	-	163,438	170,243	163,438	170,243
Total expenses	582,161	575,175	163,438	170,243	745,599	745,418
Increase in net position before transfers	4,603	32,304	99,192	106,826	103,795	139,130
Transfers and capital contributions	36,801	33,320	(36,801)	(33,320)	-	-
Increase (decrease) in net position	41,404	65,624	62,391	73,506	103,795	139,130
Net Position, October 1	1,982,690	2,024,094	1,022,679	1,085,070	3,005,369	3,109,164
Net Position, September 30	\$ 2,024,094	\$ 2,089,718	\$ 1,085,070	\$ 1,158,576	\$ 3,109,164	\$ 3,248,294

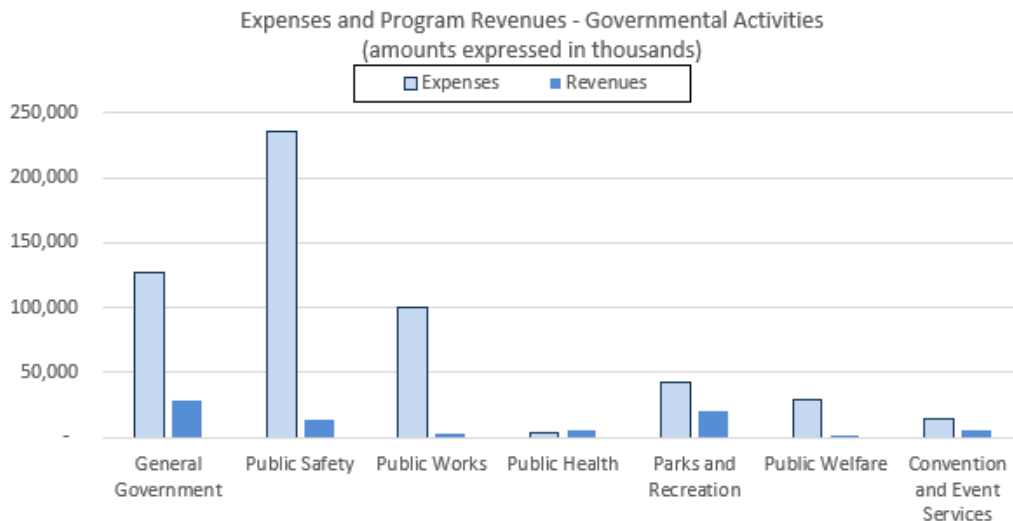
Governmental Activities

During the current fiscal year, net position for governmental activities increased \$65.6M from the prior fiscal year resulting in an ending balance of \$2.09B. Revenues increased by \$20.7M from the prior year. Property tax collections increased from the prior year by about \$12.7M. The City experienced slower growth in property tax revenue compared to the prior year, primarily due to the impact of protests, settlements, and litigation activity occurring throughout the year. Residential property values increased by 0.48%, and commercial property values increased by 5.63% compared to the prior year. The property tax rate for 2025 was set at \$0.5998 per \$100 assessed valuation, up \$0.01 from \$0.5898 in the prior year. Sales tax revenue for the current year was \$162.8M, a decrease of \$2.7M from the previous year. The decrease reflects the continued normalization of collections following the significant growth experienced during the post-pandemic period. The elevated growth rates realized after the COVID-19 pandemic were not sustained, and revenues are returning to more typical historical trends. In addition, higher interest rates contributed to reduced consumer spending, further impacting sales tax collections. The City's investments provided investment earnings of \$23.4M, a slight increase compared to the prior year.

Expenses decreased during the current year from \$582.2M in the prior year to \$575.2M in the current year. Public safety expenditures increased by \$5.8M, primarily due to higher personnel-related costs. As part of a cost-containment strategy, the City maintained vacancies in both sworn and civilian positions throughout the year. However, this approach resulted in increased overtime and part-time staffing costs to maintain service levels. Public welfare expenses rose by \$12.9M, largely attributable to increased transportation grant expenditures associated with expanded program activity and project implementation during the fiscal year. Public Works expenditures increased by \$10.2 million over the prior fiscal year, attributable primarily to the increased grant expenditures related to the initiation of multiple infrastructure improvement projects during the current year, particularly the Center Street Corridor Improvements and the Safe Routes to School initiatives. These increases were offset by a \$9.6M decrease in general government expenses compared to the prior year, resulting primarily from continued efficiency initiatives and prudent management of discretionary spending. In addition, interest expense decreased by \$14.3M, reflecting a reduction in outstanding debt.



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.



Business-type Activities

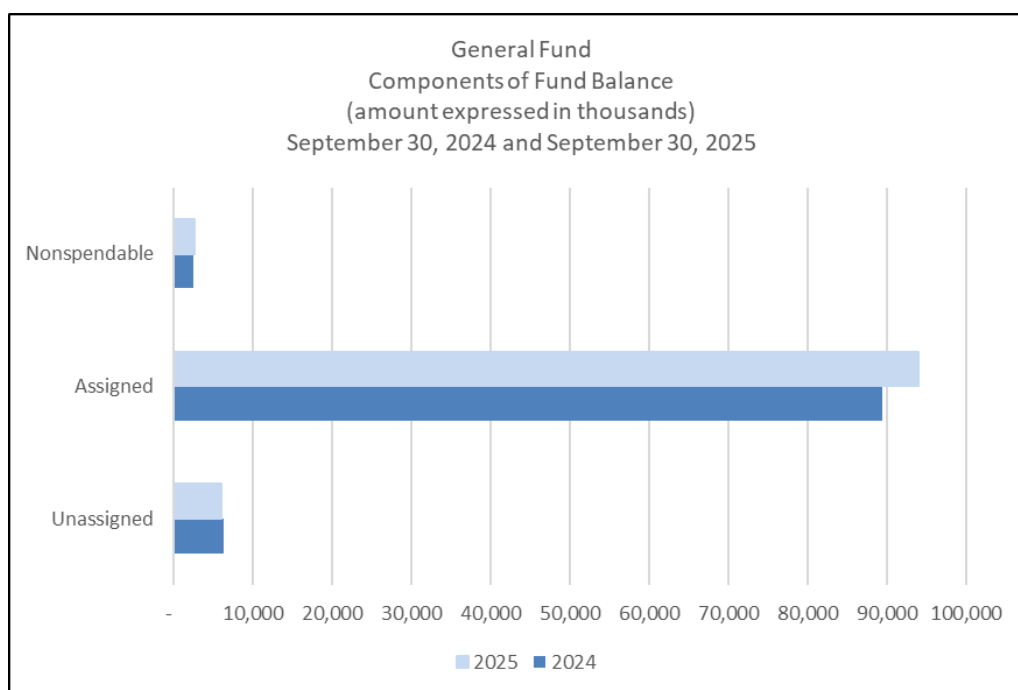
For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$1.16B. The total increase in net position for business-type activities (water, sewer, and aviation funds) was \$73.5M or 5.45% from the prior fiscal year. The increase in overall net position of business-type activities is the result of the increased water and sewer revenue. The revenue increase of \$14.4M in business-type activities was largely driven by higher water sales and sewer service revenues reported as service charges, reflecting changes in customer usage, rate adjustments, and continued demand for utility services. In addition, interest earnings increased during the year as a result of higher investment balances and favorable interest rate conditions. Collectively, these factors contributed to the overall growth in revenues for business-type activities in the current year. Expenses increased by \$6.8M compared to the prior fiscal year, primarily due to higher costs associated with debt service, chemicals, and rebatable arbitrage. Debt service expenditures rose as a result of increased principal and interest obligations related to outstanding and newly issued debt. Chemical costs increased due to higher prices and usage levels necessary to meet regulatory requirements and maintain service quality. In addition, rebatable arbitrage expenses increased as a result of higher investment earnings on bond proceeds subject to federal arbitrage regulations. Together, these factors contributed to the overall increase in expenses reported for the current year.

Detailed Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City reports three major funds individually in the governmental fund financial statements, the General Fund, the Debt Service Fund, and the Streets Capital Projects Fund.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5.9M, while total fund balance increased to \$102.5M. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 1.8% of total general fund expenditures, while total fund balance represents 32.0% of that same amount.



The fund balance of the City's General Fund increased \$4.7M during the current fiscal year, resulting in an ending balance of \$102.5M. This increase was driven primarily by higher revenues, consistent with trends discussed earlier in the governmental activities section. Property tax revenue increased by \$12.7M, which significantly contributed to the improvement in fund balance. In addition, fines and forfeitures increased by \$2.4M, largely attributable to significant increases in Municipal Court fines during the year. The City also experienced a modest increase in gas, water, and sanitation franchise fees, reflecting steady utility activity and incremental revenue growth. The City also implemented significant expenditure management measures during the year as it became evident that property and sales tax revenues would be lower than initially projected. In response, the City adopted a "soft" hiring freeze, which limited the filling of vacant positions while allowing for critical operational needs to be addressed. In addition, discretionary spending was curtailed through tighter controls on nonessential purchases, travel, and contractual services. These actions were taken to align expenditures more closely with available resources, preserve fund balance, and maintain the City's overall financial stability in the face of revenue uncertainty. These revenue increases, combined with the expenditure management measures, contributed to the strengthening of the General Fund's financial position at year-end.

Debt Service Fund

The Debt Service Fund had a decrease in fund balance during the current year of \$52.9M to bring the year-end fund balance to \$32.8M. Although tax revenues increased by \$3.8M compared to the prior fiscal year, reflecting continued stability in the revenue stream supporting debt repayment, this increase was more than offset by significant debt service activity during the year. The primary factor contributing to the decline in fund balance was the optional redemption of special tax revenue bonds. Specifically, the City redeemed \$62.5M of bonds on January 15, 2025, and an additional \$22.1M on August 15, 2025. These redemptions reduced outstanding long-term debt and future debt service obligations but resulted in a substantial use of financial resources in the current year, leading to the decrease in the Debt Service Fund's fund balance at year-end.

Streets Capital Projects

The Streets Capital Projects Fund, the City's remaining major governmental fund, experienced a decrease in fund balance of \$22.4M during the current fiscal year, resulting in an ending fund balance of \$115.2M. Overall revenues declined by \$3.9M compared to the prior year, primarily due to the absence of intergovernmental contributions recognized in the current year that were received in the prior fiscal year. The decrease in fund balance reflects the continued use of available resources to fund ongoing and planned street improvement projects, as well as the timing of revenue receipts related to capital funding. Despite the decline, the fund balance remains sufficient to support future capital project commitments and planned infrastructure investments.

Detailed Analysis of Enterprise Funds

The City reports two enterprise funds as major funds, the Water Fund and the Stormwater Utility Fund, and one enterprise fund as nonmajor, the Aviation Fund, in the proprietary fund financial statements. The enterprise funds provide the same type of information in the business-type activities portion of the government-wide financial statements, but in more detail.

At the end of the fiscal year, unrestricted net position for the Water Fund and the Stormwater Utility Fund totaled \$154.6M and \$60.5M respectively, reflecting favorable financial positions and available resources to support ongoing operations and future capital needs. The Aviation Fund reported unrestricted net position of \$1.4M, indicating more limited financial flexibility. During the year, total growth in net position amounted to \$49.1M for the Water Fund, \$17M for the Stormwater Utility Fund, and \$8.2M for the Aviation Fund. As discussed earlier in the business-type activities section, the increase in the Water Fund's net position was driven primarily by higher water sales and sewer service revenues reported as service charges, reflecting changes in customer usage, rate adjustments, and continued demand for utility services. Growth in the Stormwater Utility and Aviation Funds was supported by stable operating revenues and ongoing cost management, contributing to the overall improvement in net position for the City's business-type activities.

SIGNIFICANT CAPITAL ASSET AND LONG TERM FINANCING ACTIVITY

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, 2025, amounts to \$4.3B (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 \$76.2M. This is a 1.82% increase over the prior fiscal year.

City of Arlington's Capital, Lease, SBITA, and PPP Assets (in thousands, net of depreciation and amortization)						
	Governmental activities		Business-type activities		Total	
	2024	2025	2024	2025	2024	2025
Land	\$ 289,306	\$ 291,660	\$ 29,916	\$ 29,942	\$ 319,222	\$ 321,602
Buildings and improvements	1,993,152	2,009,114	32,355	41,390	2,025,507	2,050,504
Machinery and equipment	22,954	22,180	762	1,475	23,716	23,655
Construction in progress	214,445	185,763	235,117	244,622	449,562	430,385
Infrastructure	320,785	333,241	-	-	320,785	333,241
Lease and SBITA assets	10,122	9,392	269	66	10,391	9,458
PPP assets	205,372	237,572	-	-	205,372	237,572
Drainage system	-	-	110,506	107,087	110,506	107,087
Water and sewer system	-	-	726,916	754,637	726,916	754,637
Totals	\$ 3,056,136	\$ 3,088,922	\$ 1,135,841	\$ 1,179,219	\$ 4,191,977	\$ 4,268,141

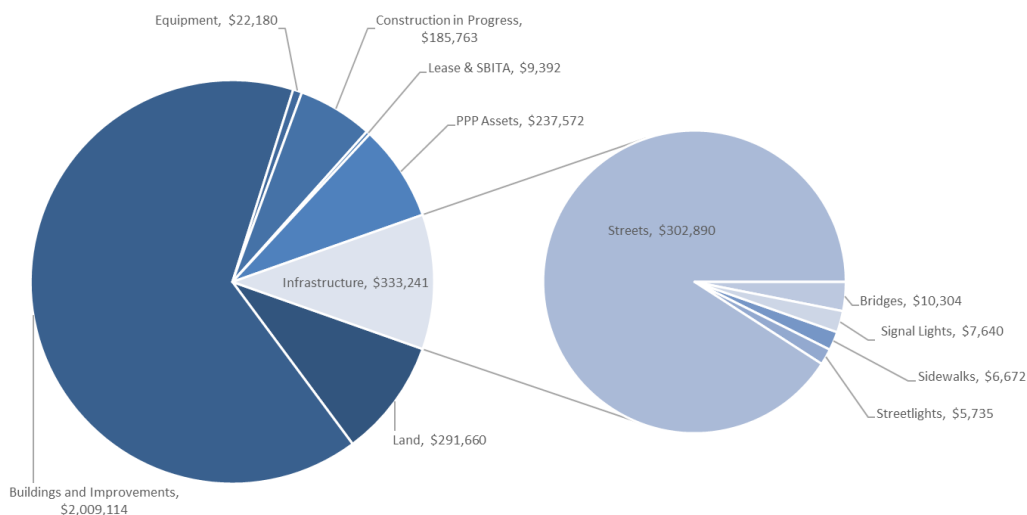
Major capital asset events during the current fiscal year included the following:

- Private developer capital contributions of \$9.5M 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 \$39.1M
- Storm drainage system capital improvements and expansion of \$21.9M
- Street construction projects capital outlay totaling \$29.3M
- Improvements to parks and recreation facilities of \$22.9M
- PPP asset addition for the Arlington Convention Center parking facility totaling \$36.3M

Both leases and SBITAs are intangible, right to use assets. The City does not own these assets, but rather has the right to use them in operations, as specified in their respective contracts. When entering into a lease or SBITA contract, a liability is also recognized, which is included as part of the long-term financing discussion below.

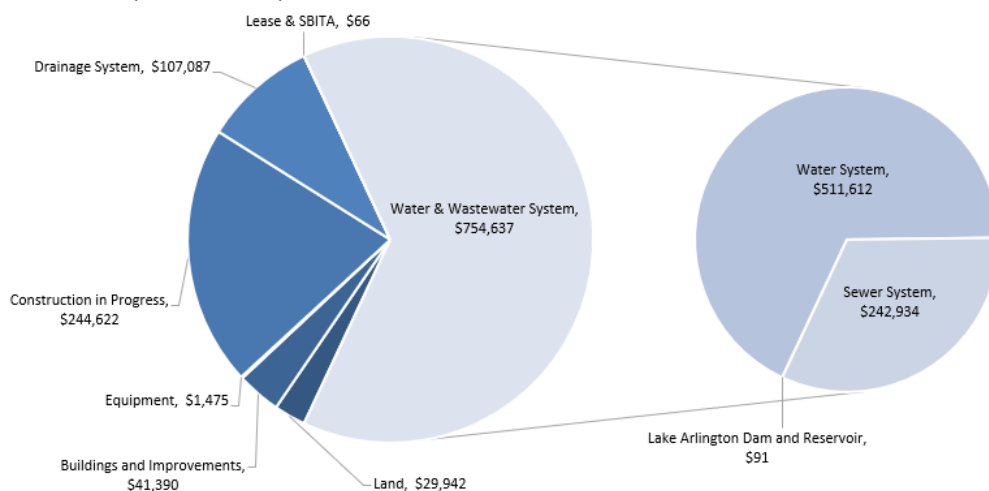
Additional information on the City's capital assets can be found in Note III.5 of this report.

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



Asset	Book Value	Accumulated Depreciation and Amortization	Net Value
Sidewalks	\$ 73,101	\$ (66,429)	\$ 6,672
Streetlights	21,685	(15,950)	5,735
Streets	1,004,735	(701,845)	302,890
Bridges	43,200	(32,896)	10,304
Signal Lights	22,313	(14,673)	7,640
	<u>\$ 1,165,034</u>	<u>\$ (831,793)</u>	<u>\$ 333,241</u>

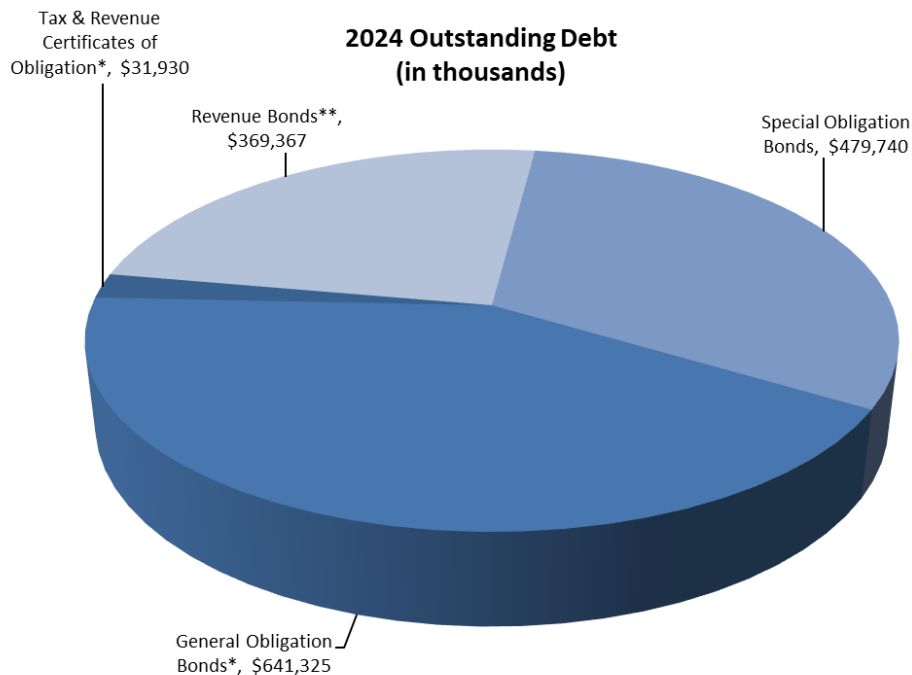
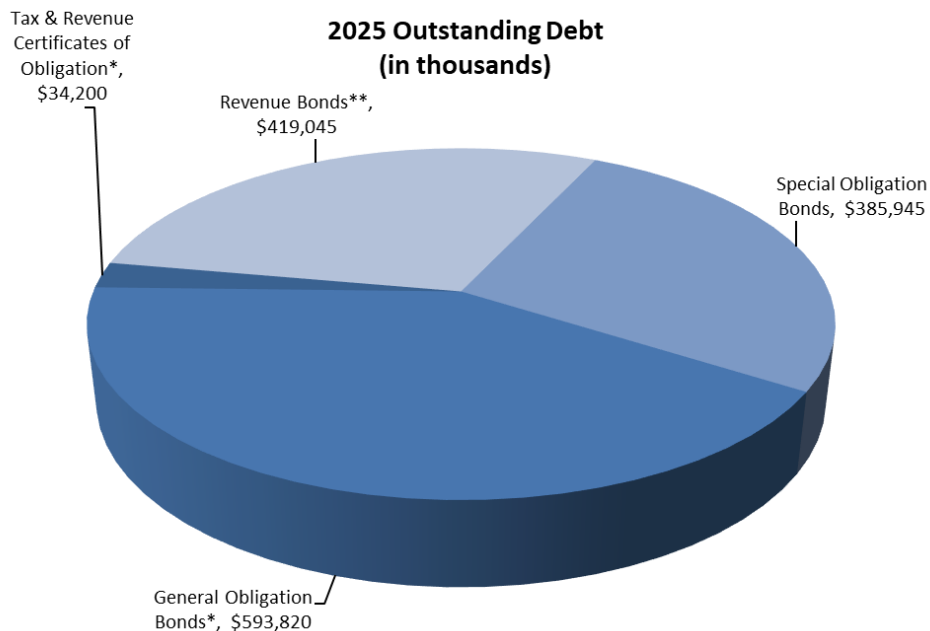
The City's business-type activities infrastructure investment, including accumulated depreciation and amortization, breaks down as follows (in thousands):



Asset	Book Value	Accumulated Depreciation and Amortization	Net Value
Lake Arlington Dam and Reservoir	\$ 2,619	\$ (2,528)	\$ 91
Water System	822,318	(310,706)	511,612
Sewer System	408,909	(165,975)	242,934
	<u>\$ 1,233,846</u>	<u>\$ (479,209)</u>	<u>\$ 754,637</u>

Long-term Financing

At the end of the current fiscal year, the City had total long-term financing liabilities of \$1.4B, composed of general obligation bonds, special obligation bonds, tax and revenue certificates of obligation, revenue bonds, lease liabilities and subscription-based information technology liabilities. During the current year, long-term financing liabilities decreased from the prior year by \$90.9M.



*Secured by City Tax Base

**Secured by Water and Sewer or Drainage Revenue

City of Arlington's Outstanding Long Term Liability
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2025	2024	2025	2024	2025
General obligation bonds (backed by the City)	\$ 641,325	\$ 593,820	\$ -	\$ -	\$ 641,325	\$ 593,820
Combination tax and revenue certificates of obligation (backed by the City)	31,930	34,200	-	-	31,930	34,200
Special tax revenue bonds	479,740	385,945	-	-	479,740	385,945
Revenue bonds (backed by fee revenues)	-	-	369,367	419,045	369,367	419,045
Lease liabilities	4,657	3,529	-	-	4,657	3,529
Subscription liabilities	5,787	5,759	392	40	6,179	5,799
Total	\$ 1,163,439	\$ 1,023,253	\$ 369,759	\$ 419,085	\$ 1,533,198	\$ 1,442,338

During the current fiscal year, the City issued \$8.2M in Combination Tax and Revenue Certificates of Obligation, \$16.6M and \$49.6M in Water and Wastewater System Revenue Bonds and \$13.2M 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.

The City entered into a lease for office space in the current fiscal year in the amount of \$1.05M for use by the Water and Utilities Department while improvements are being made to its original facility. Routine lease payments during the year exceeded new lease activity, resulting in an overall decrease in the City's lease liability. In addition, the City entered into several subscription-based information technology arrangements (SBITAs) during the current fiscal year, including contracts related to accounts payable systems designed to enhance internal controls and reduce the risk of fraud. New SBITA activity totaled \$2.9M; however, the expiration of several existing agreements resulted in a net decrease in the City's SBITA liability.

In 2025, the City's debt ratings were as follows by type and agency:

	Fitch	S&P	Moody's
City GO/CO		AAA	Aa1
WWS Revenue	AAA		Aa1
Stormwater Revenue	AAA	AAA	
TIRZ Five		BBB	
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 decreased from \$1,724 in 2024 to \$1,572 in 2025.

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 1.52%.

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, 2025 was \$12.3M.

GENERAL FUND BUDGET HIGHLIGHTS

During fiscal year 2025 there were no amendments to the general fund operating budget.

Actual expenditures on a budgetary basis of \$365.8M were less than budgeted expenditures of \$375.7M. Revenues on a budgetary basis were less than the budgeted amount of \$369.6M by \$3.5M. Taxes, licenses and permits, and interest revenues were lower than budgeted and are attributable to the variance.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

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. The FY 2026 Budget arrives at a pivotal time shaped by evolving economic conditions and structural changes across our region. The City must continue to look for ways to innovate, provide the highest value possible to residents, respond to challenges, and plan. The 2026 Budget focuses on navigating these cascading challenges and external constraints while focusing on long term planning and an unwavering focus on service. General Fund property tax revenues are budgeted at \$159.7M and sales taxes decreased to \$93.8M. Key budget priorities in 2026 are:

- Enhance regional mobility
- Grow our economy
- Preserve financial stability and resilience
- Strengthen our communities

The City's total General Fund revenues and transfers for 2026 are budgeted at \$347.9M, and total General Fund expenditures are expected to be \$343M, an increase of \$7.5M over 2025.

The General Fund's largest single revenue source is property taxes. This revenue represents 45.6% of the General Fund budget. The property tax rate for 2026 is \$0.6298 per \$100 valuation. The tax rate is split out into two categories, operations and maintenance, \$0.4446 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 2026 is estimated to be \$158.7M, up \$6.7M (4.41%) 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 2026 is estimated at \$93.8M, a decrease of \$3.4M from 2025 estimates.

The City's Water and Sewer Fund accounts for approximately 30.0% 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 \$105.7M and \$102M respectively for FY 2026. 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 2026 Operating Budget can be accessed on the City's website: <https://www.arlingtontx.gov/Government/Budget-Finance/Budget-Business-Plan>



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 the Office of the Finance Director, at the City of Arlington, 101 S. Mesquite St., Suite 800, Arlington, TX 76010. The City is also an active member of MSRB's Electronic Municipal Market Access (EMMA), which keeps the Arlington ACFR on file. Additionally, the ACFR can be found on the City's website at <http://www.arlington-tx.gov/finance/financial-reports/>.



CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 415,705	\$ 89,462	\$ 505,167	\$ 96,716
Investments	-	-	-	100,780
Land held for resale	7,653	-	7,653	-
Receivables (net of allowance for uncollectibles):				
Taxes	12,282	-	12,282	-
Sales taxes	24,510	-	24,510	4,062
Trade accounts	-	17,522	17,522	-
Franchise fees	5,207	-	5,207	-
Unbilled trade accounts	-	13,183	13,183	-
Accrued interest	6,612	68	6,680	222
Lease	80,973	10,932	91,905	-
PPP receivable	56,352	-	56,352	-
Other	9,854	1,552	11,406	1,199
Internal balances	6,483	(6,483)	-	-
Due from component units	129	-	129	-
Due from other governments	16,477	-	16,477	-
Inventory of supplies	2,795	4,825	7,620	-
Prepaid items	22	-	22	517
Net pension asset	1,060	-	1,060	-
Net OPEB asset	330	-	330	-
Restricted assets-				
Bond contingency - cash and cash equivalents	-	14,095	14,095	-
Bond contingency-				
Investments	-	23,183	23,183	-
Capital construction - cash and cash equivalents	-	68,913	68,913	-
Capital construction-				
Capital Investments	-	201,031	201,031	-
Escrow	-	17,590	17,590	-
Meter deposits-				
Investments	-	10,071	10,071	-
Capital and Lease Assets-				
Land	291,660	29,942	321,602	12,286
Buildings and improvements	2,743,035	74,925	2,817,960	1,677
Water and sewer system	-	1,233,846	1,233,846	-
Machinery and equipment	170,033	15,060	185,093	6,051
Infrastructure	1,165,034	-	1,165,034	-
Lease and SBITA assets	20,055	583	20,638	-
PPP Asset	244,162	-	244,162	-
Drainage systems	-	172,461	172,461	-
Construction in progress	185,763	244,622	430,385	-
Accumulated depreciation/amortization	(1,730,820)	(592,220)	(2,323,040)	(2,404)
Total Assets	3,735,366	1,645,163	5,380,529	221,106
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	5,679	269	5,948	-
Pension items	34,988	2,432	37,420	-
OPEB items	10,550	728	11,278	-
Total Assets and Deferred Outflows of Resources	3,786,583	1,648,592	5,435,175	221,106

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, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable and accrued liabilities	42,094	6,469	48,563	10,879
Unearned revenue	3,337	-	3,337	4,475
Retainage payable	7,946	5,404	13,350	-
Accrued interest	4,522	-	4,522	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	4,011	4,011	-
Accrued interest	-	4,196	4,196	-
Meter deposits	-	10,071	10,071	-
Noncurrent liabilities:				
Due within one year:				
Estimated claims payable	6,212	-	6,212	-
Total other postemployment benefit liability	5,682	395	6,077	-
General obligation and certificates	54,040	-	54,040	-
Special tax revenue debt	3,300	-	3,300	-
Accrued compensated absences	4,551	339	4,890	-
Revenue bonds	-	32,820	32,820	-
Leases and SBITA payable	3,010	40	3,050	-
Due in more than one year:				
Estimated claims payable	6,133	-	6,133	-
Rebatable arbitrage payable	3,544	999	4,543	-
Total other postemployment benefit liability	89,913	6,251	96,164	-
General obligation and certificates	599,970	-	599,970	-
Special tax revenue debt	407,905	-	407,905	-
Estimated pollution remediation	33	-	33	-
Accrued compensated absences	34,139	3,074	37,213	-
Revenue bonds	-	401,959	401,959	-
Net pension liability	3,886	270	4,156	-
Leases and SBITA payable	6,278	-	6,278	-
Total Liabilities	1,286,495	476,298	1,762,793	15,354
DEFERRED INFLOWS OF RESOURCES				
Pension items	14,391	1,003	15,394	-
OPEB items	26,428	1,837	28,265	-
PPP related	290,879	-	290,879	-
Leases related	78,672	10,878	89,550	-
Total Liabilities and Deferred Inflows of Resources	1,696,865	490,016	2,186,881	15,354
NET POSITION				
Net investment in capital assets	2,049,056	878,440	2,927,496	9,020
Restricted for debt service	32,785	70,068	102,853	-
Restricted for special revenue	70,269	-	70,269	-
Restricted for use of impact fees	7,392	-	7,392	-
Restricted for net pension asset	1,060	-	1,060	-
Restricted for net OPEB asset	330	-	330	-
Restricted for housing assistance	-	-	-	1,091
Restricted for Arlington Economic Development	-	-	-	63,226
Unrestricted (deficit)	(71,174)	210,068	138,894	132,415
Total Net Position	\$ 2,089,718	\$ 1,158,576	\$ 3,248,294	\$ 205,752

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, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 124,421	\$ 28,756	\$ -	\$ -	\$ (95,665)	\$ -	\$ (95,665)	\$ -
Public safety	235,887	13,579	26,387	-	(195,921)	-	(195,921)	-
Public works	100,451	2,774	-	-	(97,677)	-	(97,677)	-
Public health	3,267	5,297	-	-	2,030	-	2,030	-
Parks and recreation	43,115	20,613	32	250	(22,220)	-	(22,220)	-
Public welfare	29,369	295	15,703	-	(13,371)	-	(13,371)	-
Convention and event services	14,702	5,787	-	-	(8,915)	-	(8,915)	-
Interest	23,963	-	-	-	(23,963)	-	(23,963)	-
Total Governmental Activities	575,175	77,101	42,122	250	(455,702)	-	(455,702)	-
Business-Type Activities:								
Water and sewer	151,536	215,711	9,512	-	-	73,687	73,687	-
Storm water utility	10,779	27,929	-	-	-	17,150	17,150	-
Aviation	7,928	7,961	100	-	-	133	133	-
Total Business-Type Activities	170,243	251,601	9,612	-	-	90,970	90,970	-
Total Primary Government	\$ 745,418	\$ 328,702	\$ 51,734	\$ 250	\$ (455,702)	\$ 90,970	\$ (364,732)	\$ -
Component Units:								
Arlington Housing Authority	\$ 54,562	\$ -	\$ 55,790	\$ -	\$ -	\$ -	\$ -	\$ 1,228
Arlington Convention and Visitors Bureau	15,786	7,521	8,190	-	-	-	-	(75)
Arlington Tomorrow Foundation	7,638	-	-	-	-	-	-	(7,638)
Arlington Housing Finance Corporation	262	702	-	-	-	-	-	440
Arlington Tourism Public Improvement District	5,096	4,177	-	-	-	-	-	(919)
Arlington Convention Center Development Corp	192	196	-	-	-	-	-	4
Arlington Economic Development Corp	32,543	24,206	-	-	-	-	-	(8,337)
Total Component Units	\$ 116,079	\$ 36,802	\$ 63,980	\$ -	\$ -	\$ -	\$ -	\$ (15,297)
General Revenues:								
Taxes:								
Property taxes					236,841	-	236,841	-
Sales taxes					162,843	-	162,843	-
Criminal justice tax					321	-	321	-
State liquor tax					2,413	-	2,413	-
Bingo tax					140	-	140	-
TIF/TIRZ					4,243	-	4,243	-
Occupancy tax					15,366	-	15,366	-
Franchise fee based on gross receipts					22,489	-	22,489	-
Intergovernmental revenues					7,853	-	7,853	-
Interest/Dividend revenue					23,358	15,632	38,990	6,837
Net increase (decrease) in fair value of investments					(357)	224	(133)	8,921
Other					12,496	-	12,496	5,093
Transfers					33,320	(33,320)	-	-
Total General Revenues and Transfers					521,326	(17,464)	503,862	20,851
Changes in Net Position					65,624	73,506	139,130	5,554
Net Position - Beginning					2,024,094	1,085,070	3,109,164	200,198
Net Position - Ending					\$ 2,089,718	\$ 1,158,576	\$ 3,248,294	\$ 205,752

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, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 75,151	\$ 24,084	\$ 119,539	\$ 169,423	\$ 388,197
Land held for resale	-	-	-	7,653	7,653
Receivables (net of allowance for uncollectibles)					
Taxes	6,367	408	-	5,507	12,282
Sales taxes	16,249	8,125	-	136	24,510
Franchise fees	5,207	-	-	-	5,207
Accrued interest	6,475	106	-	29	6,610
Lease agreements	54,875	-	-	26,098	80,973
PPP receivable	56,352	-	-	-	56,352
Other	3,973	78	223	4,946	9,220
Due from component units	129	-	-	-	129
Due from other funds	11,466	-	-	-	11,466
Due from other governments	-	-	-	16,477	16,477
Prepaid Items	22	-	-	-	22
Inventory of supplies, at cost	2,585	-	-	210	2,795
Total Assets	<u>\$ 238,851</u>	<u>\$ 32,801</u>	<u>\$ 119,762</u>	<u>\$ 230,479</u>	<u>\$ 621,893</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 20,011	\$ 16	\$ 1,941	\$ 17,207	\$ 39,175
Retainage payable	-	-	2,479	5,467	7,946
Unearned revenue	2,008	-	122	1,207	3,337
Due to other funds	-	-	-	11,466	11,466
Total Liabilities	<u>22,019</u>	<u>16</u>	<u>4,542</u>	<u>35,347</u>	<u>61,924</u>
Deferred Inflows of Resources:					
Taxes	6,113	-	-	-	6,113
Landfill	1,638	-	-	-	1,638
Lease agreements	53,275	-	-	25,397	78,672
PPP agreements	53,307	-	-	-	53,307
Total Deferred Inflows of Resources	<u>114,333</u>	<u>-</u>	<u>-</u>	<u>25,397</u>	<u>139,730</u>
Fund Balances:					
Nonspendable:					
Inventory	2,585	-	-	210	2,795
Prepaid items	22	-	-	-	22
Restricted for:					
Debt Service	-	32,785	-	-	32,785
Capital projects	-	-	115,220	76,903	192,123
Special revenue	-	-	-	70,269	70,269
Committed to:					
Capital projects	-	-	-	3,762	3,762
Special revenue	-	-	-	7,216	7,216
Assigned to:					
Working capital	31,758	-	-	-	31,758
Subsequent years' expenditures	25,443	-	-	-	25,443
Compensated absences	1,841	-	-	-	1,841
Other post employment benefits	1,718	-	-	-	1,718
Future initiatives	17,151	-	-	-	17,151
Dispatch	1,605	-	-	-	1,605
Information technology	2,043	-	-	-	2,043
Business Continuity	4,062	-	-	-	4,062
Event Reserve Trust Fund	8,350	-	-	-	8,350
Special revenue	-	-	-	11,375	11,375
Unassigned	5,921	-	-	-	5,921
Total fund balances	<u>102,499</u>	<u>32,785</u>	<u>115,220</u>	<u>169,735</u>	<u>420,239</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 238,851</u>	<u>\$ 32,801</u>	<u>\$ 119,762</u>	<u>\$ 230,479</u>	<u>\$ 621,893</u>

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

**CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION OF GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)**

Total fund balances per balance sheet **\$ 420,239**

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 \$24,563 recorded in the internal service funds). 3,064,359

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Taxes 6,113

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. 45,564

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	\$ (1,013,965)	
Premium on bonds	(51,385)	
Discount on bonds	135	
Deferred outflow of resources (refunding)	5,679	
Accrued interest payable	(4,522)	
Estimated pollution remediation	(33)	
Compensated absences	(38,690)	
Lease and SBITA payable	(9,288)	
Rebatable arbitrage payable	(3,544)	
Pension:		
Net pension asset (liability)	\$ (2,826)	
Deferred inflow/outflow-actuarial gain,		
assumption changes and contributions	20,597	17,771
Other Post Employment Benefits (OPEB)		
Total OPEB asset (liability)	(95,265)	
Deferred inflow/outflow-actuarial gain,		
assumption changes and contributions	(15,878)	(111,143)
Deferred inflow of resources (PPP)	(237,572)	(1,446,557)

Net position of governmental activities \$ 2,089,718

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, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Formerly Major Fund Convention and Event Services	Other Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 244,551	\$ 127,160	\$ -	\$ -	\$ 50,495	\$ 422,206
Licenses and permits	10,650	-	-	-	-	10,650
Utility franchise fees	22,489	-	-	-	-	22,489
Fines and forfeitures	8,306	-	-	-	-	8,306
Leases, rents and concessions	10,658	4,000	-	-	4,023	18,681
Service charges	10,200	-	-	-	24,272	34,472
Interest revenue	5,585	3,890	5,716	-	6,958	22,149
Net increase (decrease) in fair value of investments	(81)	-	(146)	-	(200)	(427)
Contributions	-	-	1,878	-	250	2,128
Intergovernmental revenues	3,067	-	-	-	46,908	49,975
Gas lease royalty	-	-	-	-	3,114	3,114
Other	2,067	206	-	-	8,173	10,446
Total Revenues	317,492	135,256	7,448	-	143,993	604,189
EXPENDITURES						
Current-						
General government	59,330	-	-	-	10,054	69,384
Public safety	210,941	-	-	-	19,390	230,331
Public works	30,688	-	-	-	63,364	94,052
Public health	2,993	-	-	-	-	2,993
Public welfare	-	-	-	-	29,273	29,273
Parks and recreation	20,706	-	-	-	18,171	38,877
Convention and event services	-	-	-	-	14,638	14,638
Capital outlay	-	-	28,388	-	35,219	63,607
Debt service-						
Principal retirement	-	147,160	-	-	-	147,160
Interest and fiscal charges	-	46,270	-	-	-	46,270
Total Expenditures	324,658	193,430	28,388	-	190,109	736,585
Excess (deficiency) of revenues over (under) expenditures	(7,166)	(58,174)	(20,940)	-	(46,116)	(132,396)
OTHER FINANCING SOURCES (USES)						
Leases issued	1,047	-	-	-	-	1,047
SBITA additions	2,948	-	-	-	-	2,948
Issuance of bonds	-	8,230	-	-	-	8,230
Bond premium	-	449	-	-	-	449
Transfers in	28,285	5,082	586	-	35,021	68,974
Transfers out	(20,447)	(8,500)	(2,018)	-	(9,428)	(40,393)
Total Other Financing Sources (Uses)	11,833	5,261	(1,432)	-	25,593	41,255
Net Change in Fund Balances	4,667	(52,913)	(22,372)	-	(20,523)	(91,141)
Fund Balances, October 1, as previously reported	97,832	85,698	137,592	7,400	182,858	511,380
Change within financial reporting entity:						
Change from major fund to nonmajor fund	-	-	-	(7,400)	7,400	-
Fund Balances, October 1	97,832	85,698	137,592	-	190,258	511,380
Fund Balances, September 30	\$ 102,499	\$ 32,785	\$ 115,220	\$ -	\$ 169,735	\$ 420,239

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, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)**

Net change in fund balances - total governmental funds \$ (91,141)

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, lease, and subscription assets recorded in the current period. 102,400

Depreciation and amortization expense on capital and intangible assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation and amortization expense is not reported as expenditures in the governmental funds. (99,199)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,252

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	(8,230)	
Repayment of general obligation debt	147,260	
Proceeds from issuance of bonds - premiums	(449)	
Amortization of bond premium, deferred loss	22,307	
Lease issued	(1,047)	
SBITA issued	(2,948)	
		156,893

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	1,143	
Accrued interest expense	1,723	
Estimated pollution remediation	(5)	
Net pension asset (liability) and deferred inflow/outflows	(8,221)	
Net OPEB liability and deferred inflow/outflows	2,191	
Arbitrage liability	(1,430)	
		(4,599)

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. 18

Change in net position of governmental activities \$ 65,624

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, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Storm Water Utility	Aviation - Non Major	Total	
ASSETS					
Current Assets:					
Cash and cash equivalent investments	\$ 75,350	\$ 3,680	\$ 10,432	\$ 89,462	\$ 27,508
Receivables (net of allowances for uncollectibles):					
Trade accounts	15,414	1,969	139	17,522	-
Accrued interest	21	-	47	68	2
Unbilled trade accounts	12,076	1,107	-	13,183	-
Leases receivable	2,582	-	8,350	10,932	-
Other	373	843	336	1,552	634
Inventory of supplies, at cost	4,769	-	56	4,825	-
Subtotal	110,585	7,599	19,360	137,544	28,144
Restricted Assets:					
Bond contingency-cash and cash-like investments	13,339	756	-	14,095	-
Capital construction-cash and cash-like investments	50,639	18,274	-	68,913	-
Total Current Assets	174,563	26,629	19,360	220,552	28,144
Noncurrent Assets:					
Restricted Assets:					
Bond contingency- Investments	20,979	2,204	-	23,183	-
Capital construction- Investments	147,725	53,306	-	201,031	-
Escrow	17,590	-	-	17,590	-
Meter deposit investments	10,071	-	-	10,071	-
Capital Assets:					
Land	7,982	15,828	6,132	29,942	-
Buildings and improvements	19,711	193	55,021	74,925	467
Water and sewer system	1,233,846	-	-	1,233,846	-
Machinery and equipment	14,806	23	231	15,060	69,966
Drainage system	-	172,461	-	172,461	-
Right to use asset - SBITA	522	61	-	583	-
Construction-in-progress	157,479	83,113	4,030	244,622	-
Accumulated depreciation and amortization	(495,880)	(65,183)	(31,157)	(592,220)	(45,870)
Total Capital Assets Net of Accumulated Depreciation and Amortization	938,466	206,496	34,257	1,179,219	24,563
Total Noncurrent Assets	1,134,831	262,006	34,257	1,431,094	24,563
Total Assets	1,309,394	288,635	53,617	1,651,646	52,707
Deferred Outflows of Resources:					
Deferred charges on debt refunding	152	117	-	269	-
Pension items	2,432	-	-	2,432	-
OPEB items	728	-	-	728	-
Total Assets and Deferred Outflows of Resources	\$ 1,312,706	\$ 288,752	\$ 53,617	\$ 1,655,075	\$ 52,707

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, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Storm Water Utility	Aviation - Non Major	Total	
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 4,780	\$ 802	\$ 886	\$ 6,468	\$ 1,281
Accrued compensated absences	296	33	10	339	-
Revenue bonds payable from unrestricted assets	14,317	1,319	-	15,636	-
Current Liabilities Payable From Restricted Assets:					
Accounts payable and accrued liabilities	3,912	99	-	4,011	-
Retainage payable	5,090	297	17	5,404	-
Accrued interest	3,516	681	-	4,197	-
Estimated claims payable	-	-	-	-	6,212
Revenue bonds payable from restricted assets	13,338	3,846	-	17,184	-
Total OPEB liability due in one year	395	-	-	395	-
Meter deposits	10,071	-	-	10,071	-
Total Current Liabilities	55,715	7,077	913	63,705	7,493
Noncurrent Liabilities:					
Estimated claims payable	-	-	-	-	6,133
Rebatable arbitrage payable	652	347	-	999	-
Compensated absences	2,523	440	111	3,074	-
Revenue bonds payable from unrestricted assets	333,891	68,068	-	401,959	-
Net pension liability	270	-	-	270	-
SBITA lease liability	40	-	-	40	-
Total OPEB liability	6,251	-	-	6,251	-
Total Noncurrent Liabilities	343,627	68,855	111	412,593	6,133
Total Liabilities	399,342	75,932	1,024	476,298	13,626
Deferred Inflows of Resources:					
Pension items	1,003	-	-	1,003	-
Lease related	2,534	-	8,344	10,878	-
OPEB items	1,837	-	-	1,837	-
Total Liabilities and Deferred Inflows of Resources	404,716	75,932	9,368	490,016	13,626
NET POSITION					
Net investment in capital assets	694,878	149,322	34,240	878,440	35,263
Restricted for debt service	58,463	2,960	8,645	70,068	-
Unrestricted	154,649	60,538	1,364	216,551	3,818
Total Net Position	\$ 907,990	\$ 212,820	\$ 44,249	1,165,059	\$ 39,081
Reconciliation to government-wide statements of net position:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(6,483)	
Net position of business-type activities				<u>\$ 1,158,576</u>	

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(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	\$ 106,887	\$ -	\$ -	\$ 106,887	\$ -
Sewer service	91,276	-	-	91,276	-
Storm water fee - commercial	-	13,068	-	13,068	-
Storm water fee - residential	-	14,084	-	14,084	-
FBO fuel	-	-	4,742	4,742	-
Rents and royalties	-	-	3,193	3,193	-
Service charges	-	-	-	-	46,482
Sundry	17,548	777	126	18,451	-
Total Operating Revenues	<u>215,711</u>	<u>27,929</u>	<u>8,061</u>	<u>251,701</u>	<u>46,482</u>
Operating Expenses:					
Purchase of water	22,989	-	-	22,989	-
Purchase of sewage treatment	50,955	-	-	50,955	-
Purchase of fuel	-	-	3,333	3,333	2,541
Salaries and wages	19,263	2,904	1,695	23,862	43
Benefits	5,594	825	473	6,892	28
Operations and maintenance	20,641	2,232	773	23,646	5,484
Claims (net of adjustments)	-	-	-	-	39,134
Depreciation	24,121	3,471	1,632	29,224	6,391
Miscellaneous services	346	-	22	368	389
Total Operating Expenses	<u>143,909</u>	<u>9,432</u>	<u>7,928</u>	<u>161,269</u>	<u>54,010</u>
Operating Income (Loss)	<u>71,802</u>	<u>18,497</u>	<u>133</u>	<u>90,432</u>	<u>(7,528)</u>
Nonoperating Revenues (Expenses):					
Interest revenue	12,745	2,782	105	15,632	908
Net change in the fair value of inves	210	(11)	25	224	70
Gain on sale of assets	-	-	-	-	980
Other non-operating	(1,249)	-	-	(1,249)	-
Interest expense and fiscal charges	(5,529)	(1,347)	-	(6,876)	-
Total Nonoperating Revenues (Expenses)	<u>6,177</u>	<u>1,424</u>	<u>130</u>	<u>7,731</u>	<u>1,958</u>
Income (loss) before transfers and contributions	77,979	19,921	263	98,163	(5,570)
Contributions in aid of construction	9,512	-	-	9,512	-
Transfers in	170	-	9,326	9,496	4,739
Transfers out	(38,542)	(2,899)	(1,375)	(42,816)	-
Change in Net Position	<u>49,119</u>	<u>17,022</u>	<u>8,214</u>	<u>74,355</u>	<u>(831)</u>
Total Net Position, October 1	<u>858,871</u>	<u>195,798</u>	<u>36,035</u>	<u>1,090,704</u>	<u>39,912</u>
Total Net Position, September 30	<u>\$ 907,990</u>	<u>\$ 212,820</u>	<u>\$ 44,249</u>	<u>\$ 1,165,059</u>	<u>\$ 39,081</u>
Net change in net position - total enterprise funds				\$ 74,355	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(849)	
Change in net position of business-type activities				<u>\$ 73,506</u>	

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

CITY OF ARLINGTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Aviation Nonmajor	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 214,735	\$ 28,133	\$ 8,416	\$ 251,284	\$ 46,601
Cash payments to suppliers	(93,694)	(4,705)	(4,036)	(102,435)	(47,130)
Cash payments to employees	(24,321)	(3,650)	(2,129)	(30,100)	(84)
Net Cash Provided By (Used For) Operating Activities	96,720	19,778	2,251	118,749	(613)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	170	-	9,326	9,496	4,739
Transfers out	(38,542)	(2,899)	(1,375)	(42,816)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(38,372)	(2,899)	7,951	(33,320)	4,739
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(40,086)	(21,913)	(2,944)	(64,943)	(8,979)
Increase/Decrease in escrow balance	(3,061)	-	-	(3,061)	-
Proceeds from sales of capital assets	-	-	-	-	1,030
Proceeds from issuance of long-term debt	69,851	14,144	-	83,995	-
Repayment of long-term debt	(24,440)	(4,545)	-	(28,985)	-
Interest payment long-term debt	(15,199)	(3,646)	-	(18,845)	-
Net Cash Used For Capital Related Financing Activities	(12,935)	(15,960)	(2,944)	(31,839)	(7,949)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from interest earnings	13,085	2,771	106	15,962	994
Purchase of investments	(180,320)	(36,064)	-	(216,384)	-
Maturities/sales of investments	105,619	10,451	-	116,070	-
Net Cash Provided By (Used For) Investing Activities	(61,616)	(22,842)	106	(84,352)	994
Net Increase (Decrease) In Cash And Cash Equivalents	(16,203)	(21,923)	7,364	(30,762)	(2,829)
Cash and cash equivalents, October 1	155,543	44,633	3,068	203,244	30,337
Cash and cash equivalents, September 30	\$ 139,340	\$ 22,710	\$ 10,432	\$ 172,482	\$ 27,508
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 71,802	\$ 18,497	\$ 133	\$ 90,432	\$ (7,528)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	24,121	3,471	1,632	29,224	6,391
Amortization of bond premium	5,005	1,238	-	6,243	-
Amortization of deferred loss on bond refunding	(91)	(19)	-	(110)	-
Provision for bad debts	3	1	-	4	-
(Increase) decrease in-					
Receivables	(981)	201	582	(198)	(199)
Inventory of supplies	(88)	-	(56)	(144)	-
Prepaid expenses	-	-	-	-	-
Increase (decrease) in-					
Accounts payable and accrued liabilities	(3,684)	(3,259)	(96)	(7,039)	(169)
Net pension/OPEB/SBITA liability	80	-	-	80	-
Estimated claims payable	-	-	-	-	905
Retainage payable	(194)	(415)	17	(592)	-
Meter deposits	343	-	-	343	-
Accrued compensated absences	404	63	39	506	(13)
Total adjustments	24,918	1,281	2,118	28,317	6,915
Net Cash Provided By (Used For) Operating Activities	\$ 96,720	\$ 19,778	\$ 2,251	\$ 118,749	\$ (613)
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	9,512	-	-	9,512	-

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, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 4,698
Investments		
Money market fund	2,879	-
Total Investments	2,879	-
Total Assets	<u>2,879</u>	<u>4,698</u>
LIABILITIES		
Accounts payable and accrued liabilities	-	-
Restricted for individuals, organizations, and other governments	-	4,698
Total Liabilities	<u>-</u>	<u>4,698</u>
NET POSITION		
Restricted for pensions	1,734	-
Restricted for OPEB	1,145	-
Restricted for individuals, organizations, and other governments	-	-
Total Net Position	<u>\$ 2,879</u>	<u>\$ -</u>

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, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
ADDITIONS		
Employee contributions	\$ 603	\$ -
Net change in fair value of investments	41	-
Other additions (deductions)	-	14,575
Seizures	-	51
Total Additions	<u>644</u>	<u>14,626</u>
DEDUCTIONS		
Benefits	2,230	-
Plan administration	163	-
Other deductions	-	18,291
Total Deductions	<u>2,393</u>	<u>18,291</u>
Decrease in Net Position	(1,749)	(3,665)
Net Position, October 1	4,628	3,665
Net Position Restricted for Benefits, September 30	<u>\$ 2,879</u>	<u>\$ -</u>

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



CITY OF ARLINGTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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.

Arlington Housing Authority

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

Arlington Convention and Visitors Bureau, Inc.

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

Arlington Tomorrow Foundation

The Arlington Tomorrow Foundation (the "ATF") oversees an endowment fund with a corpus of \$122 million created by natural gas revenues to be used for the benefit of the Arlington community. The City Council acts as the board of directors. The ATF's management is designated by the City, and City employees are responsible for the daily activities of the ATF; accordingly, the City has financial accountability over ATF's activities. Separate ATF component unit financial statements are not prepared.

Arlington Housing Finance Corporation

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

Arlington Convention Center Development Corporation

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

Arlington Economic Development Corporation

The Arlington Economic Development Corporation (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 activities 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.

The PSTDIP plan freeze was effective as of April 4, 2024. The City terminated the PSTDIP effective August 1, 2025. Under the terms of the termination, the plan's remaining assets will be used to settle any outstanding obligations to eligible participants in accordance with plan provisions. Because the termination occurred after the measurement date, the financial information presented in these financial statements does not reflect the impact of this action. However, this action was considered in regard to recommended contributions.

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 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.

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, and Street Capital Projects 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. 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 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.

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:

<u>Assets</u>	<u>Years</u>
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	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 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 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 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 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 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 is reasonably certain to exercise.

The City 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 is a lessor for various noncancellable leases of a right-of-way, buildings and equipment. The City 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 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 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 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 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 and 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 1.23% 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 \$51.1K. 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. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, four types of leave qualify for liability recognition for compensated absences - vacation, sick, sworn compensatory time, and stability payment. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured, for example, because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation leave - 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.

Sick leave - 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.

Compensatory time - accrued at overtime rate in lieu of overtime payment. Sworn police officers may accrue and bank up to 60 hours of compensatory time and use by December 31 of odd-numbered years. Any remaining balance at the end of the periods will be paid out at the overtime rate.

Stability payment - the City provides an annual stability payment as a reward for continuous active full-time service credit. Employee must have 12 months of continuous active full-time service credit as of November 15 of the year of payment and be in a paid status with the City of November 15 of the payment year and on the date of disbursement.

L. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds 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 five 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, PPP related, 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 2025, the City adopted the following Governmental Accounting Standards Board ("GASB") Statement:

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. Adoption of GASB 101 had no effect on beginning net position/fund balance.

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.

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. 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.

Statement No. 105, *Subsequent Events*, is effective for the City beginning in fiscal year 2027. The Statement is intended to enhance accounting and financial reporting requirements related to subsequent events. These requirements are to identify the time frame in which subsequent events occur and to properly disclose whether such events are recognized or non-recognized.

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

R. Restatement - Change within the Financial Reporting Entity

During the current fiscal year, the City reclassified the presentation of a governmental fund in accordance with the criteria for major fund reporting. The Convention and Event Services Fund, which was reported as a major fund in the prior year, no longer met the quantitative thresholds for major fund classification and is therefore presented as a nonmajor governmental fund in the current year.

This reclassification affects only the presentation of the City's governmental funds and does not impact total governmental fund balances, changes in fund balances, or the City's financial position.

CITY OF ARLINGTON, TEXAS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2025 (amounts expressed in thousands)						
	General Fund	Debt Service Fund	Streets Capital Project Fund	Formerly Major Fund Convention and Event Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Total revenues	\$ 317,492	\$ 135,256	\$ 7,448	\$ -	\$ 143,993	\$ 604,189
EXPENDITURES						
Total expenditures	324,658	193,430	28,388	-	190,109	736,585
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,166)</u>	<u>(58,174)</u>	<u>(20,940)</u>	<u>-</u>	<u>(46,116)</u>	<u>(132,396)</u>
OTHER FINANCING SOURCES (USES)						
Total other financing sources (uses)	11,833	5,261	(1,432)	-	25,593	41,255
NET CHANGE IN FUND BALANCES	4,667	(52,913)	(22,372)		(20,523)	(91,141)
FUND BALANCES, 9/30/2024, as previously presented	<u>97,832</u>	<u>85,698</u>	<u>137,592</u>	<u>7,400</u>	<u>182,858</u>	<u>511,380</u>
Change within financial reporting entity (major to nonmajor fund)	-	-	-	(7,400)	7,400	-
FUND BALANCES, 9/30/2024, as adjusted or restated	<u>97,832</u>	<u>85,698</u>	<u>137,592</u>	<u>-</u>	<u>190,258</u>	<u>511,380</u>
FUND BALANCES, 9/30/2025	<u>\$ 102,499</u>	<u>\$ 32,785</u>	<u>\$ 115,220</u>	<u>\$ -</u>	<u>\$ 169,735</u>	<u>\$ 420,239</u>

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 for the Operating Budget Funds lapse at fiscal year-end. 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, Enterprise Funds, Debt Service Fund and certain Special Revenue funds must be approved by the City Council.

During Fiscal Year 2025, there were no budget amendments.

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

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

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

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

General Fund	Street Capital Projects Fund	Debt Service Fund	Nonmajor Funds	Total
\$ 14,005	\$ 33,429	\$ -	\$ 87,536	\$ 134,970

B. Excess of expenditures over appropriations

For the year ended September 30, 2025, 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, 2025.

III. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - At September 30, 2025, the carrying amount of the City's demand deposits was \$6,257,381 (bank balance, \$5,681,255). The balance in cash on hand was \$32,681 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 and cash equivalents and investments include: (amounts in thousands) Governmental Activities \$415,705, Business-type Activities \$406,755, Custodial Funds \$4,698, Pension Trust Investment Funds \$2,879.

As of September 30, 2025, the City had the following investments (amounts in thousands):

Cash, Cash-Like Investments	Fair Value	Avg Maturity (in days)	Credit Risk
Treasury	\$ 21,047	692	AA+
Agency	649,981	656	AAA
Pools	129,049	1	AAA
Texas Municipal	3,167	828	AA+
Non-Texas Municipal	14,621	589	AA+
Commercial Paper	4,595	22	A-1+
	<u>\$ 822,460</u>		

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.

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

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

Following the criteria for GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, TexPool Prime and TexPool use amortized cost and, 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 \$129,049 (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, 2025 (amounts in thousands):

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
9/30/2025			
Investments by Fair Value Level			
Treasury	21,047	-	21,047
Agency	649,981	-	649,981
Texas Municipal	3,167	-	3,167
Commercial Paper	4,595	-	4,595
Non-Texas Municipal	14,621	-	14,621
	693,411	-	693,411

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 FY25 was \$62,421,148,207 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, 2024, upon which the original FY25 levy was based, was \$42,867,413.

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, 2025, the City had a tax rate of \$0.5998 (\$0.4146 for general government and \$0.1852 for debt service) per \$100 assessed valuation with a tax margin of \$1.9002 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 \$814,566,582 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately \$42,867,413.

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, of the Texas Local Government Code, as amended, a majority of the voters voting at 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 of a motor vehicle in the City (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) impose a tax, not to exceed three dollars (\$3.00) per vehicle, on each motor vehicle parked 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 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 with Cowboys Stadium, L.P. (the "Tenant") for the Complex. The Lease Agreement calls for an initial term of 30 years. Monthly lease payments of \$166,666.67 began in June 2009, with an annualized rental rate of \$2 million. The lease agreement contains several renewal options for guaranteed annual rental payments of \$1 million for the first 10 years and \$1.25 million thereafter. 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 \$382,497,735. 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 Cowboys 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 Cowboys’ 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, 2025, outstanding conduit debt was \$107,525,000.

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 seven of eight 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 remain in Arlington is extended.

The 2016 Venue Election and the Rangers Project

At an election held in the City on November 8, 2016, pursuant to Chapter 334, of the Texas Local Government Code, as amended, a majority of the voters of the City voting at 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 motor vehicle parked 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 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 service 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 provides for an initial term commencing upon occupation and continuing through January 1, 2054. Monthly lease payments of \$166,666.67 commenced upon occupation, with an annualized rental rate of \$2 million. The Lease Agreement provides several renewal options for guaranteed annual rental payments of \$1 million 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 \$151,264,414.

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, 2025, 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 its 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 of 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 Venues' construction.

4. RECEIVABLES

Receivables as of September 30, 2025, for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (amounts expressed in thousands):

	General	Debt Service	Storm Water Utility	Water & Sewer	Street Capital Projects	Other Nonmajor Funds	Internal Service Funds	Total
Receivables:								
Taxes	\$ 9,987	\$ 408	\$ -	\$ -	\$ -	5,507	\$ -	15,902
Franchise Fees	5,207	-	-	-	-	-	-	5,207
Trade Accounts	-	-	2,081	16,562	-	139	-	18,782
Unbilled Trade Account	-	-	1,107	12,514	-	-	-	13,621
Special Assessments	-	-	-	-	-	-	-	-
Sales Taxes	16,249	8,125	-	-	-	136	-	24,510
Lease agreements	54,875	-	-	2,582	-	34,448	-	91,905
PPP Receivable	56,352	-	-	-	-	-	-	56,352
Accrued Interest	6,475	106	-	21	-	76	2	6,680
Other	3,973	78	843	373	223	5,282	634	11,406
Gross Receivables	153,118	8,717	4,031	32,052	223	45,588	636	244,365
Less: Allowance for Uncollectibles	(3,620)	-	(112)	(1,586)	-	-	-	(5,318)
Net total Receivables	\$ 149,498	\$ 8,717	\$ 3,919	\$ 30,466	\$ 223	\$ 45,588	\$ 636	\$ 239,047

5. CAPITAL, LEASE, SBITA, and PPP ASSETS

Capital, lease, SBITA, and PPP asset activity for the year ended September 30, 2025 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	\$ 289,306	\$ 2,354	\$ -	\$ 291,660
Construction in progress-other	214,445	91,781	(120,463)	185,763
Total capital assets, not being depreciated	503,751	94,135	(120,463)	477,423
Capital, lease, SBITA, & PPP assets, being depreciated/amortized:				
Buildings and improvements	2,663,971	79,064	-	2,743,035
Equipment	167,625	9,908	(7,500)	170,033
Right-to-Use buildings	4,085	1,047	-	5,132
Right-to-Use equipment	2,879		-	2,879
SBITA assets	9,096	2,948	-	12,044
PPP assets	207,446	36,716	-	244,162
Infrastructure	1,129,939	35,095	-	1,165,034
Total capital, lease, SBITA & PPP assets, being depreciated/amortized	4,185,041	164,778	(7,500)	4,342,319
Less accumulated depreciation/amortization for:				
Buildings and improvements	670,819	63,102	-	733,921
Equipment	144,671	10,608	(7,426)	147,853
Right-to-Use buildings	1,512	1,534	-	3,046
Right-to-Use equipment	888	806	-	1,694
SBITA assets	3,538	2,385	-	5,923
PPP assets	2,074	4,516	-	6,590
Infrastructure	809,154	22,639	-	831,793
Total accumulated depreciation/amortization	1,632,656	105,590	(7,426)	1,730,820
Total capital, lease, SBITA, & PPP assets, being depreciated/amortized, net	2,552,385	59,188	(74)	2,611,499
Governmental activities capital, lease, SBITA, & PPP assets, net	\$ 3,056,136	\$ 153,323	\$ (120,537)	\$ 3,088,922

	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 29,916	\$ 26	\$ -	\$ 29,942
Construction in progress	235,117	63,396	(53,891)	244,622
Total capital assets, not being depreciated	265,033	63,422	(53,891)	274,564
Capital and SBITA assets, being depreciated:				
Buildings and improvements	64,282	10,643	-	74,925
Drainage System	172,160	301	-	172,461
Water and sewer system	1,182,819	51,027	-	1,233,846
Machinery and equipment	13,960	1,100	-	15,060
SBITA assets	583	-	-	583
Total capital and SBITA assets, being depreciated	1,433,804	63,071	-	1,496,875
Less accumulated depreciation for:				
Buildings and improvements	31,927	1,608	-	33,535
Drainage System	61,654	3,720	-	65,374
Water and sewer system	455,903	23,306	-	479,209
Machinery and equipment	13,198	387	-	13,585
SBITA assets	314	203	-	517
Total accumulated depreciation	562,996	29,224	-	592,220
Total capital and SBITA assets, being depreciated/amortized, net	870,808	33,847	-	904,655
Business-type activities capital and SBITA assets, net	\$ 1,135,841	\$ 97,269	\$ (53,891)	\$ 1,179,219

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

Governmental activities:	
General government	\$ 75,136
Public safety	379
Parks and recreation	993
Public works	22,691
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	6,391
Total depreciation and amortization expense – governmental activities	\$ 105,590
Business-type activities:	
Storm water utility	\$ 3,471
Water and sewer	24,121
Nonmajor fund - Aviation	1,632
Total depreciation expense – business-type activities	\$ 29,224

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Arlington Housing Authority, Inc				
Capital, lease and SBITA assets, being depreciated:				
Buildings and Improvements	\$ 677	\$ -	\$ -	\$ 677
Lease Assets	1,000	-	-	1,000
SBITA Assets	243	-	-	243
Furniture, equipment, and machinery	443	-	-	443
Total capital, lease, and SBITA assets, being depreciated/amortized	2,363	-	-	2,363
Less accumulated depreciation/amortization for:				
Furniture, buildings, lease and SBITA assets, machinery and equipment	(1,033)	(199)	-	1,231
Total accumulated depreciation/amortization	(1,033)	(199)	-	(1,231)
Arlington Housing Authority, Inc.				
Capital Assets, net	\$ 1,330	\$ (199)	\$ -	\$ 1,132

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year	Transfers and Additions	Transfers and Retirements	Balance at End Of Year
Arlington Convention and Visitors Bureau, Inc.				
Capital assets, being depreciated:				
Property and fixtures	\$ 282	\$ -	\$ -	\$ 282
Event fixtures	208	5	-	213
Computer equipment and software	217	35	-	252
Leasehold improvements	4,428	-	-	4,428
Total capital assets, being depreciated	5,135	40	-	5,175
Less accumulated depreciation for:				
Machinery, equipment, construction in progress	(801)	(261)	-	(1,062)
Total accumulated depreciation	(801)	(261)	-	(1,062)
Arlington Convention and Visitors Bureau, Inc.				
Capital Assets, net	\$ 4,334	\$ (221)	\$ -	\$ 4,113

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.tmr.com.

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

B. Benefits Provided

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

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

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

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

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2,322
Inactive employees entitled to but not yet receiving benefits	1,597
Active Employees	<u>2,864</u>
	6,783

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 were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.74% and 11.70% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$28,976,878.

D. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2024, 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, 2024 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 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Other Public and Private Markets	4.0%	7.30%
Real Estate	12.0%	6.70%
Hedge Funds	5.0%	6.40%
Infrastructure	6.0%	6.00%
Private Debt	13.0%	8.20%
Private Equity	13.0%	8.50%
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	99.75%
Covered payroll	\$ 246,694,799
Net pension liability (asset) as a percentage of covered employee payroll	1.68%

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)	\$ 227,578,587	\$ 4,156,407	\$ (180,247,171)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the City recognized pension expense of \$38,046,151.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 15,394,168
Changes of assumptions	-	-
Net difference between projected actual earnings on pension plan investments	15,933,069	-
Contributions subsequent to the measurement date	21,440,786	-
Total	\$ 37,373,855	\$ 15,394,168

\$21,440,786 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, 2026. 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	\$ 9,704,103
2026	23,119,429
2027	(21,947,589)
2028	(10,337,042)
Total	\$ 538,901

Schedule of Changes in Net Pension Liability/(Asset)

Total pension liability

Service Cost	\$ 43,146,920
Interest (on the Total Pension Liability)	105,601,050
Difference between expected and actual experience	12,824,921
Benefit payments, including refunds of employee contributions	<u>(79,820,374)</u>
Net change in plan fiduciary net position	81,752,517
Total pension liability - beginning	<u>1,582,796,732</u>
Total pension liability - ending	<u><u>\$ 1,664,549,249</u></u>

Plan fiduciary net position

Contributions - employer	\$ 26,494,454
Contributions - employee	17,268,636
Net investment income	159,682,863
Benefit payments, including refunds of employee contribution	(79,820,374)
Administrative Expense	(1,024,768)
Other	<u>(23,967)</u>
Net change in plan fiduciary net position*	122,576,843
Plan fiduciary net position - beginning	<u>1,537,815,999</u>
Plan fiduciary net position - ending	<u><u>1,660,392,842</u></u>

Net pension liability

\$ 4,156,407

*Totals may not add 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 101 S. Mesquite St., Suite 800, Arlington, TX 76010.

Plan Description

Plan administration. The Part-Time, Seasonal and Temporary Employee Deferred Income Plan (PSTDIP) is a single-employer defined benefit pension plan that provided retirement, disability, and death benefits to part-time, seasonal, and temporary employees of the City who were not eligible to participate in the Texas Municipal Retirement System (TMRS). The plan was administered by the City's Retirement Committee. The PSTDIP was frozen effective March 31, 2024, and no additional benefits have accrued since that date. The City subsequently terminated the plan, with remaining assets designated to satisfy outstanding obligations to eligible participants in accordance with plan provisions.

Benefits. PSTDIP provides retirement, disability and death benefits. Retirement benefits are calculated as the lesser of (a) an actuarially equivalent life annuity based on 2.5 times employee contributions with interest, or (b) an annuity based on average compensation, credited service, and an applicable benefit multiplier. Plan members are eligible to retire at age 65. Disability and death benefits are actuarially equivalent to retirement benefits,

Contributions. Contribution rates were established by the Retirement Committee based on an actuarially determined contribution recommended by an independent actuary. Employees contributed a fixed percentage of pay, and the City contributed the remaining amount necessary to fund the plan. Because the PSTDIP plan was frozen and subsequently terminated, no employee or employer contributions were made during the fiscal year ended September 30, 2025.

At the June 30, 2025 valuation and measurement date, the following employees were covered by the terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	-
	8

Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of June 30, 2025 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, 2025 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	N/A (closed plan)
Discount Rate	5.00%

Mortality rates were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables, with rates multiplied by 103% for males and 105% for females. The rates were projected on a fully generational basis using the ultimate mortality improvement rates in MP-2021 to account for future mortality improvements.

Discount Rate

The discount rate used to measure the Total Pension Liability was 5.00%, which reflects the long-term expected rate of return on plan investments.

Closed Plan Disclosure

The plan was frozen as of March 31, 2024, with no new entrants or benefit accruals after that date. Furthermore, effective August 1, 2025, the plan was terminated. Prior to the June 30, 2025 measurement date, the vast majority of plan members were paid the value of their expected future benefit payments as a single lump-sum payment, with no further obligations from the plan. Effective August 1, 2025 (subsequent to the measurement date) the obligations of the future payments of remaining members were transferred to a separate insurance entity through annuity purchases.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at 10/01/2024	\$ 2,690,894	\$ 3,361,702	\$ (670,808)
Changes for the year:			
Service Cost	-	-	-
Interest	79,607	-	79,607
Change of benefit term	-	-	-
Difference between expected and actual experience	(413,424)	-	(413,424)
Changes of assumptions	-	-	-
Contributions-employer	-	-	-
Contributions-employee	-	-	-
Net investment income	-	173,502	(173,502)
Benefit payments, including refunds of employee contributions	(2,197,505)	(2,197,505)	-
Administrative expense	-	(117,794)	117,794
Other changes	-	-	-
Net changes	(2,531,322)	(2,141,797)	(389,525)
Balance at 9/30/25	\$ 159,572	\$ 1,219,905	\$ (1,060,333)

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	\$ (1,047,615)	\$ (1,060,333)	\$ (1,071,437)

Pension Plan Fiduciary Net Position

For the year ended September 30, 2025, the City recognized pension expense of \$(258,967). Because the pension plan was frozen and terminated during fiscal year 2025, no service cost or employer contributions were recognized for the fiscal year.

At September 30, 2025, the City reported no deferred inflows of resources related to pensions resulting from contributions subsequent to the measurement date. Deferred outflows and inflows of resources related to pensions arising from differences between projected and actual investment earnings will be recognized in pension expense in future periods in accordance with GASB Statement No. 68. Because the plan is frozen, such amounts are amortized over a closed period consistent with the requirements of GASB Statement No. 68.

	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	45,502
Contributions subsequent to the measurement date	-
Total	\$ 45,502

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2026	\$ 45,502
2027	-
2028	-
2029	-
Total	\$ 45,502

Thrift Savings Plan

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution savings are adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401(k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2025, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$400,984,000.

The City's total payroll during fiscal 2025 was \$261,072,000. The current year contribution was calculated based on a covered payroll of \$229,973,000, resulting in a required and actual employer contribution of \$4,884,000 and actual employee contributions of \$12,407,000. The employer contribution represents 2.13 percent of the covered payroll. The employee contribution represents approximately 5.39 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2025. 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, 2025, are as follows (amounts in thousands):

TMRS	\$ 28,977
THRIFT	4,884
PSTDIP	-
	<u>\$ 33,861</u>

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, 2025. (amounts in thousands):

STATEMENT OF FIDUCIARY NET POSITION		STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	
ASSETS		ADDITIONS	
Investments:		Net appreciation in fair value of	
Money market fund	1,145	investments	24
Total Investments	1,145	Total Additions	24
Total Assets	1,145		
LIABILITIES		DEDUCTIONS	
Accounts payable	-	Benefits	99
		Plan administration	15
Total Liabilities	-	Total Deductions	114
NET POSITION		Increase (Decrease) in Net Position	(90)
Restriction for OPEB	1,145	Net Position, October 1	1,235
Total Net Position	\$ 1,145	Net Position, September 30	\$ 1,145

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 benefits.

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

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

Because the amendment closed the plan to any future disabled employees, there is no longer any liability attributable to the City's active employees. At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	8
Inactive, Nonretired Members	-
Active Members	-
	8

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, 2025, the City contributed \$45,794 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, 2024.

Actuarial assumptions:

The Total Disability Income Plan Liability in the December 31, 2024 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 January.
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 10/01/2024	\$ 1,000,533	\$ 1,186,523	\$ (185,990)
Changes for the year:			
Service Cost	-	-	-
Interest on total OPEB liability	47,599	-	47,599
Change of benefit term	-	-	-
Difference between expected and actual experience	(106,068)	-	(106,068)
Changes of assumptions or other inputs	-	-	-
Employer contributions	-	45,794	(45,794)
Net investment income	-	55,286	(55,286)
Benefit payments	(97,108)	(97,108)	-
Administrative expense	-	(15,694)	15,694
Net changes	(155,577)	(11,722)	(143,855)
Balance at 9/30/25	\$ 844,956	\$ 1,174,801	\$ (329,845)

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)	\$ (265,196)	\$ (329,845)	\$ (386,484)

For the year ended September 30, 2025, the City recognized OPEB expense of \$(71,360).

At September 30, 2025, the City reported deferred outflows of resources related to disability income plan as detailed below:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -
Changes of assumptions and other inputs	-
Contributions subsequent to the measurement date	
Net difference between projected and actual earnings on OPEB plan investments	79,602
Total	\$ 79,602

Deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense:

Year Ended September 30:	
2026	\$ 46,711
2027	41,567
2028	(9,149)
2029	473
Total	\$ 79,602

Retiree Health Insurance

The City administers a single-employer self-funded health care plan. The plan provides post-retirement health care benefits to eligible retirees and their dependents. 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 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, 2024, there were 285 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 and age plus years of service with the City must equal at least 70.

- Elect to receive their TMRS pension at the time of separation from the City.
- Be hired/re-hired OR transferred to a Full-time status prior to January 1, 2006.

Retiree Health Insurance City 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; Age; Election of TMRS Pension; and Date of Retirement.

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

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, 2025 were \$5,078,260.

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	934
Inactive employees entitled to but not yet receiving benefits	285
Active Employees	2,809
	4,028

Net OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2024.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	4.08%
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 7.50% declining to an ultimate rate of 4.25% after 15 years; Post-65: Initial rate of 5.90% declining to an ultimate rate of 4.25% after 9 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 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024. 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 10/01/2024	\$ 97,012,227
Changes for the year:	
Service Cost	2,101,397
Interest on total OPEB liability	3,600,286
Change of benefit term	-
Difference between expected and actual experience	(4,851,446)
Changes of assumptions or other inputs	(134,186)
Benefit payments	(5,129,244)
Net changes	(4,413,193)
Balance at 9/30/25	\$ 92,599,034

Covered-employee payroll	\$246,694,799
Total OPEB liability as a percentage of covered payroll	37.54%

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 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	Discount Rate (3.08%)	Discount Rate (4.08%)	Discount Rate (5.08%)
City's total OPEB liability	\$ 101,430,477	\$ 92,599,034	\$ 84,865,549

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	\$ 88,733,538	\$ 92,599,034	\$ 97,065,427

At September 30, 2025, 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	\$ 2,578,965	\$ 14,141,781
Changes of assumptions and other inputs	4,602,555	12,238,925
Benefit payments subsequent to the measurement date	3,558,477	-
Total	\$ 10,739,997	\$ 26,380,706

For the year ended September 30, 2025, the City recognized OPEB expense of \$2,825,816.

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:	
2026	\$ (2,811,538)
2027	(3,296,176)
2028	(5,637,302)
2029	(5,503,708)
2030	(1,100,138)
Thereafter	(850,324)
Total	\$ (19,199,186)

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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,820
Inactive employees entitled to but not yet receiving benefits	454
Active Employees	<u>2,864</u>
	5,138

Contributions

The total contribution rate is .25% of employee gross earnings, with .12% of that rate being the retiree portion. The City's contributions to TMRS for the year ended September 30, 2025, were \$633,558.

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2024.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	3.60% - 11.85% including inflation
Discount Rate	4.08%

Mortality rates for service retirees were based on 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 the most recent Scale MP-2021 (with immediate convergence) 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 4.08%, up from 3.77% in the previous year. The discount rate was based on Fidelity index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 10/01/2024	\$ 9,835,064
Changes for the year:	
Service Cost	296,034
Interest on total OPEB liability	370,317
Change of benefit term	-
Difference between expected and actual experience	(23,177)
Changes of assumptions or other inputs	(515,974)
Benefit payments	(320,703)
Net changes	(193,503)
Balance at 9/30/25	\$ 9,641,561

Covered payroll \$246,694,799

Total OPEB liability as a percentage of covered payroll 3.91%

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 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	Discount Rate (3.08%)	Discount Rate (4.08%)	Discount Rate (5.08%)
City's total OPEB liability	\$ 11,456,459	\$ 9,641,561	\$ 8,215,842

For the year ended September 30, 2025, the City recognized OPEB expense of \$370,093.

At September 30, 2025, 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		\$ 24,222
Changes of assumptions and other inputs		1,860,048
Benefit subsequent to the measurement date	458,136	
Total	\$ 458,136	\$ 1,884,270

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:	
2025	\$ (518,998)
2026	(762,782)
2027	(495,094)
2028	(47,070)
2029	(60,326)
Total	\$ (1,884,270)

8. DEBT AND LIABILITIES

General Obligation Bonds

There were no General Obligation Bonds issued in FY2025.

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

Governmental activities	2-5%	\$	363,270
Governmental activities refunding	2-5%		100,610
Total Governmental		\$	<u>463,880</u>

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

Year Ending September 30	Principal	Interest
2026	\$ 38,495	\$ 19,156
2027	37,750	17,469
2028	35,215	15,731
2029	33,095	14,231
2030	33,165	12,827
2031-2035	152,155	43,650
2036-2040	99,950	17,508
2041-2045	34,055	2,909
	<u>\$ 463,880</u>	<u>\$ 143,481</u>

General obligation debt authorized and unissued as of September 30, 2025, amounted to \$430,235,000.

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
2026	\$ 9,155	\$ 2,198
2027	9,245	2,109
2028	9,345	2,010
2029	9,465	1,888
2030	9,600	1,756
2031-2035	50,455	6,312
2036-2040	32,675	1,390
	<u>\$ 129,940</u>	<u>\$ 17,663</u>

Certificates of Obligation

On August 28, 2025, the City issued \$8,230,000 in Combination Tax and Revenue Certificates of Obligation, Series 2025. Proceeds from the sale of the Certificates will be used for (i) designing, developing, constructing, improving, and repairing the Arlington Municipal Airport, including the airport apron; (ii) designing, developing, constructing, improving, repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition

of any right of way therefor; and (iii) professional services incurred in connection with items (i) and (ii), and (iv) the payment of professional services of attorneys, financial advisors and other professionals in connection with the projects and the issuance of the Certificates. Total interest requirements for the CO Series 2025 bonds at a rate from 3.5 to 4.0 percent is \$3,990,607 in the aggregate.

Annual debt service requirements to maturity for certificates of obligation of the primary government as of September 30, 2025, are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2026	\$ 6,390	\$ 1,242
2027	5,010	1,020
2028	4,435	839
2029	3,960	679
2030	3,455	532
2031-2035	6,055	1,720
2036-2040	2,845	755
2041-2045	2,050	275
	<u>\$ 34,200</u>	<u>\$ 7,062</u>

Special Tax Revenue Debt

Annual debt service requirements to maturity for special tax revenue of the primary government as of September 30, 2025, are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2026	\$ 3,300	\$ 18,275
2027	4,355	18,096
2028	5,515	17,861
2029	5,280	17,603
2030	6,615	17,317
2031-2050	360,880	178,019
	<u>\$ 385,945</u>	<u>\$ 267,171</u>

Revenue Bonds

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

On February 25, 2025, the City issued Water & Wastewater System Revenue Bonds, Series 2025 (TWDB) in the amount of \$16,585,000 less bond origination fee of \$285,246. The Bonds will be used for the purposes of (i) improving and extending the System, including specifically the Project; and (ii) paying the costs of issuing the Bonds. These bonds are held by the Texas Water Development Board (TWDB). These bonds will mature June 1 over a period from 2026 to 2045. Interest, at a rate of 1.82 to 2.79 percent, is \$4,165,408 in aggregate for this bond.

On July 23, 2025, the City issued \$49,600,000 in Water and Wastewater System Revenue Bonds, Series 2025A. Proceeds from the sale of the Bonds will be used for the purpose of (i) improving and extending the System; and (ii) paying the costs of issuance associated with the sale of the Bonds. These bonds mature June 1 over a period from 2026 to 2045. Interest, at a rate of 5.0 percent, is \$25,681,778 in the aggregate for this bond.

On July 23, 2025, the City issued \$13,195,000 in the Municipal Drainage Utility System Revenue Bonds, Series 2025. Proceeds from the sale of the Bonds will be used for the purpose of (i) paying the costs of drainage improvements,

including the acquisition and construction of equipment and facilities for the System; and (ii) paying costs of issuance associated with the sale of the Bonds. These bonds mature June 1 over a period from 2026 to 2045. Interest, at a rate of 5.0 percent, is \$6,834,453 in the aggregate for this bond.

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

Year Ending September 30	Business Activities					
	Water/Wastewater		Water/Wastewater TWDB		Storm Water Utility	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 20,555	\$ 10,182	\$ 7,100	\$ 686	\$ 5,165	\$ 2,660
2027	20,560	9,601	7,100	651	5,140	2,558
2028	19,405	8,682	7,090	614	5,105	2,357
2029	17,640	7,809	7,085	575	5,070	2,152
2030	17,625	7,026	7,085	534	5,030	1,952
2031-2035	82,000	24,524	31,790	2,088	20,270	7,095
2036-2040	53,600	10,549	22,965	1,049	16,835	3,380
2041-2045	23,455	2,691	4,135	338	7,240	803
	<u>\$ 254,840</u>	<u>\$ 81,064</u>	<u>\$ 94,350</u>	<u>\$ 6,535</u>	<u>\$ 69,855</u>	<u>\$ 22,957</u>

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, 2025, net pledged revenues for the water enterprise fund were \$108,656,000 and debt service on the revenue bonds was \$24,440,000.

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, 2025, gross pledged revenues for the City's Storm Water Utility were \$24,748,000 and debt service on the revenue bonds was \$4,545,000.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2025 (amounts expressed in thousands):

	10/1/2024	Increases	Reductions	9/30/2025	Due Within One Year
Governmental activities:					
General obligation debt	\$ 641,325	\$ -	\$ (47,505)	\$ 593,820	\$ 47,650
Certificates of obligation	31,930	8,230	(5,960)	34,200	6,390
Special tax revenue debt	479,740	-	(93,795)	385,945	3,300
Premium on special bonds	36,756	-	(11,496)	25,260	-
Premium on general bonds	38,762	449	(13,086)	26,125	-
Discount on general bonds	(682)		547	(135)	
Discount on special bonds	(780)	-	780	-	-
Net governmental bonds payable	1,227,051	8,679	(170,515)	1,065,215	57,340
Compensated absences*	39,833		(1,143)	38,690	4,551
Claims	11,442	6,725	(5,822)	12,345	6,212
Estimated pollution remediation	38	-	(5)	33	-
Net pension liability	42,057	-	(38,171)	3,886	-
Total other post-employment benefit liability	99,903	-	(4,308)	95,595	5,682
Rebateable abitrage payable	2,114	1,430	-	3,544	-
Total governmental long-term liabilities	<u>\$ 1,422,438</u>	<u>\$ 16,834</u>	<u>\$ (219,964)</u>	<u>\$ 1,219,308</u>	<u>\$ 73,785</u>
Business-type activities:					
Water and sewer bonds	\$ 308,162	\$ 66,185	\$ (25,157)	\$ 349,190	\$ 27,655
Premium on water and sewer bonds	13,694	3,793	(5,131)	12,356	-
Storm water utility bonds	61,205	13,195	(4,545)	69,855	5,165
Premium/Discount on storm water utility bonds	3,606	1,009	(1,238)	3,377	-
Net water and sewer bonds payable	386,667	84,182	(36,071)	434,778	32,820
Compensated Absences*	2,908	505		3,413	339
Net pension liability	2,924	-	(2,654)	270	-
Total other postemployment benefit liability	6,945	-	(299)	6,646	395
Rebatable arbitrage payable	318	681	-	999	-
Total business-type long term liabilities	<u>\$ 399,762</u>	<u>\$ 85,368</u>	<u>\$ (39,024)</u>	<u>\$ 446,106</u>	<u>\$ 33,554</u>

*The change in the compensated absences liability is presented as a net change

Net Pension Liability and OPEB Liability – 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 AND REDEMPTIONS

In FY25, the City redeemed special tax revenue bonds from the Venue Fund.

FY25 Redemptions			
Bond	Maturity Date	Interest Rate	Par Amount
Senior Lien Special Tax Revenue Refunding Bonds, Series 2017			
Redeemed January 15, 2025	2/15/2029	5.000%	\$ 8,600,000
	2/15/2030	5.000%	9,000,000
	2/15/2031	5.000%	9,500,000
	2/15/2032	5.000%	11,210,000
	2/15/2033	5.000%	11,780,000
	2/15/2034	5.000%	<u>12,385,000</u>
			<u><u>\$ 62,475,000</u></u>
Redeemed August 15, 2025	2/15/2026	5.000%	\$ 7,000,000
	2/15/2027	5.000%	7,350,000
	2/15/2028	5.000%	<u>7,700,000</u>
			<u><u>\$ 22,050,000</u></u>

10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2025, is as follows (amounts in thousands):

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 11,466	\$ -
Nonmajor Funds	-	11,466
	<u><u>\$ 11,466</u></u>	<u><u>\$ 11,466</u></u>

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2026. Transfers between funds during the year were as follows (amounts in thousands):

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	\$ 20,447	\$ 28,285
Street Capital Projects	2,018	586
Debt Service Fund	8,500	5,082
Total Major Governmental Funds	30,965	33,953
Major Enterprise Fund-Water and Sewer	38,542	170
Major Enterprise Fund-Storm Water Utility	2,899	-
Other Funds:		
Nonmajor Governmental Funds	9,428	35,021
Nonmajor Enterprise Funds	1,375	9,326
Internal Service Funds	-	4,739
Total All Funds	\$ 83,209	\$ 83,209

The Water and Sewer, Storm Water Utility, Convention and Event Services, and Aviation transferred \$5,964,670 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred \$8,603,352 to the Street Maintenance Fund and Special Transportation (Handitran) to cover budgeted operating expenses.

The Enterprise Funds transferred \$18,888,956 to the General Fund to cover their budgeted operating costs.

The Debt Service Fund transferred \$8,500,000 in bond proceeds to the Aviation Nonmajor Enterprise Fund.

Other funds transferred \$7,780,809 to a nonmajor governmental fund for economic development agreements.

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 the landfill stops accepting waste, the City historically reported a portion of these 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 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 it 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 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, 2025. 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	\$ 101,455	\$ 33,429
Park Construction	14,378	6,490
Traffic Construction	8,740	-
Fire Construction	18,788	8,481
Municipal Facilities Construction	10,028	1,256
Storm Water Utility Construction	83,113	7,746
Water and Sewer Construction	180,586	26,329
	<u>\$ 417,088</u>	<u>\$ 83,731</u>

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, 2025, 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 \$201,664.28 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 2025 and 2024 were as follows (amounts in thousands):

	Workers Compensation		Health		Self Insurance Risk Management	
	2025	2024	2025	2024	2025	2024
Unpaid claims, Oct. 1	\$ 4,191	\$ 3,377	\$ 2,998	\$ 2,758	\$ 4,251	\$ 5,655
Incurred Claims (including IBNRs and changes in estimates)	1,737	3,734	35,951	32,197	2,351	1,863
Claim payments	(1,738)	(2,920)	(35,431)	(31,957)	(1,965)	(3,267)
Unpaid claims, Sept. 30	<u>\$ 4,190</u>	<u>\$ 4,191</u>	<u>\$ 3,518</u>	<u>\$ 2,998</u>	<u>\$ 4,637</u>	<u>\$ 4,251</u>

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, 2025, 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
2026	\$ 1,370,873	\$ 50,834	\$ 1,421,706
2027	771,788	33,733	805,521
2028	1,005,664	16,396	1,022,059
2029	310,484	3,866	314,350
2030	49,334	666	50,000
2031	20,761	73	20,833
	<u>\$ 3,528,904</u>	<u>\$ 105,568</u>	<u>\$ 3,634,469</u>

The following is a summary of lease liability transactions of the City for the year ended September 30, 2025 (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	<u>\$ 4,657</u>	<u>\$ 1,047</u>	<u>\$ (2,175)</u>	<u>\$ 3,529</u>	<u>\$ 1,371</u>

Lessor

The City 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 28 years remaining on the contract. The City received combined annual payments of \$2,000,000. The City recognized net Lease and Interest Revenue of \$1,603,631 in the fiscal year related to this lease. There were no inflows of resources recognized during the year ended September 30, 2025 for variable or other payments not previously included in the measurement of the lease receivable. As of September 30, 2025, the City's receivable for lease payments was \$47,536,370. 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, 2025, the balance of the deferred inflow of resources was \$46,371,668.

The City 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 13 years remaining on the contract. The City received combined annual payments of \$2,000,000. The City recognized net Lease and Interest Revenue of \$1,773,013 in the fiscal year related to this lease. There were no inflows of resources recognized during the year ended September 30, 2025 for variable or other payments not previously included in the measurement of the lease receivable. As of September 30, 2025, the City's receivable for lease payments was \$24,864,377. 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, 2025, the balance of the deferred inflow of resources was \$24,231,174.

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 \$1,203,095 in net lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2025, the City's receivable for lease payments was \$19,504,901. 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, 2025, the balance of deferred inflow of resources was \$18,947,274.

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 regulated and unregulated lease agreements as lessor with various individuals and companies for the lease of various items which include buildings, hangar, terminal building leases, and tie-down. These contracts have varying commencement and expiration dates, with terms beginning as early as 1984 and extending through 2052. The City recognized net lease and interest revenue of \$247,593 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 City recognized net lease and interest revenue of \$2,593,127 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, 2025, 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
2026	1,639,045	86,811	1,725,856
2027	1,492,423	61,971	1,554,394
2028	907,544	31,859	939,403
2029	816,179	16,656	832,835
2030	831,526	4,221	835,747
2031-2032	72,577	1,686	74,263
	<u>5,759,294</u>	<u>203,204</u>	<u>5,962,498</u>

The following is a summary of SBITA liability transactions of the City for the year ended September 30, 2025 (amounts expressed in thousands):

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Reductions</u>	<u>Balance at End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
SBITA payable	\$ 5,787	\$ 2,948	\$ (2,976)	\$ 5,759	\$ 1,639
Business activities:					
SBITA payable	392	-	(352)	40	40
Total SBITA payable	<u>\$ 6,179</u>	<u>\$ 2,948</u>	<u>\$ (3,328)</u>	<u>\$ 5,799</u>	<u>\$ 1,679</u>
 Total Leases and SBITA payable	 <u>\$ 10,836</u>	 <u>\$ 3,995</u>	 <u>\$ (5,503)</u>	 <u>\$ 9,328</u>	 <u>\$ 3,050</u>

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, 2025, 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 Units
Current and other assets	\$ 126,131	\$ 9,424	\$ 59,833	\$ 8,108	\$ 203,496
Capital assets	-	1,132	7,632	8,846	17,610
Total assets	<u>126,131</u>	<u>10,556</u>	<u>67,465</u>	<u>16,954</u>	<u>221,106</u>
Other liabilities and deferred inflows of resources	<u>3,865</u>	<u>2,261</u>	<u>4,239</u>	<u>4,989</u>	<u>15,354</u>
Total liabilities	<u>3,865</u>	<u>2,261</u>	<u>4,239</u>	<u>4,989</u>	<u>15,354</u>
Net position:					
Net investment in capital assets	-	174	-	8,846	9,020
Restricted	-	1,091	63,226	-	64,317
Unrestricted	<u>122,266</u>	<u>7,030</u>	<u>-</u>	<u>3,119</u>	<u>132,415</u>
Total net position	<u>\$ 122,266</u>	<u>\$ 8,295</u>	<u>\$ 63,226</u>	<u>\$ 11,965</u>	<u>\$ 205,752</u>

Condensed Schedule of Activities

	Arlington Tomorrow Foundation	Housing Authority	Arlington Economic Development Corporation	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	\$ 7,638	\$ 54,562	\$ 32,543	\$ 21,336	\$ 116,079
Program Revenues:					
Charges for services	-	-	24,206	12,596	36,802
Operating grants and contributions	-	55,790	-	8,190	63,980
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Program (Expense) Revenue	<u>(7,638)</u>	<u>1,228</u>	<u>(8,337)</u>	<u>(550)</u>	<u>(15,297)</u>
Interest/dividend/change in FMV revenues	<u>12,927</u>	<u>54</u>	<u>2,488</u>	<u>289</u>	<u>15,758</u>
Other non tax general revenues	<u>3,408</u>	<u>210</u>	<u>1,249</u>	<u>226</u>	<u>5,093</u>
Changes in Net Position	<u>8,697</u>	<u>1,492</u>	<u>(4,600)</u>	<u>(35)</u>	<u>5,554</u>
Net position, October 1	<u>113,569</u>	<u>6,803</u>	<u>67,826</u>	<u>12,000</u>	<u>200,198</u>
Net position, September 30	<u>\$ 122,266</u>	<u>\$ 8,295</u>	<u>\$ 63,226</u>	<u>\$ 11,965</u>	<u>\$ 205,752</u>

16. TAX ABATEMENTS

As of September 30, 2025, the 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/rebate, 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/rebate, 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/rebate. Additional incentives include development fee waivers, infrastructure improvements, and grants for hiring Arlington residents.

Retention

The City offers retention tax abatements to encourage existing businesses to remain in Arlington and to support facility renovation, expansion, and job growth. Abatements may be granted to projects that expand or modernize existing facilities or construct new facilities to meet increased demand. Awards are based on alignment with the City's Economic Development Strategic Plan, job creation and retention, community impact, and projected tax revenues. The City may abate up to 100 percent of the incremental property tax (*i.e.*, real estate, business personal property, or both) and may also rebate a portion of the sales taxes and other income generated from the project. In return, recipients must meet contractual performance requirements, including investment, employment, and completion benchmarks, with standard compliance and recapture provisions applying if terms are not met. 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	\$ 1,209,386	\$ 309,357	\$ 1,719,115	\$ 392,073	\$ 4,570,763
Recruitment	989,219	5,509,615	-	-	488,494
Retention	3,258,522	-	-	-	154,000
Total Tax Abated	\$ 5,457,127	\$ 5,818,972	\$ 1,719,115	\$ 392,073	\$ 5,213,257

For the fiscal year ended September 30, 2025, the City's property tax revenues were reduced by \$5,457,127 under active tax abatement and Chapter 380 agreements. Sales tax revenues were reduced by a total of \$5,818,972 for Development/Redevelopment and Recruitment abatements. Hotel occupancy tax revenues were reduced by \$1,719,115 and mixed beverage taxes were reduced by \$392,073 for Development/Redevelopment abatements. In addition to tax abatements/rebatements, recipients qualified for \$5,213,257 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/rebate program, the property tax base increased by more than \$1.7 billion with property value growth of more than 2,183% 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 \$15.3 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 \$56.4 million as of September 30, 2025, and the deferred inflows resulting from such arrangements are \$53.3 million as of September 30, 2025. 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) entered into a public-private partnership with Go For Three, LLC (operator) for the redevelopment of a 14 acre site for the construction and operation of a hotel, convention center (leased premises), and parking facility (leased premises). During fiscal year 2025, the parking facility was completed and placed into service. It is anticipated for the hotel and convention center to be completed during fiscal year 2028. 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 annually. 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 operator as described in the agreements, and all project costs as defined by the agreements. As of September 30, 2025, the City has recognized a PPP asset in the amount of \$36.7M and a deferred inflow of resources in the amount of \$36.3M for the transfer of the leased premises. This PPP asset is included in governmental capital and lease assets on the Statement of Net Position.

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, 2025, the City has recognized a PPP asset in the amount of \$207.5M and a deferred inflow of resources in the amount of \$201.2M 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, 2025, the environmental remediation liability is \$33,000.

19. SUBSEQUENT EVENTS

Events that occur after the date of the financial statements but before the financial statements are available to be issued are evaluated for recognition and disclosure. The following significant events occurred during this period:

On October 21, 2025, the City of Arlington issued \$71,150,000 of Arlington Economic Development Corporation (EDC) Sales Tax Revenue Bonds, Taxable Series 2025. The bonds bear interest rates from 4.75% to 5.50% and will be redeemed over the next 30 years with proceeds from economic development sales and use tax. The purpose of this issuance was to provide funds necessary to pay the cost and expense of constructing a manufacturing and headquarters facility for the creation or retention of primary jobs and found by the EDC to be required or suitable for the development, retention, or expansion of manufacturing and industrial facilities.

On October 21, 2025, the City of Arlington issued \$59,315,000 of Permanent Improvement & Refunding Bonds, Series 2025. The bonds bear interest rates from 4.25% to 5.00% and will be redeemed over the next 20 years with proceeds from ad valorem tax. The purpose of this issuance was to provide funds necessary to pay the cost and expense of approved capital budget items.

On October 21, 2025, the City of Arlington issued \$6,175,000 of Water and Wastewater System Revenue Bonds, Series 2025B. The bonds bear interest rates from 4.00% to 5.00% and will be redeemed over the next 20 years with proceeds from net revenues. The purpose of this issuance was to provide funds necessary to pay the cost and expense of approved capital water items.



CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
REVENUES						
Taxes	\$ 258,555	\$ 258,555	\$ 244,551	\$ 6,065	\$ 250,616	\$ (7,939)
Licenses and permits	10,856	10,856	10,650	-	10,650	(206)
Utility franchise fees	33,602	33,602	22,489	12,187	34,676	1,074
Fines and forfeitures	5,634	5,634	8,306	-	8,306	2,672
Leases, rents and concessions	10,535	10,535	10,658	-	10,658	123
Service charges	10,270	10,270	10,200	-	10,200	(70)
Interest revenue	4,991	4,991	5,585	(1,579)	4,006	(985)
Intergovernmental revenues	32,874	32,874	3,067	31,847	34,914	2,040
Other revenue	2,292	2,292	2,067	-	2,067	(225)
Net increase (decrease) in the fair value of investments	-	-	(81)	81	-	-
Total Revenues	369,609	369,609	317,492	48,601	366,093	(3,516)
EXPENDITURES						
Current-						
General government	92,752	92,752	59,330	28,631	87,961	4,791
Public safety	223,981	223,981	210,941	10,816	221,757	2,224
Public works	34,124	34,124	30,688	1,386	32,074	2,050
Public health	3,147	3,147	2,993	(31)	2,962	185
Parks and recreation	21,684	21,684	20,706	299	21,005	679
Capital Outlay	-	-	-	-	-	-
Total Expenditures	375,688	375,688	324,658	41,101	365,759	9,929
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(6,079)	(6,079)	(7,166)	7,500	334	6,413
OTHER FINANCING SOURCES (USES)						
Transfers in	14,497	14,497	28,285	(18,252)	10,033	(4,464)
Transfers out	(12,484)	(12,484)	(20,447)	7,376	(13,071)	(587)
Leases issued (as lessee)	-	-	1,047	-	1,047	1,047
SBITA additions	-	-	2,948	-	2,948	2,948
Total Other Financing Sources (Uses)	2,013	2,013	11,833	(10,876)	(3,038)	(5,051)
Net Change In Fund Balances	(4,066)	(4,066)	4,667	(3,376)	(2,704)	1,362
Fund Balances, October 1	97,832	97,832	97,832	-	97,832	-
Fund Balances, September 30	\$ 93,766	\$ 93,766	\$ 102,499	\$ (3,376)	\$ 95,128	\$ 1,362

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.

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

Measurement year ending December 31,	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability			
Service Cost	\$ 24,035,779	\$ 26,189,763	\$ 27,615,497
Interest on total pension liability	71,780,403	72,528,701	75,735,090
Differences between expected and actual experience	(8,105,420)	1,387,760	6,101,332
Changes of assumptions	9,851,969	-	
Benefit payments and refunds	(49,131,541)	(50,018,009)	(56,616,054)
Net change in total pension liability	<u>48,431,190</u>	<u>50,088,215</u>	<u>52,835,865</u>
Total pension liability-beginning	<u>1,037,982,210</u>	<u>1,086,413,400</u>	<u>1,136,501,615</u>
Total pension liability-ending	<u>\$ 1,086,413,400</u>	<u>\$ 1,136,501,615</u>	<u>\$ 1,189,337,480</u>
Plan fiduciary net position			
Contribution-employer	\$ 24,012,910	\$ 23,983,655	\$ 26,419,418
Contribution-member	10,884,708	11,245,390	11,876,965
Net investment income	1,377,207	62,140,092	133,891,278
Benefit payments and refunds	(49,131,541)	(50,018,009)	(56,616,054)
Administrative expense	(838,887)	(701,918)	(694,027)
Other	(41,433)	(37,818)	(35,172)
Net change in plan fiduciary net position	<u>(13,737,036)</u>	<u>46,611,392</u>	<u>114,842,408</u>
Plan fiduciary net position-beginning	<u>933,378,081</u>	<u>919,641,045</u>	<u>966,252,437</u>
Plan fiduciary net position-ending	<u>\$ 919,641,045</u>	<u>\$ 966,252,437</u>	<u>\$ 1,081,094,845</u>
Net pension liability (asset)	166,772,355	170,249,178	108,242,635
Plan fiduciary net position as a percentage of total pension liability	84.65%	85.02%	90.90%
Covered payroll	166,772,355	160,574,881	169,628,359
Net pension liability (asset) as a percentage of covered payroll	108.03%	106.02%	63.81%

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$	28,887,256	\$ 30,217,987	\$ 31,806,730	\$ 31,842,328	\$ 33,724,840	\$ 37,485,310	\$ 43,146,920
	79,408,986	83,399,154	87,803,207	91,604,326	96,193,891	101,455,419	105,601,050
	6,665,740	7,744,979	2,170,782	11,973,234	19,402,794	8,119,451	12,824,921
	-	4,696,314	-	-	-	(10,638,277)	-
	(54,703,360)	(58,324,155)	(64,890,993)	(66,080,292)	(70,654,888)	(75,851,511)	(79,820,374)
	60,258,622	67,734,279	56,889,726	69,339,596	78,666,637	60,570,392	81,752,517
	1,189,337,480	1,249,596,102	1,317,330,381	1,374,220,107	1,443,559,703	1,522,226,340	1,582,796,732
\$	1,249,596,102	\$ 1,317,330,381	\$ 1,374,220,107	\$ 1,443,559,703	\$ 1,522,226,340	\$ 1,582,796,732	\$ 1,664,549,249
\$	28,034,989	\$ 29,405,032	\$ 187,107,707	\$ 32,711,607	\$ 20,727,511	\$ 21,822,391	\$ 26,494,454
	12,429,434	13,023,433	13,445,849	13,448,518	14,267,738	15,832,543	17,268,636
	(32,369,787)	159,738,998	89,261,871	182,776,361	(114,144,630)	163,592,578	159,682,863
	(54,703,360)	(58,324,155)	(64,890,993)	(66,080,292)	(70,654,888)	(75,851,511)	(79,820,374)
	(625,874)	(903,100)	(577,979)	(845,088)	(987,348)	(1,040,740)	(1,024,768)
	(32,699)	(27,128)	(22,550)	5,788	1,178,200	(7,272)	(23,967)
	(47,267,297)	142,913,080	224,323,905	162,016,894	(149,613,417)	124,347,989	122,576,844
	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
\$	1,033,827,548	\$ 1,176,740,628	\$ 1,401,064,533	\$ 1,563,081,427	\$ 1,413,468,010	\$ 1,537,815,999	\$ 1,660,392,843
	215,768,553	140,589,732	(26,844,447)	(119,521,723)	108,758,330	44,980,733	4,156,407
	82.73%	89.33%	101.95%	108.28%	92.86%	97.16%	99.75%
	177,549,206	185,842,479	192,069,624	192,052,642	203,775,466	226,087,513	246,694,799
	121.53%	75.65%	-13.98%	-62.23%	53.37%	19.90%	1.68%

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

	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 24,833,575	\$ 25,821,067	\$ 27,624,357	\$ 29,093,440
Contributions in relation to the				
actuarially determined contribution	\$ 24,587,350	\$ 26,075,876	\$ 27,711,328	\$ 29,102,133
Contribution deficiency (excess)	\$ 246,225	\$ (254,809)	\$ (86,971)	\$ (8,693)
Covered payroll	\$ 164,680,024	\$ 167,367,622	\$ 175,499,227	\$ 184,074,211
Contributions as a percentage of				
covered payroll	14.93%	15.58%	15.79%	15.81%

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	20 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.6% to 11.85% 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.

2020	2021	2022	2023	2024	2025
\$ 29,866,086	\$ 31,360,302	\$ 23,896,550	\$ 21,528,919	\$ 25,299,037	\$ 29,650,496
\$ 30,010,778	\$ 31,713,751	\$ 20,249,587	\$ 21,219,509	\$ 26,015,181	\$ 28,976,878
\$ (144,692)	\$ (353,449)	\$ 3,646,963	\$ 309,410	\$ (716,144)	\$ 673,618
\$ 186,055,660	\$ 188,547,864	\$ 199,110,980	\$ 219,891,289	\$ 242,227,015	\$ 253,423,040
16.13%	16.82%	10.17%	9.65%	10.74%	11.70%

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	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total pension liability				
Service Cost	\$ 184,052	\$ 187,047	\$ 185,246	\$ 194,554
Interest on total pension liability	128,068	127,591	131,661	134,220
Differences between expected and actual experience	(71,751)	(76,857)	(114,652)	(47,470)
Assumption changes	125,033	-	-	-
Benefit payments and refunds	(149,233)	(137,960)	(173,000)	(138,464)
Net change in total pension liability	216,169	99,821	29,255	142,840
Total pension liability-beginning	2,311,103	2,527,272	2,627,093	2,656,348
Total pension liability-ending	\$ 2,527,272	\$ 2,627,093	\$ 2,656,348	\$ 2,799,188
Plan fiduciary net position				
Contribution-employer	\$ 53,802	\$ 60,813	\$ 46,504	\$ 82,293
Contribution-member	100,575	101,289	100,133	109,711
Net investment income	98,561	130,343	71,859	206,103
Benefit payments and refunds	(149,233)	(137,960)	(173,000)	(138,464)
Administrative expense	(56,783)	(44,296)	(64,053)	(79,339)
Other	-	-	-	-
Net change in plan fiduciary net position	46,922	110,189	(18,557)	180,304
Plan fiduciary net position-beginning	2,681,047	2,727,969	2,838,158	2,819,601
Plan fiduciary net position-ending	\$ 2,727,969	\$ 2,838,158	\$ 2,819,601	\$ 2,999,905
Net pension liability (asset)	(200,697)	(211,065)	(163,253)	(200,717)
Plan fiduciary net position as a percentage of total pension liability	108.00%	108.00%	106.15%	107.20%
Covered payroll	3,352,500	3,376,300	3,337,767	3,657,033
Net pension liability (asset) as a percentage of covered payroll	-6.00%	-6.30%	-4.90%	-5.50%

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$	174,664	\$ 145,741	\$ 172,501	\$ 317,189	\$ 181,855	-
	141,268	149,886	147,791	156,178	163,810	79,607
	-	(199,230)	(68,355)	-	(256,386)	-
	-	-	-	-	(389,446)	(413,424)
	(122,330)	(135,887)	(167,480)	(145,580)	(13,942)	-
					(360,541)	(2,197,505)
	193,602	(39,490)	84,457	327,787	(674,650)	(2,531,322)
	2,799,188	2,992,790	2,953,300	3,037,757	3,365,544	2,690,894
\$	2,992,790	\$ 2,953,300	\$ 3,037,757	\$ 3,365,544	\$ 2,690,894	\$ 159,572
\$	76,850	\$ 73,688	\$ 121,509	\$ 130,281	\$ 129,174	-
	98,126	81,877	94,781	170,838	101,406	-
	248,242	314,938	(391,970)	122,887	216,291	173,502
	(122,330)	(135,887)	(167,480)	(145,580)	(360,541)	(2,197,505)
	(57,037)	(49,162)	(68,138)	(66,946)	(78,820)	(117,794)
	24,800	-	-	-	-	-
	268,651	285,454	(411,298)	211,480	7,510	(2,141,797)
	2,999,905	3,268,556	3,554,010	3,142,712	3,354,192	3,361,702
\$	3,268,556	\$ 3,554,010	\$ 3,142,712	\$ 3,354,192	\$ 3,361,702	\$ 1,219,905
	(275,766)	(600,710)	(104,955)	11,352	(670,808)	(1,060,333)
	109.20%	120.30%	103.46%	99.66%	124.93%	764.49%
	3,270,867	2,729,233	3,159,367	5,694,600	3,380,200	-
	-8.40%	-22.00%	-3.30%	0.20%	-19.85%	*N/A

*Plan was frozen on April 4, 2024 and terminated in August 2025.

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,	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 53,802	\$ 81,875	\$ 71,762	\$ 92,340	\$ 88,313
Actual contribution	53,802	60,813	46,504	82,293	76,850
Contribution deficiency (excess)	\$ -	\$ 21,062	\$ 25,258	\$ 10,047	\$ 11,463
Covered payroll	\$ 3,352,337	\$ 3,373,160	\$ 3,335,055	\$ 3,555,541	\$ 3,127,476
Contributions as a percentage of covered payroll	1.6%	1.8%	1.4%	2.3%	2.5%

Notes to Schedule

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

This plan was frozen as of April 4, 2024 and terminated in August 2025. There are no contributions in 2025.

The actuarial 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	N/A (closed plan)
Inflation rate	2.5%
Cost of living increases	none
Mortality	Gender-distinct 2019 Municipal Retirees of Texas mortality tables with a 103% multiplier for male rates and a 105% multiplier for female rates. These rates are projected on a fully generational basis using the ultimate mortality improvement rates in MP-2021 to account for future mortality improvements.

	2021	2022	2023	2024	2025
\$	73,688	\$ 94,781	\$ 153,754	\$ 121,687	-
	73,688	94,781	130,281	129,174	-
\$	-	\$ -	\$ 23,473	\$ (7,487)	-
\$	2,877,944	\$ 3,178,238	\$ 4,529,288	\$ 3,449,297	-
	2.6%	3.8%	2.9%	3.7%	*N/A

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,	<u>2017</u>	<u>2018</u>	<u>2019</u>
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.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$	- \$	- \$	- \$	- \$	-
	60,415	57,653	52,702	50,846	47,599
	-	-	-	-	-
	42,447	(32,836)	24,873	(13,020)	(106,068)
	(34,196)	-	-	-	-
	(121,149)	(126,683)	(120,988)	(108,413)	(97,108)
	(52,483)	(101,866)	(43,413)	(70,587)	(155,577)
	1,268,882	1,216,399	1,114,533	1,071,120	1,000,533
\$	1,216,399 \$	1,114,533 \$	1,071,120 \$	1,000,533 \$	844,956
\$	74,524 \$	80,675 \$	94,869 \$	26,082 \$	45,794
	-	-	-	-	-
	-	-	-	-	-
	153,452	43,751	(184,849)	104,442	55,286
	(121,149)	(126,683)	(120,988)	(108,413)	(97,108)
	(11,389)	(33,402)	(11,715)	(6,484)	(15,694)
	-	-	-	-	-
	95,438	(35,659)	(222,683)	15,627	(11,722)
	1,333,800	1,429,238	1,393,579	1,170,896	1,186,523
\$	1,429,238 \$	1,393,579 \$	1,170,896 \$	1,186,523 \$	1,174,801
\$	(212,839) \$	(279,046) \$	(99,776) \$	(185,990) \$	(329,845)
	117.50%	125.00%	109.32%	118.59%	139.04%
	N/A	N/A	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
2025	\$ -	\$ -	\$ -	N/A	N/A

Notes to Schedule of Contributions

Valuation Date: December 31, 2024

Methods and Assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar
Amortization Period	1 year remaining, as of the beginning of FYE 25
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.



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):

Measurement date 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	<u>5,821,488</u>	<u>(2,452,529)</u>	<u>3,924,619</u>
Total OPEB liability-beginning	108,336,234	114,157,722	111,705,193
Total OPEB liability-ending	<u>\$ 114,157,722</u>	<u>\$ 111,705,193</u>	<u>\$ 115,629,812</u>
Covered payroll	169,621,831	177,539,876	185,842,479
Total OPEB liability as a percentage of payroll	67.30%	62.92%	62.22%

The ending Total OPEB Liability was as of December 31, 2024.

Changes of assumptions reflect a change in the discount rate from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024, 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		2024
\$	2,601,055	\$	3,256,735	\$	3,207,862	\$	2,079,711	\$	2,101,397
	3,123,353		2,619,684		2,375,998		3,954,412		3,600,286
	8,814,880		(2,275,506)		(9,774,732)		(4,076,064)		(4,851,446)
	8,918,233		360,464		(21,217,754)		1,205,084		(134,186)
	(6,707,698)		(6,047,590)		(5,534,007)		(5,501,705)		(5,129,244)
	16,749,823		(2,086,213)		(30,942,633)		(2,338,562)		(4,413,193)
	115,629,812		132,379,635		130,293,422		99,350,789		97,012,227
\$	132,379,635	\$	130,293,422	\$	99,350,789	\$	97,012,227	\$	92,599,034
	192,069,624		192,052,642		203,775,466		226,087,513		246,694,799
	68.92%		67.84%		48.76%		42.91%		37.54%

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,	<u>2017</u>	<u>2018</u>	<u>2019</u>
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	3.60% to 11.85% 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.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$	364,932	\$ 441,721	\$ 489,061	\$ 248,696	\$ 296,034
	282,562	246,262	242,125	363,574	370,317
	(181,851)	(61,484)	72,889	12,329	(23,177)
	1,678,100	413,423	(4,606,685)	504,626	(515,974)
	(76,828)	(211,258)	(224,153)	(293,914)	(320,703)
	2,066,915	828,664	(4,026,763)	835,311	(193,503)
	10,130,937	12,197,852	13,026,516	8,999,753	9,835,064
\$	12,197,852	\$ 13,026,516	\$ 8,999,753	\$ 9,835,064	\$ 9,641,561
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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BRACEWELL

September __, 2026

\$ _____
CITY OF ARLINGTON, TEXAS
PERMANENT IMPROVEMENT BONDS
SERIES 2026

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

CITY OF ARLINGTON, TEXAS PERMANENT IMPROVEMENT BONDS, SERIES 2026, dated August 1, 2026, 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; customary certificates of officers, agents and representatives of the Issuer, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance.

Bracewell LLP

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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 obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the City of Arlington, Texas necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitation; and
- (C) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not 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.

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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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