

ARLINGTON COUNTY, VIRGINIA

Comprehensive Annual Financial Report

FISCAL YEAR 2004

(July 1, 2003 - June 30, 2004)



DEPARTMENT OF MANAGEMENT AND FINANCE

**Barbara M. Donnellan, Director
Barbara P. Liechti, Comptroller**



Vision

"Arlington will be a diverse and inclusive world-class community with secure, attractive residential and commercial neighborhoods where people unite to form a caring, learning, participating, sustainable community in which each person is important."

ARLINGTON COUNTY BOARD

Mission

High Quality Service

Leadership Philosophy

We believe that people want to do the best job possible. When all of us share responsibility for creating a work environment with clear goals, mutual support and opportunities for continuous learning, Arlington County can best achieve its goals. We will realize our full potential through teamwork, respect for each other, sharing information, and support for individual creativity and initiative.

Principles of Government Service

***Ethics/Stewardship * Diversity / Inclusion ***
***Commitment to Employees**
***Leadership * Teamwork * Empowerment / Accountability ***

ARLINGTON COUNTY, VIRGINIA
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2004

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INTRODUCTION



DEPARTMENT OF
MANAGEMENT AND FINANCE

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October 13, 2004

Chairman Barbara Favola and Members of the County Board:

Section 15.2-2511 of the Code of Virginia requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report ("CAFR") of Arlington County, Virginia ("the County") for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Clifton Gunderson LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Arlington County financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The reports are available in the last section of the CAFR under the heading Federally Assisted Programs.

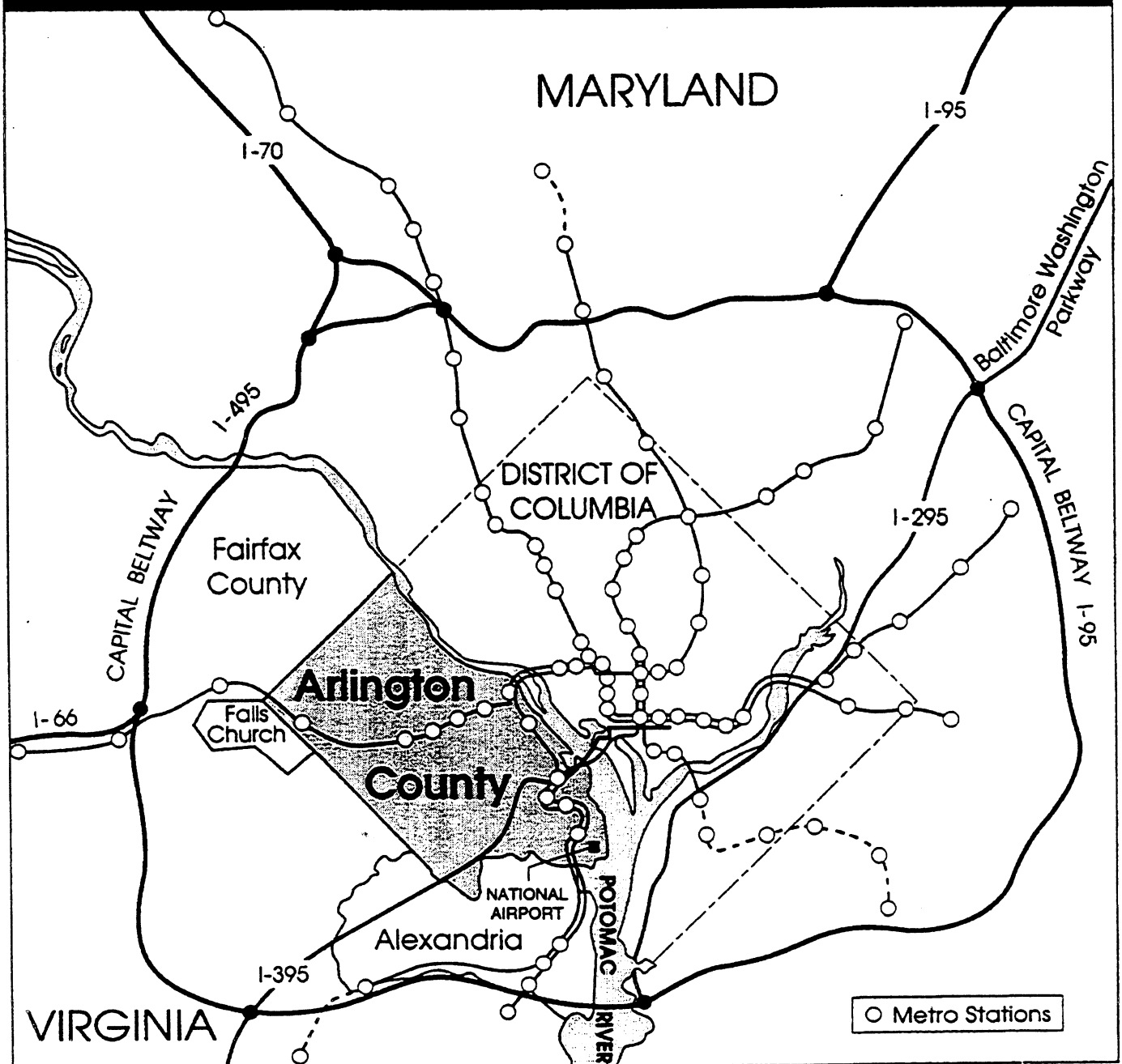
GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter or transmittal is designed to complement the MD&A and should be read in conjunction with it. Arlington County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Arlington, Virginia is a world-class residential, business and tourist location that was originally part of the 10-mile square parcel of land surveyed in 1791 to be the Nation's Capitol. It is the geographically smallest self-governing county in the United States, occupying slightly less than 26 square miles. Arlington maintains a rich variety of stable neighborhoods, quality schools and enlightened land use, and received the Environmental Protection Agency's highest award for "Smart Growth" in 2002. Home to some of the most influential organizations in the world – including the Pentagon – Arlington stands out as one of America's preeminent places to live, visit and do business.

The geographical area of the County is 25.7 square miles of which 4.6 square miles is under the control of the Federal Government. There are no cities or towns within the County giving Arlington County both city and county functions, and thereby establishing Arlington County as one of the few urban unitary forms of government in the United States. The Virginia Supreme Court held in 1923 that the County is a continuous, contiguous, homogeneous entity and therefore cannot be subdivided for the establishment of towns, nor can any part of the County be annexed by neighboring jurisdictions. The land in Arlington County is almost totally developed; there are no farms and few areas of vacant land. In addition to single family neighborhoods, there are sizable concentrations of high-rise commercial and office space, especially in the Rosslyn-Ballston and Jefferson Davis/Crystal City Metrorail subway corridors.

WASHINGTON METRO AREA MAP



As required by Virginia Law, the County seeks to have real property in the County assessed annually at 100% of fair market value. The assessed value of taxable real property on January 1, 2004 was \$35.6 billion. The County government's budget for all funds for Fiscal Year 2004 totaled \$805.3 million, which included \$317.9 million for public primary and secondary education. The legislative and policy-making body of the County is the five-member County Board whose members are elected at-large for staggered four-year terms. The County Board appoints the County Manager who serves as the chief executive and administrative officer. It is the County Manager's responsibility to appoint the department heads. Arlington County was the first county in the United States to choose by referendum the Professional County Manager form of government in 1932.

Arlington County is also financially accountable for a legally separate school system which is reported separately within the County financial statements. The five-member School Board is elected by the citizens. The School Board appoints the Superintendent of Schools as the chief administrative officer for the County's public school system. The School Board has no taxing authority or authority to issue debt and receives its spending authority from the County Board. Additional information on this legally separate entity can be found in Note 1.I.A in the notes to the financial statements.

In addition to the County and School Boards, other elected County officials include the Commonwealth's Attorney, the Commissioner of the Revenue, the Treasurer, the Sheriff, and the Clerk of the Circuit Court. The Commonwealth of Virginia's General Assembly appoints the Judges of the Circuit Court, the General District Court, and the Juvenile and Domestic Relations Court.

Because of its unique unitary structure, the County provides a full range of local government services often associated with both cities and counties. These services include public safety (police and fire protection), judicial (courts, prosecuting offices and detention center), water and sewer, health, welfare and social services, public improvements, streets and highways, planning and zoning, community planning and development, libraries, parks and recreation, education and general administrative services. With respect to streets and highways, the County is one of only a few of the ninety-six counties in the Commonwealth of Virginia which are responsible for street and highway construction and maintenance; in the other counties, the Virginia Department of Transportation is the responsible entity. Also, the County is one of the few jurisdictions in Virginia that has fully melded the State health function into its County government organization.

The annual budget serves as the foundation for Arlington County's financial planning and control. All departments of the County are required to submit requests for appropriation to the County Manager by November of each year. The County Manager uses these requests as the starting point for developing a proposed budget. The County Manager's proposed budget for the following fiscal year is presented to the County Board in February.

Public hearings on the proposed budget and tax rates are held in early spring and are followed by a series of work sessions of the County Board during which preliminary funding decisions regarding proposed operating and capital programs are reached. Final County Board decisions are incorporated into the appropriation, tax, and budget resolutions for the fiscal year. These resolutions are generally approved by the County Board in April and a separate Adopted Budget document is issued subsequent to the Board approval. Under Virginia law, the County Board must adopt the School Board budget no later than May 1 of the current fiscal year.

The annual budget is prepared by fund, department and agency within departments. Department directors may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the County Manager and transfers between funds require the approval of the County Board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented in Exhibit 5 as part of the basic financial statements for the governmental activities. For governmental funds, other than the general fund, with appropriated annual budgets, these comparisons are presented in the supplemental subsections of this report, in Exhibits B-3, B-4, B-5, and B-6.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local Economy

Arlington County is a financially secure community that enjoys a breadth of quality governmental and school services. Through deliberate long-range land use, transportation and service planning, the County has been transformed from a largely suburban bedroom community to one with a more urban center, while concurrent public and private conservation of and improvement to the County's residential neighborhoods has occurred. This transformation has permitted the County to serve its citizens well, has made Arlington a sought-after place to live, work and do business, and has created a business and residential taxation level that is among the lowest in the Washington, D.C. metropolitan area.

With a location directly across the Potomac River from the nation's capital, Arlington County has been at the center of the Washington metropolitan area's growing economy. The County contains substantial office, residential, and rental development that serves to diversify its property tax base. The amount of office space in the County has increased to 33.4 million square feet in FY 2004. The statistic excludes federally owned office buildings such as the Pentagon, which is the headquarters of the U.S. Department of Defense. In July 2004, the County's office vacancy rate was 12.6%. The 2004 census estimates show Arlington to have a residential population of 198,739 persons and it is home to 196,448 jobs.

In May 2004, the County's excellent economic condition and well managed financial position were cited as reasons Standard and Poor's, Moody's, and Fitch's Investor Services reaffirmed the County's top AAA/Aaa/AAA ratings. The triple AAA/Aaa/AAA rating validates that Arlington's financial position is outstanding and reflects the continued growth of high wage jobs in the technology, communications and financial services sectors, high per-capita retail sales and strong operating reserves. These top ratings also establish Arlington County, as of June 30, 2004, as only one of only a few counties in the United States with top bond ratings from all three major bond-rating agencies.

Long-Term Financial Planning

The Arlington Vision adopted by the Arlington County Board in 2001, provides the overarching framework for our strategic and operational decision making. The vision provides the continuity necessary to execute both short- and long-term policy and resource decisions. The annual budget serves as Arlington's annual operations plan. Multi-year strategies are incorporated into a Management Plan, which is updated annually. Six core themes are contained in the 2005 Management Plan that support the Board's vision include:

- Economic and Fiscal Sustainability
- Safe and Attractive Neighborhoods
- A Participating Community: Civic Engagement
- Environmental Sustainability
- A Caring Community: Housing and Human Services
- Organizational and Administrative Development

For Fiscal Year 2005 (FY 2005), the County Board unanimously approved a balanced, fiscally sustainable budget. The budget process was a participatory one, involving countless hours of deliberations, input from residents, recommendations from boards and commissions, and work sessions with County staff. The County Board was able to adopt a budget that provides for continuing services, expands or enhances services in a number of priority areas, fully supports educational funding and provides a competitive compensation and benefits package for its employees.

Arlington Vision

"Arlington will be a diverse and inclusive world-class urban community with secure, attractive residential and commercial neighborhoods where people unite to form a caring, learning, participating, sustainable community in which each person is important."

— Arlington County Board

Because of an expanding local economy, especially in the area of residential real estate values, the Board was able to reduce the real estate tax rate for the third consecutive year. The County's overall tax and fee burden continues to be one of the lowest in the region. The adopted budget also provided additional support for demand-driven increases in priority areas such as affordable housing, economic sustainability, and public health and safety. A number of budget highlights are detailed below.

Taxes and Fees

- Reduced the real estate tax rate
- Increased the water and sewer rate to help finance upgrades to the Water Pollution Control Plant and other operating and capital costs
- Increased the household solid waste rate to recover the full cost of refuse collection and disposal
- Increased the E-911 rate to support the construction and equipping of a new Emergency Communications Center

Policy Priorities

The County Board was able to fund a number of policy priorities that will provide enhanced services in the following areas:

- Housing grants and supportive housing
- Site plan review and construction code compliance
- "Green building" initiatives
- Food safety inspections
- Court security

Education

The transfer of funds to Arlington County Public Schools for FY 2005 totals nearly \$275 million. This amount, based on the revenue sharing agreement – apportionment of 48.6% of local tax revenues to Schools – will fully support the School Board's adopted budget requirements.

Employer of Choice

The budget funds a number of increases in employee compensation and benefits including annual step increases, a 2% cost-of-living adjustment, an additional step in the pay plan, additional employer contributions to the retirement system, and increases in the transit subsidy, "Live Where You Work" grant, and tuition reimbursement programs.

Capital Improvements

Of the numerous capital improvement projects in the County's six-year Capital Improvement Plan, the County Board provided funding to support capital improvement projects in FY 2005 including:

- The purchase of 104 additional voting machines to cover increased voter turnout during the presidential election
- Renovation of the George Mason Center to accommodate the Head Start program
- Reserve funding for additional transportation projects, including support of the Washington Metropolitan Area Transit Authority (WMATA).

The adopted budget is fiscally sustainable, continues high quality services, provides for major capital investment, a competitive pay and benefits package, and full funding for education, all at reasonable cost to our residents and businesses.

Cash Management Policies and Practices

The Code of Virginia, Sections 2.2-4500 through 4517, and the investment policy of the County as revised by the County Finance Board in April 2004, authorize the County Treasurer to invest County funds in obligations of the United States Treasury, U.S. Government agencies, obligations of the Commonwealth and its subdivisions, obligations of other states and of other counties, cities, etc. of such states upon which there is not default, commercial paper rated A-1 by Standard & Poor's Corporation, P-1 by Moody's Commercial Paper Record, F-1 by Fitch Investor's Services, Inc., D-1 by Duff and Phelps Inc., banker's acceptances, repurchase agreements, municipal bonds, and the Local Government Investment Pool. The investment policy specifies that no investment may have maturity greater than two years from the date of purchase, except for funds invested in the Capital Reserve Fund. The Capital Reserve Fund consists of monies which the Treasurer may designate for longer term investment since these funds are not currently required to meet the County's working capital needs. The Pension Trust Fund is also authorized to make investments as deemed appropriate by its Board of Trustees and in compliance with the U.S. Department of Labor regulations. It is required by County ordinance to maintain at least twenty-five percent of its portfolio in fixed income investments.

The County has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program ("SNAP") and the Commonwealth Cash Reserve Fund ("AIM"). SNAP and AIM are designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities, and towns.

Investments in the Pension Trust Fund consist of investment instruments, domestic and international stocks and bonds, U.S. Treasury notes and bonds, and real estate and real estate notes which are held in the County's name by the Fund's Trustee who serves as the Pension System's agent. Temporary investment funds on deposit with financial institutions were fully insured by the Federal Deposit Insurance Corporation up to \$100,000 for each Retirement System participant.

Risk Management and Reserves

The County is exposed to various risks of loss relative to property, liability, revenue, and personnel. The systematic identification and analysis of exposures to risk, implementation of risk control and loss mitigation techniques, and utilization of appropriate risk financing alternatives encompasses the management of these risks. It is the general philosophy of the County to retain risks internally up to economically prudent retention levels and count for necessary claim settlements in the General Fund. For excess exposure levels, specialized exposures and where commercial insurance is available at cost-effective premiums, the County will transfer some risk to commercial insurance carriers through the purchase of insurance policies, while maintaining the integrity of the County's strategic self-insurance objectives. The major self-insurance programs are workers' compensation, employee's health insurance, and the self-insured retention portion of general, automobile, and public official's liability. For each major self-insurance program the County uses the professional services of a third-party administrator to adjudicate claims and recommend appropriate reserves for outstanding claims. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and that amount of the loss can be

reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The amount of settlement did not exceed the insurance coverage for each of the last three years.

In addition, the County has designated a General Fund balance self-insurance of reserve of \$3.5 million as of June 30, 2004. Finally, the County maintained and increased the General Fund operating reserve that totaled \$14.4 million as of June 30, 2004. Since its establishment in FY 1986, this operating reserve has not been used, but has been increased to its current funding level.

Pension and other Post-employment Benefits

The County participates in two separate pension systems. The Virginia Retirement System (VRS) covers most School Board employees and some County employees affiliated with State agencies. VRS is administered by the State, which bills the County for a portion of the employer's share of contributions. The Arlington County Employee's Supplemental Retirement System ("the System") covers all other County employees. The Arlington County Code requires the System to have an actuarial valuation at least biennially. The last valuation was performed as of July 1, 2003. For the year ended June 30, 2004, the County's annual pension cost of \$9.0 million equaled 100% of the required contributions due.

In addition to the pension benefits described above, the County provides post-employment health care benefits to permanent employees who meet the requirements under the County's or the State's pension plans. Eligibility is contingent to the retiree participating in one of the County's current health plans at the time of retirement. The County Board considers and approves these benefits annually as part of the Adopted Budget process. As of June 30, 2004, 1,221 and 1,321 retirees were eligible and received benefits from the health and life plans, respectively. For full career employees, the County currently contributes 80% towards the cost of medical and dental health premiums and 100% of premiums for a fixed coverage for life and accidental death insurance. Funding for these benefits is made on a pay-as-you-go basis. Additional information on the System's and VRS' pension arrangements and post-employment benefits can be found in Note 17 and Note 18 in the notes to the financial statements.

Annual Disclosure

As required by the U.S. Securities and Exchange Commission Rule 15c2-12, the County has agreed, for the benefit of the owners of County bonds, to provide to each nationally recognized municipal securities information repository ("NRMSIR") and to any appropriate state information depository ("SID"), if any is hereafter created, certain financial information (the "Annual Report") not later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ending June 30, 1996. The financial information which the County has agreed to annually provide includes "Debt Statement," "Total General Obligation Debt Service," "Five-Year Summary of General Fund Revenues and Expenditures," "General Fund Balance," "Principal Tax Revenues by Source," "Property Tax Levies and Collections," "Historical Assessed Valuation," "Local Sales Tax Revenue," and "Business and Professional License Tax Revenues." These are included as Exhibit S-3 and Note to the Financial Statement #9, Exhibits S-8, S-9, and G-2, Table I, Table II, Table III, Table IV, Table V, Table VI, Table XVII, and Table XVIII.

DEPARTMENTAL ACCOMPLISHMENTS IN FY 2004

The County is proud of the accomplishment of its various departments and offices in FY 2004. Some of the unique contributions of these units in alphabetical order follow:

COMMISSIONER OF REVENUE

Ingrid H. Morroy, the new Commissioner of Revenue (CoR), took office on January 1, 2004. The accomplishments of the CoR's Office listed below correspond to the last six months of Fiscal Year 2004. All reflect the on-going fulfillment of the vision of the Commissioner to provide high quality customer service, taxpayer education and outreach, technological advancements, and uncompromising standards of fairness.

Customer Service

- All CoR staff members now have telephone and e-mail capabilities so that customers can directly contact them for more personalized and efficient service.
- The reorganization of internal processes including the creation of full-time telephone and counter teams have resulted in immediate positive effects on efficiency, accuracy, and continuous assistance to taxpayers.
- The implementation of an open door policy now allows customers to directly provide feedback to the Commissioner and her staff. Customers also can complete a short survey at the counter.
- Customers now have online access to our web site for vehicle registration, business tax forms, information on opening a new business in Arlington County, and public service announcements.

Taxpayer Education

- CoR staff participated in the first bilingual community outreach program for Vendor's and Peddler's license requirements and worked in conjunction with Arlington Economic Development to present monthly bilingual Biz Launch programs.
- CoR staff printed new bilingual informational brochures on business tangible tax and opening a new business in Arlington County, personal property tax and vehicle registration.

Process and Technological Improvements

- Instituted new technology for electronic vehicle assessments and established electronic databases of information creating significant efficiencies in transaction processing, eliminating duplication of effort and multiple layers of approval. Efficiency gains have allowed staff more time to serve customers at the counter, on the phone, through e-mail and standard mail.
- Established mutual cooperation with the Treasurer to streamline business tax and custodial tax administration and processing.
- Established an Enforcement Program to properly register all vehicles in Arlington and conduct decal investigations to insure fair assessment of taxes. In six months over, 1,300 vehicles were added to the tax rolls.

COMMUNITY PLANNING HOUSING AND DEVELOPMENT

Housing Division

A Caring Community: Affordable Housing

- On December 6, 2003 the County Board approved a set of measurable targets designed to increase the amount of affordable housing in the County and to track the County's progress toward achieving its goals.
- Two developments are under construction that will yield a total of 15 committed affordable units:
 - The Sierra (10 of 96 ownership units).
 - 1800 Wilson Boulevard (5 of 152 ownership units).
- The County continued to work with for- and non-profit developers to blend affordable rental and ownership units in with market rate units. During FY 2004 the County Board approved the following 7 developments that will blend affordable and market rate units (192 total affordable units):
 - Alexan Shirlington (15 of 245 rental units).
 - Monroe Street Apartments (9 of 79 rental units).
 - Troy Street/Gables (24 off-site rental units @ Courthouse Crossing; of a total of 327 rental units).
 - Woodbury North (108 of 108 rental; also 99 market rate condominiums).
 - Wilson Pollard Condominiums (11 of 143 condominiums).
 - 3409 Wilson Boulevard (5 of 87 condominiums).
 - One Metropolitan (20 of 399 condominiums).
- The County used a number of creative mechanisms to produce affordable units, including:
 - Mortgage Buy-Downs to Serve Extremely Low Income Persons: At Columbia Grove, a 210-unit complex, the County is buying down the mortgage on eight units to zero. This will reduce the rent payment to an amount covering the owner's operating costs only, making the units affordable to eight persons with disabilities whose incomes are below 30% of area median income for at least 30 years.
 - Deed Covenant: At committed affordable condos, an innovative deed covenant extends the affordability of the units to future low income buyers while also enabling the lower income homeowners to earn appreciation on their homes. Units will be affordable in perpetuity.
- Community Development Block Grant (CDBG): 2004 marked the 30th anniversary of the national CDBG program. Staff developed a new evaluation form for scoring CDBG proposals that is more quantifiable than prior years' methods. Thirty-eight proposals were reviewed in depth and ranked to recommend funding for \$2,248,000 worth of programs and services for FY 2005.
- HOME: The County received additional HOME funding from HUD for the American Dream Downpayment Initiative and guidelines for this program were incorporated by the County Board into the first time homebuyer program.
- Two new private sector employers--Virginia Hospital Center and George Mason University--have joined the Employer Assisted Housing Initiative by agreeing to sponsor VHDA Home Ownership Education Workshops for employees. This commitment also makes their employees eligible for the VHDA Home Stride first trust mortgage program.

- The Live Near Your Work Program provided forgivable loans of \$3,700 to 24 County employees and 18 School Board Employees.
- NSA Housing Education, Counseling and Inspection Program: Staff held workshops and special events in the four designated neighborhoods of Buckingham, Columbia Heights West, Long Branch Creek and Nauck.
- Relocation: Staff provided technical assistance on six re-development projects and one condominium conversion, and monitored the relocation for 11 projects.

Neighborhood Services Division

Capital Projects

- Constructed new sidewalks and installed street trees and pedestrian scale lighting along South Garfield St. and 9th Street South (near the Cinema & Drafthouse) as part of the next phase of streetscape and utility under grounding along Columbia Pike. Installed landscaped medians along Columbia Pike between South Frederick and Dinwiddie Streets.
- Secured several significant approvals for the planned Buckingham commercial area including VDOT approval of "design exceptions" including 10-foot travel lanes along Glebe Road, and HALRB "Certificate of Appropriateness" for utility under grounding and Transportation Commission endorsement of design. Worked with an interdepartmental team to develop new County standards for commercial area sidewalks and crosswalks.
- Worked with DES and VDOT staff to develop agreements for State matching and Federal secondary funding for Columbia Pike ("Town Center" and Barcroft commercial area) streetscape improvement projects. Began bi-weekly meetings with newly formed Columbia Pike Implementation Team (CPIT) to develop "interim" streetscape improvement plans and better define guidelines for streetscape requirements for new development proposals, future transit options and other issue areas.
- Completed development of the Commercial Revitalization Program process and criteria for project selection, in collaboration with a Manager-appointed Working Group of Advisory Board representatives. Completed the first proposal review process for the Commercial Revitalization Program. Residents, civic associations and County staff submitted a total of 18 proposals covering diverse sections of the county.

Historic Preservation Program

- Completed the second draft of the Historic Preservation Master Plan reflecting community input and ideas. The final document is to be completed in FY 2005. Finished the 7th year and started the 8th year of the Historic Resource Survey in which 6,305 historic resources have been identified.
- Installed historic markers at Stratford Jr. High (H-B Woodlawn); Macedonia Baptist Church; Crossman House; Welburn Square; and the Harry Gray House. Ordered eight additional historic markers that are awaiting installation. Nominated and received approval for 13 Arlington properties or districts to the National Register of Historic Places. Assisted 51 residents with their State Historic Preservation Tax Credit application.

Neighborhood Strategy Area Program

- In approving the FY 2005 Annual Consolidated Plan in April, the County Board restructured the Neighborhood Strategy Area (NSA) Program, designating 11 areas as NSAs and assigning each to one of three levels of services. Planners assigned to the NSAs have commenced strategic and priority planning activities in the Focus and Enhancement Areas and are conducting outreach in the Outreach Areas.
- Expanded the Neighborhood College to all eleven neighborhoods designated NSAs as part of the Consolidated Plan. Neighborhood Services Division staff with an inter-departmental planning committee created several program enhancements to the 2004 Neighborhood College program to better facilitate civic engagement. The entire Neighborhood College curriculum has incorporated a civic engagement theme and added sessions devoted to civic engagement, decision making and action planning.
- Completed proposed Nauck Action Plan and obtained community support for that plan in advance of consideration by the County Board for formal adoption.
- During the fiscal year, Neighborhood Services and Housing Division staff coordinated clean up events in Buckingham, Columbia Heights West, Long Branch Creek and Nauck. Participation in the events continues to be

high in all of the NSAs. Construction was completed on two of the four courts, Courts C and D. Improvements include paving and storm drainage, and curb and gutter construction.

- During FY 2004, NSA Planners awarded twenty small grants totaling \$17,000 to ten organizations. The funds were used for a variety of activities including community events; a health and housing event; special recreation and arts projects; sports classes; and training and youth activities.

Neighborhood Conservation Program

- Construction activity: FY 2004 resulted in a record number of completed projects--20 completed vs. 3 in FY 2003. In June 2004, the Neighborhood Conservation Advisory Committee recommended County Board approval of an additional 10 projects.
 - Completed Projects: 20 (8 Street Improvement, 3 Street Light, 6 Park Improvement, 2 Neighborhood Signs, 1 Beautification)
 - Active Projects: 78 (43 Street Improvement, 1 Pedestrian Enhancement, 13 Street Light, 8 Parks, 9 Neighborhood Signs, 4 Beautification/Other)
 - Proposed Projects: 62 (45 Street Improvement, 7 Street Light, 3 Parks, 7 Beautification/Other)
- Planning Activity: 15 neighborhoods are preparing plan updates; 9 neighborhoods have actively engaged in developing new plans; and two plans have been completed and accepted by the County Board -Penrose (update) and Old Glebe (new)
- Participation in Program: 49 neighborhoods are active in the Neighborhood Conservation Advisory Committee, adding Buckingham, Foxcroft Heights and Forest Glen during FY 2004. Attendance at NCAC meetings averaged 75% during FY 2004, a 5% increase over the previous fiscal year.

Planning Division

Planning Research and Graphics Section

- Worked on development of the County's first all digital General Land Use Plan (GLUP).
- Finalized the Navy Annex Master Plan portion of the Pentagon Master Plan revision.
- Published the annual County Profile that provides the community with demographic, employment, development data and other information.
- Completed the Round 6.4 Cooperative Regional Population and Growth Forecasts with the Council of Governments.
- Worked with our congressional delegation on securing a site for the future Arlington Heritage Center and Black Heritage Museum of Arlington through congressional legislation. Worked toward securing a site for the future Federal Veteran's Appeals Court in Arlington.

Site Plan Project Team

- During the fiscal year the Team worked closely with the Planning Commission to make improvements to the site plan public review process. Staff worked with the Planning Commission on developing the Site Plan Review Committee (SPRC) Operating Guide and the SPRC Site Plan Chair Guide. In addition, staff prepared, and the County Board approved, a Zoning Ordinance Amendment to revise the site plan review cycle, which now allows site plans to be filed at any time, with no designated filing deadlines.
- Managed a caseload of 29 site plans as part of the public review process. Of that total, 14 site plans were approved (including approximately 102,000 square feet of new commercial development and approximately 3,200 new residential units). As part of the public review process, Team members coordinated and attended 44 Site Plan Review Committee meetings, worked on permit and condition compliance on 44 site plans and coordinated the review of 298 different Administrative Change Requests.
- As part of the post-approval compliance process, Team members coordinated and reviewed numerous landscape plans for site plan and by-right developments, of which 39 plans were administratively approved, and reviewed the architectural and urban design of numerous new and approved site plans, of which 25 architectural plans were administratively approved.
- The Team updated the Administrative Regulation 4.1 to require a more comprehensive filing of information, data and graphics to reflect the public review demands. This was a tremendous inter-agency effort, which also included significant input from the Planning Commission and Transportation Commission. The updated regulations are now on the web. The Team continued to update the standard site plan conditions to reflect current County policies.

ENVIRONMENTAL SERVICES

- A realignment of County Operations was announced by the County Manager in April of 2004. The realignment brought together the Office of Support Services, the Department of Environmental Services, and the Department of Public Works, to become in entirety the Department of Environmental Services. The goal of the realignment is to develop a more strategic focus in critical policy areas of transportation, the environment, and capital investment.
- Two critical service areas include:
 - Comprehensive transportation services that accelerate the implementation of Arlington's urban village values related to pedestrian, bike, and transit initiatives and expansion of parking.
 - Integration of capital improvement program development, management and implementation.
- Within the newly created department, resources are being realigned and reallocated by the principal program areas of environment, transportation, and capital planning and project management. Administrative resources will be shared throughout the department. In addition to the General Fund, the Utilities Fund, the Automotive Equipment Fund, the Printing Fund, and the Ballston Public Parking Garage Fund are part of this department. The Office of Risk Management was transferred to the Department of Human Resources.
- In FY 2004, the department accomplished the following:
 - Completed and submitted the Solid Waste Master Plan as required by the Virginia Department of Environmental Quality. The Plan must show compliance with 25% recycling rate in FY 2005, which is a level already met by Arlington County. Plan recommendations will be brought forward as future budget funding requests.
 - Successfully transferred two refuse collection routes to outside contractors resulting in reduced operating costs for the Solid Waste Bureau.
 - Approved new ART services for Columbia Pike Neighborhood Shuttle replacing Metro Line 22.
 - Increase to Commuter Assistance Program budget to subsidize taxi service for residents at least 75 years old.
 - Received County Board approval of Living Wage for contracts with outside contractors.

HUMAN RESOURCES DEPARTMENT

During FY 2004, the Human Resources Department created a strategic plan to focus our efforts on process improvement, employee performance and development, and innovative employer of choice programs. This ambitious plan included both one-year and multi-year goals. All of the one-year projects were completed on time and the three remaining multi-year projects are in progress. Below are highlights of the successes achieved:

- Implemented a new automated recruitment system, NEOGOV, which features online applications, requisitions, applicant screening and referral, and applicant tracking and correspondence. Also re-engineered policies and procedures to expedite recruitment processes including increased frequency of job postings, eliminating subject matter expert requirement, and delegating interview decisions to departments. These changes have resulted in a substantial decrease in the time it takes to provide qualified applicants to departments to fill County vacancies.
- Completed the first phase of HR preparation for the acquisition of an Enterprise Resource Planning (ERP) system which will integrate the human resource, payroll, financial, budget and procurement systems. Attended vendor demonstrations, conducted site visits to other local governments with ERPs, drafted requests for proposals for software, and completed recruitment for an ERP project manager.
- Established a 12-member Employee Council that meets regularly with the Deputy County Manager, the HR Director and others to represent employee interests in county management.
- Issued each employee a personalized summary of compensation and benefits including both employer and employee costs. These summaries provided employees with a better understanding and appreciation for their total compensation package.
- Implemented mandatory direct deposit for all employees. In addition, secure sealed pay statements are now provided to employees which protects their privacy regarding pay and personal deductions.
- Developed and secured approval of variable pay program linked to market and individual competencies and performance for all Human Resources, Budget and Organizational Development Specialists. Developed and conducted extensive training for all participants and supervisors.

- Published a new year-long training and development catalog entitled "Pathways to Success." The catalog provides employees the opportunity to plan their learning journey for the year and provide information on certificate programs, leadership development programs (County and non-County), and various other growth and development opportunities.
- Achieved culmination of three new major employee development initiatives:
 - 1st Line Supervisor Training Program – graduated the first 20 participants from a nine-month program to provide the needed tools and techniques for newly hired, promoted, and/or existing supervisors.
 - Administrative Professional Certificate Program – graduated the first 18 participants of this eighteen-month training program designed to enhance customer service skills, improve organizational effectiveness, and gain new skills to achieve career goals.
 - Aspiring Supervisors – Implemented a program to provide an opportunity for employees who aspire to be supervisors to gain a realistic understanding of what it takes to be an effective supervisor; to assess their own level of readiness; and to acquire necessary competencies. The first 50 participants are now enrolled in this popular program.
- Continued to enhance the County's employer of choice package by developing and implementing a living wage for County employees; creating a pay pilot for uniformed fire employees; adjusting the differential for shift workers; and establishing start-up retirement accounts for permanent employees who were previously in long-term temporary positions.

Awards

Northern Virginia Family Services presented a special Pacesetter CARE (Companies as Responsive Employers) Award to Arlington County for leadership among local governments in family-friendly workplace policies and employee benefits. This award recognizes the innovative employer of choice programs developed over the last several years.

Laura Chalkley, Training & Organization Development Division Chief was named "Personnelist" of the Year by the Local Government Personnel Association of the Baltimore-Washington Area recognizing her efforts leading the County's Training and Development program. Ms. Chalkley was also recognized as a finalist by the HR Leadership Awards of Greater Washington for outstanding leadership, vision and innovation in the Human Resources field

DEPARTMENT OF LIBRARIES

Library activities in FY 2004 furthered the Libraries' mission to provide access to information and to put the world within reach. The outcome – in facilities and remotely – showed a continued increase in use and customer satisfaction high! Customers overall reported a 98.8% satisfaction rate with Library service.

Business in Library and County Facilities

- Circulation increased by 7% overall to 2,580,361. This is on top of a 5% overall increase in FY 2003.
- The Cyber Center computer labs at Columbia Pike and Central had close to 50,000 users, an increase of 18%. Almost 2000 attended classes.
- Volunteers contributed close to 21,000 hours of service.
- Information and Referral had a 12% increase in use overall. More than 50,000 people came to the desk at Courthouse Plaza for information.

Significance: Arlingtonians read, listen, ask and watch more every year. Increased use indicates that the right materials are being selected – and good customer service prevails.

Business in the Virtual Library

- Remote Library website user sessions increased almost 35%.
- More than 89,000 user sessions took advantage of the library's electronic databases.
- 22,000 e books are included in full text in ACORN, the Library's bibliographic database ready to be read online.
- Holds were up 49%, after a 161% increase in FY 2003.
- More than 270,000 materials were renewed electronically – by telephone or by web.
- Almost 5,000 people registered for a Library card online.

Significance: The Library homepage with needed, timely information and services and with good architecture is a virtual "branch". It saves time and will continue to attract more users.

Egov Business

- The County website has more than 17,000 pages, with more than 16,000 internal links and almost 600 external links.
- More than 3.4M County website user sessions took place, a 15% increase.
- More than 20M page views took place on the County website (+10%).
- More than 5M dynamic page views represented a 23% increase in egov transactions. More than 24% of the page views were transaction driven.
- Arlington en Español introduced Spanish language access to many services.
- Information and Referral answered more than 80,000 phone calls.

Significance: Use will continue to grow, particularly in interactive services, as the County website becomes more sophisticated through new architecture and as the public continues to demand "more".

Accomplishments of Note

- Cuentos y Mas, a library bilingual story program in partnership with AVN71, introduced a magic storyteller in an ongoing series.
- AVN71 expanded its Spanish language programming to a daily block of hours.
- Through a panel of local participants Brown vs. the Board of Education made the historic event come alive.
- Reading groups (SOAR, HILT TAB and Parenting Teens Readers) in partnership with Arlington Public Schools continued to reach new reluctant readers.
- Wireless @ Central became fully operational providing wireless Internet access throughout the building.
- Libraries were selected to receive the "Human Rights Collection" of 12 documentaries on major human rights issues.
- The "Read to Me" program at the Detention Center provided an opportunity for inmate parents to read to their children through a recorded session. The program is supported through a grant from the Arlington Community Foundation.

Significance: Each one of these initiatives and programs connects the library to the community and helps the community "put the world within reach".

DEPARTMENT OF MANAGEMENT AND FINANCE

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to Arlington County, Virginia for its CAFR for the fiscal year ended June 30, 2003. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The department believes the FY 2004 CAFR continues to meet Certificate of Achievement program requirements, and has submitted it to GFOA to determine its eligibility for another certificate. The Certificate of Achievement has been awarded to the County for its annual financial report for each of the past 18 fiscal years.

The GFOA presented the Award for Distinguished Budget Presentation to Arlington County, Virginia for its FY 2004 budget. This award is the highest form of recognition in governmental budgeting. To be given an Award for Distinguished Budget Presentation, a governmental unit's budget document must be judged proficient in four areas: as a policy document, operating guide, financial plan, and communications document. An Award for Distinguished Budget Presentation is valid for a period of one year only. An Award for Distinguished Budget Presentation has been presented to the County for each of the past 18 fiscal years.

In addition, in FY 2004 the Department:

- Successfully sold nearly \$60.1 million in General Obligation Bonds at a true interest cost of 4.29 percent.
- Achieved reaffirmation of Arlington's triple-AAA/AAA/Aaa bond rating by Standard & Poor's, Fitch Ratings, and Moody's Investor Services. Arlington is one of just a few counties in the United States to carry a triple-AAA/AAA/Aaa bond rating.
- Successfully negotiated with the Virginia Resources Authority (VRA) a loan in the amount of \$100 million for the County's water pollution control plant and wastewater system. The loan will have a term of 20 years with a cost of funds of 3.1% per annum.

- Completed the first phase of general ledger, procurement, and budgeting preparation for the acquisition of an Enterprise Resource Planning (ERP) system which will integrate the human resource, payroll, financial, budget and procurement systems. Attended vendor demonstrations, conducted site visits to other local governments with ERPs, drafted requests for proposals for software, and completed recruitment for an ERP project manager.

DEPARTMENT OF PARKS, RECREATION, AND COMMUNITY RESOURCES

- Sports Illustrated (SI) and National Recreation and Park Association (NRPA) named Arlington its "Sportstown" for Virginia. The award recognizes the County as having the best sports program in Virginia. Arlington received a "Sportstown" road sign and earned a grant to enhance its sports programs. Arlington also received a mention in the October 8, 2003 SI magazine. SI and NRPA chose Arlington based on a variety of criteria, including the community's involvement in facilitating and enhancing quality sports. Arlington was judged in the following categories: philosophy, policy/procedures, education and training strategies, youth development strategies, community commitment to parks and recreation resources, innovations for community development and scope of programming.
- Arlington County's first certified green building (Langston-Brown School and Community Center) opened. This building won Arlington's first Silver LEED award. This award is sponsored by the United States Green Buildings Council's Leadership in Energy and Environmental Design (LEED) program.
- The North Tract Master Plan for Park and Recreational Facilities was adopted. This 28-acre tract of land represents a once-in-a-generation opportunity to develop a comprehensive recreational plan for one of the few remaining large areas of open space in Arlington County.
- Parks and Natural Resource Division staff took the lead role in clearing trees and limbs blocking streets, sidewalks and trails at over 400 locations following Hurricane Isabel. A County-wide survey conducted after the hurricane revealed that 85% of residents surveyed felt that the County did a "good", "very good" or "excellent" job of clearing downed trees from streets.
- Supported several successful international artist exchanges: With funding from the Mid-Atlantic Arts Foundation, Arlington-based Bowen-McCauley Dance went to Monterrey, Mexico to perform in an international dance festival and teach classes; Cuerpo Etereo traveled from Monterrey to perform with Bowen-McCauley Dance in Arlington; and four Oaxacan artisans came for a two-week residency in Arlington.
- Working with Rosslyn Renaissance and Rosslyn Business Improvement District (BID) corporation personnel, DPRCR hired staff and assigned these in support of operations of the first BID in Arlington. Funding for the staff came through special district taxes. DPRCR staff have been performing additional government services in the Rosslyn BID service district this fiscal year to include: additional cleaning, planting additional grasses, perennials and annuals in the public right of way and park areas, installation of banners and trash cans for a more attractive appearance and in support of special events.

Awards

Arlington County received its 8th consecutive Tree City USA Award from the National Arbor Day Foundation. The award recognizes localities around the country that have met specific criteria that demonstrate commitment to preserving and enhancing their community forests. Additionally, Arlington received its second "Growth Award" from the National Arbor Day Foundation. This award is reserved for communities that go "above and beyond" the requirements for Tree City USA status.

Arlington County achieved its certification as a Wildlife Habitat Community. This effort is a cooperative venture with sponsors that include the County, Arlingtonians for a Clean Environment, the Virginia Native Plant Society, and private citizens.

POLICE DEPARTMENT

Several significant organizational changes occurred within the Department during FY 2004. First, we coordinated the transition of the Parking Review Office from the County Manager's Office to the Police Department. In addition, we expanded the Gang Unit from one permanent full-time detective and one temporary part-time detective to five full-time officers, including a sergeant. This increase in anti-gang resources will contribute to our gang control strategy. Further, the Department added two additional K-9 positions, increasing the total number of K-9 officers to six. The Department also formed a cadet program and Police Explorer post, both of which are designed to develop future police officers.

The Operations Division developed a shift and staffing reorganization plan. The new shift plan was adopted in May 2004 and has delivered the following benefits: 1) continuity of supervision; 2) increased police coverage during peak call-for-service time periods; and, 3) greater flexibility to allow staffing of specialized units. Each of the four police districts now has a district team that can be deployed to address neighborhood policing initiatives. We believe having specialized community policing units provides a stronger connection to the community because of their increased ability to focus on issues specific to their area of responsibility.

In FY 2004, the Police Department graduated more than 40 students from the Citizen's Police Academy. In cooperation with the recently expanded County Office of Emergency Management, the Department is exploring options to revamp our Neighborhood Watch program to increase the ways in which community members can play a role in public safety. These types of police-community partnerships will continue to be a priority throughout FY 2005.

In FY 2004, the Department set in motion a number of projects that will significantly improve our ability to provide a safe and secure community, while at the same time continuing to deliver the exceptionally high level of service Arlingtonians expect.

OPERATIONS

	FY2003	FY2004
Incident reports taken	17,330	16,811
Arrests (adult)	4,931	4,624
Arrests (juvenile)	402	393
Traffic accident investigations	3,492	3,631
Traffic tickets issued	53,483	56,903
DUI arrests	774	643

EMERGENCY COMMUNICATIONS CENTER (ECC)

	FY2003	FY2004
Total calls processed by ECC	544,548	549,000
No. of 911 calls processed by ECC	119,067	142,000

FALSE ALARM UNIT

	FY2000	FY2001	FY2002	FY2003	FY2004
No. of false alarm calls responded to by the Police Department	10,507	5,117	4,860	4,090	5,036
Fines/Penalties collected	N/A	\$52,450	\$268,780	\$111,290	\$138,630
No. of alarm systems registered per FY	N/A	3,852	1,999	1,302	741

PARKING REVIEW OFFICE (PRO)*

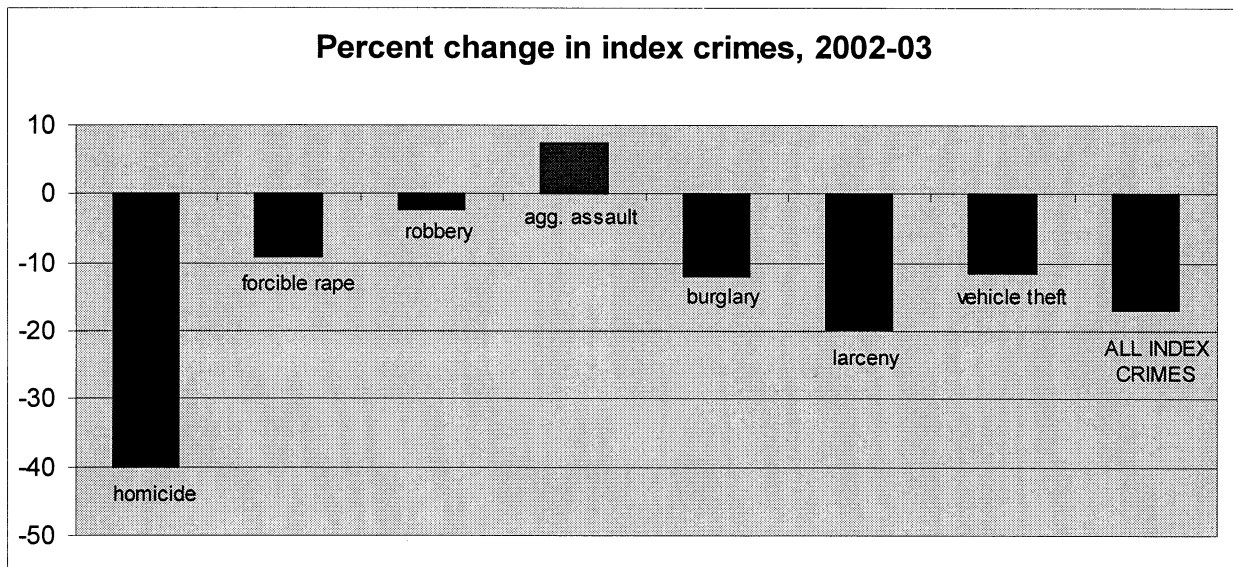
	FY2003	FY2004
No. of parking tickets issued	171,211	185,787
No. of parking tickets adjudicated	N/A	6,587
No. of parking tickets upheld	N/A	5,421

*The PRO was moved to the Department from the County Manager's Office on 10/01/03.

CRIME STATISTICS

Please note that these statistics represent the entire 2003 calendar year and not FY 2004.

Arlington County's index crimes and percent change, 2002-2003			
Offense	2002	2003	% change
homicide	5	3	-40.0%
forcible rape	33	30	-9.1%
robbery	213	208	-2.3%
aggravated assault	190	204	-7.4%
burglary	425	374	-12.0%
larceny—TOTAL	4,990	4,006	-19.7%
larceny—pickpocket	18	25	+39%
larceny—purse snatch	8	1	-87.5%
larceny—shoplifting	804	675	-16.0%
larceny—from building	1,697	1,347	-20.6%
larceny—coin-op mach.	39	48	+23.1%
larceny—from MV	761	665	-12.6%
larceny—MV parts	1,044	757	-27.5%
larceny—all other	619	488	-21.2%
vehicle theft	676	599	-11.4%
TOTAL	6,532	5,424	-17%



OTHER ORGANIZATIONAL UNITS

In addition to the above, the offices of the Commonwealth's Attorney, Clerk of the Courts, Treasurer, County Attorney, County Board, Juvenile and Domestic Relations District Court, General District Court, Sheriff, Arlington Economic Development, Fire Department, Human Services, Technology Services, Arlington Public Schools, Emergency Communications Center, and Voter Registration/Electoral Board, have made progress on the continuous process of improvement in the quality, efficiency, and responsiveness of government services.

Awards and Acknowledgements

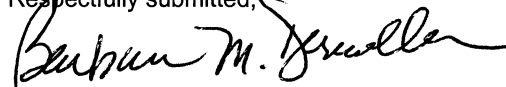
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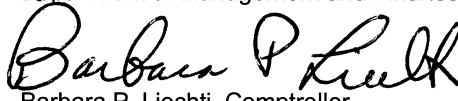
The County continues to maintain a strong financial position through responsible and progressive management of financial operations, by thorough bond official statement disclosure practice, and sound accounting and financial reporting practices. We strongly support the efforts of the Auditor of Public Accounts of the Commonwealth of Virginia, the Governmental Accounting Standards Board, and the Government Finance Officers Association of the United States and Canada to improve accounting and financial reporting standards. The implementation of standards provides, in the County's opinion, a sound framework for a truly "comprehensive" annual financial report. The preparation of this Comprehensive Annual Financial Report was made possible by the efficient and dedicated services of the staff of the Department of Management and Finance. In addition, this report could not have been completed without the active participation of the Treasurer's Office, the Office of the Assistant Superintendent of Finance in the Arlington Public Schools, the County Attorney's Office, the Commissioner of Revenue's Office, and the staff of the County's Retirement Office.

We would like to express our sincere thanks to the staff of the Department of Management and Finance, and to all others who have contributed to the preparation of this report.

Respectfully submitted,



Barbara M. Donnellan, Director
Department of Management and Finance



Barbara P. Liechti, Comptroller
Department of Management and Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arlington County,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

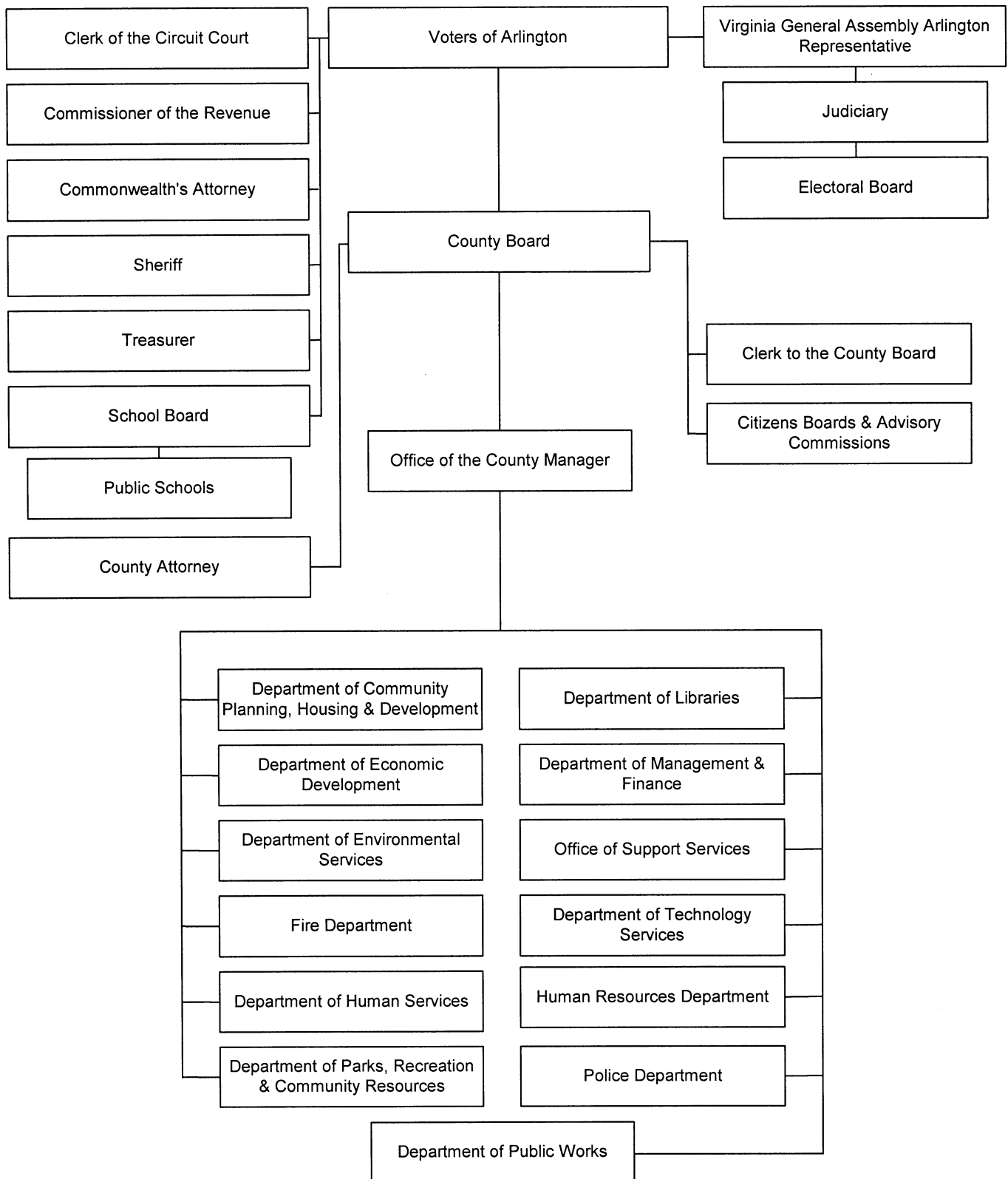
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

ORGANIZATION OF ARLINGTON COUNTY GOVERNMENT



ARLINGTON COUNTY, VIRGINIA

DIRECTORY OF OFFICIALS

June 30, 2004

COUNTY BOARD

Barbara A. Favola, Chairman

Jay Fisette, Vice Chairman

Christopher E. Zimmerman
Paul Ferguson
Walter Tejada

COUNTY SCHOOL BOARD

Libby Garvey, Chair

David Foster, Vice Chair

Elaine Furlow
Mary Hughes-Hynes
Frank K. Wilson

FINANCE BOARD

Barbara A. Favola, Chairman

Francis X. O'Leary, Jr.
Marshall H. Brooks
Richard Trodden

JUDICIAL

Circuit Court Judges:

James Almand
William T. Newman Jr.
Benjamin N.A. Kendrick
Joanne F. Alper

General District Court Judges:

Dorothy Clark
Karen A. Henenberg
Thomas J. Kelley Jr.
Richard McCue

Juvenile and Domestic Relations:
General District Court Judges:

Esther L. Wiggins Lyles
George D. Varoutsos

**ARLINGTON COUNTY, VIRGINIA
DIRECTORY OF OFFICIALS (concluded)**

COUNTY OFFICIALS

Elective

Attorney for the Commonwealth
Clerk of the Court
Commissioner of the Revenue
Sheriff
Treasurer

Richard Trodden
David A. Bell
Ingrid H. Morroy
Beth Arthur
Francis X. O'Leary, Jr.

Administrative – General County

County Manager
County Attorney
Clerk to the County Board
Director of Community Planning, Housing and Development
Director of Parks, Recreation and Community Resources
Fire Chief
Director of Department of Human Services
Director of Department of Libraries
Director of Department of Management and Finance
Director of Office of Support Services
Director of Department of Human Resources
Chief of Police
Director of Department of Environmental Services
Director of Department of Public Works
Director of Department of Technology Services
Director of Department of Economic Development
Registrar of Voters

Ron Carlee
Stephen MacIsaac
Toni Copeland
Susan Bell
Toni Hubbard
Edward Plaughter
Marsha Allgeier
Ann M. Friedman
Barbara M. Donnellan
Hank Leavitt
Marcy Foster
Douglas Scott
John Mausert-Mooney
Randy Barlett
Jack Belcher
Adam Wasserman
Linda Lindberg

Administrative – County School Board

Superintendent of Schools
Clerk of the School Board
Deputy Clerk of the School Board
Assistant Superintendent, Personnel
Assistant Superintendent, Finance
Assistant Superintendent, Instruction
Assistant Superintendent, Student Services
Director, Administrative Services
Director, Schools & Community Relations
Assistant Superintendent, Operations and Facilities

Robert G. Smith
Maria Voultsides
Jean Allhoff/Karen Allen
Betty Hobbs
Susan G. Robinson
Mark Johnston
Alvin Crawley
Meg Tuccillo
Linda Erdos
Clarence Stukes



FINANCIAL



Independent Auditor's Report

The County's financial statements and accounting systems are audited each fiscal year by an independent public accounting firm. The audits are conducted in accordance with generally accepted auditing standards, governmental auditing standards and the "single audit" concept applicable to Federally Assisted Programs.

The independent auditor's report on the County's financial statements is contained in this section. The reports required under the "single audit" concept are included in the Federal Grant Activity section of this report, entitled "FEDERALLY ASSISTED PROGRAMS:

Independent Auditor's Report

The Honorable Members of the County Board
Arlington County, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Arlington County, Virginia (County), as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arlington County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Arlington County, Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 13, 2004 and our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to decrease the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Arlington County, Virginia's basic financial statements. The accompanying supplementary information, such as the introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Henderson LLP

Calverton, Maryland
October 13, 2004



Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is intended to provide the narrative introduction and overview that users need to interpret the Basic Financial Statements. MD&A also provides analysis of some key data presented in the Basic Financial Statements.

Management's Discussion and Analysis

As management of Arlington County, Virginia ("the County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County and its component unit-Schools for the fiscal year ended June 30, 2004. 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 on page 1 of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate school system ("Schools") for which the County is financially accountable. Financial information for this "component unit-Schools" is reported in a separate column from the financial information presented for the primary government itself.

The statement of net assets presents information on all of the County's and Schools' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Government-wide financial statements distinguish functions of the County and Schools 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 County and Schools include: public safety (police and fire protection), judicial (courts, prosecuting offices and detention center), health, welfare and social services, public improvements, streets and highways, planning and zoning, community planning and development, libraries, parks and recreation, education and general administrative services. The business-type activities of the County include the water and sewer functions and the public parking garage operation.

The government-wide financial statements can be found in Exhibits 1, Exhibit 3, and Exhibits 6 through 10 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 County and Schools, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County and Schools 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 County maintains 20 individual governmental funds; the Schools maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and general capital projects fund, which are considered to be major funds. Data from the 18 County governmental funds are combined into a single, aggregated presentation; data from the Schools 8 governmental funds are combined into a single, aggregated presentation as a component-unit, a presentation mandated by state law. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report. The County adopts an annual appropriated budget for its general fund and special revenue funds, including Schools. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The governmental fund financial statements can be found in Exhibit 2, Exhibit 2(A), Exhibit 4, Exhibit 4(A), Exhibit 5, Exhibit A-1 through Exhibit G-3, Exhibit X and Exhibit Y of this report.

Proprietary funds. The County maintains two different 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 County uses enterprise funds to account for its water and sewer operations and its public parking garage operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet of vehicles, for its printing operation, and for its jail industries function. Because these 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 and public parking garage operations, both of which are considered to be major funds of the County. Conversely, the three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in Exhibit D-1 through Exhibit E-3 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found in Exhibit F-1 through Exhibit F-4 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the section titled "NOTES TO THE FINANCIAL STATEMENTS" of this report.

Statement of Net Assets

The following table (Table A-1) reflects the condensed statement of net assets:

Condensed Net Assets

Table A-1

Arlington County Net Assets
(in millions of dollars)

	Primary Government						Component Unit			
	Governmental Activities		Business Type Activities		Total		Schools		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 484.0	\$ 454.9	\$ 55.3	\$ 51.7	\$ 539.3	\$ 506.6	\$ 85.8	\$ 80.6	\$ 625.1	\$ 587.2
Capital assets	\$ 335.7	\$ 326.7	\$ 356.7	\$ 334.2	\$ 692.4	\$ 660.9	\$ 248.8	\$ 227.7	\$ 941.2	\$ 888.6
Total assets	\$ 819.7	\$ 781.6	\$ 412.0	\$ 385.9	\$ 1,231.7	\$ 1,167.5	\$ 334.6	\$ 308.3	\$ 1,566.3	\$ 1,475.8
Long-term debt outstanding	\$ 548.2	\$ 523.3	\$ 81.6	\$ 69.8	\$ 629.8	\$ 593.1	\$ 21.2	\$ 20.3	\$ 651.0	\$ 613.4
Other liabilities	\$ 114.7	\$ 105.4	\$ 10.1	\$ 7.0	\$ 124.8	\$ 112.4	\$ 36.4	\$ 28.2	\$ 161.2	\$ 140.6
Total liabilities	\$ 662.9	\$ 628.7	\$ 91.7	\$ 76.8	\$ 754.6	\$ 705.5	\$ 57.6	\$ 48.5	\$ 812.2	\$ 754.0
Net assets:										
Invested in capital assets										
net of related debt	\$ 39.0	\$ 40.3	\$ 275.1	\$ 264.4	\$ 314.1	\$ 304.7	\$ 248.9	\$ 227.2	\$ 563.0	\$ 531.9
Restricted	\$ 134.4	\$ 134.4	\$ -	\$ -	\$ 134.4	\$ 134.4	\$ 5.7	\$ 21.9	\$ 140.1	\$ 156.3
Unrestricted	\$ (16.6)	\$ (21.8)	\$ 45.2	\$ 44.7	\$ 28.6	\$ 22.9	\$ 22.4	\$ 10.7	\$ 51.0	\$ 33.6
Total net assets	\$ 156.8	\$ 152.9	\$ 320.3	\$ 309.1	\$ 477.1	\$ 462.0	\$ 277.0	\$ 259.8	\$ 754.1	\$ 721.8

Note: Totals may not add due to rounding.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$477.1 at the close of the most recent fiscal year. In the case of the Schools, assets exceeded liabilities by \$277.0 at the close of the most recent fiscal year.

By far the largest portion of the County's and Schools' net assets (74.7%) reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County and Schools use these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's and Schools' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's and Schools' net assets, (18.6%) represents resources that are subject to external restrictions on how they may be used. Any remaining net assets are classified as "Unrestricted net assets". The fact that the County governmental-activities column displays a negative number in that category is explained by the way the Commonwealth of Virginia views its school systems.

In Virginia, state law provides that a school board is a separate legal entity and has long held that school boards hold title to all school assets. However, whether separately elected or appointed by the governing body, Virginia's local school boards do not have the power to levy and collect taxes or issue debt. Purchases of school equipment, buildings or improvements (fixed assets) to be funded by debt financing require the local government to issue the debt. To accommodate GASB 34, a new state law was passed to allow the County and Schools to consider the debt-financed School assets owned by "tenancy in common" and would permit the County to display these assets in the County column. The County has chosen not to do so. Accordingly, in the government-wide financial statements, the "school debt" is reflected in the governmental activities column of the primary government, although the capital assets are reflected in the "Component-unit Schools" column. The final "Total" column, which displays the "Unrestricted capital assets" for the entire government that gives a more complete picture of debt-financed capital assets.

At the end of the current fiscal year, the County and Schools are able to report positive balances in all three categories of net assets for the government as a whole.

Statement of Changes in Net Assets

The following table (Table A-2) displays the County's and Schools' changes in net assets for FY 2004 and FY 2003

Changes in Net Assets

Table A-2
Arlington County Changes in Net Assets
(in millions of dollars)

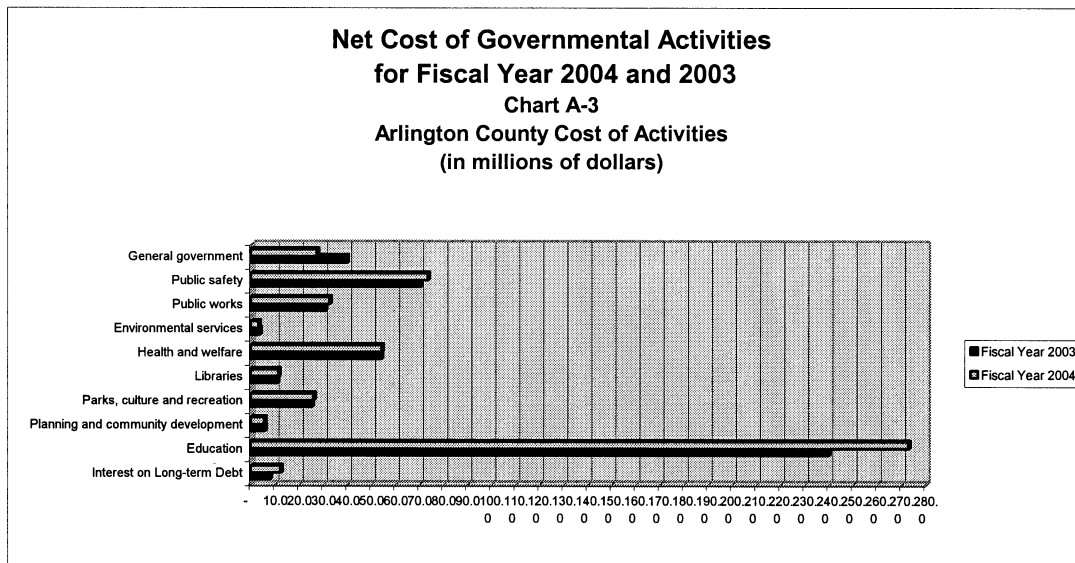
	Primary Government						Component Unit			
	Governmental Activities		Business Type Activities		Total		Schools		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenues										
Program revenue										
Charges to services	\$ 85.0	\$ 80.8	\$ 53.7	\$ 49.3	\$ 138.7	\$ 130.1	\$ 11.4	\$ 10.5	\$ 150.1	\$ 140.6
Operating grants and contributions	\$ 103.0	\$ 104.6	\$ 0.5	\$ 0.2	\$ 103.5	\$ 104.8	\$ 38.0	\$ 36.9	\$ 141.5	\$ 141.7
Capital grants and contributions	\$ 1.8	\$ 1.8	\$ 2.4	\$ 1.0	\$ 4.2	\$ 2.8	\$ -	\$ -	\$ 4.2	\$ 2.8
General revenue										
Property taxes	\$ 420.8	\$ 390.9	\$ -	\$ -	\$ 420.8	\$ 390.9	\$ -	\$ -	\$ 420.8	\$ 390.9
Other local taxes	\$ 86.9	\$ 80.8	\$ -	\$ -	\$ 86.9	\$ 80.8	\$ 13.2	\$ 12.7	\$ 100.1	\$ 93.5
Fine and forfeitures	\$ 9.3	\$ 8.9	\$ -	\$ -	\$ 9.3	\$ 8.9	\$ -	\$ -	\$ 9.3	\$ 8.9
Investment and interest earnings	\$ 9.0	\$ 8.9	\$ 0.6	\$ 1.0	\$ 9.6	\$ 9.9	\$ 0.4	\$ 0.1	\$ 10.0	\$ 10.0
Miscellaneous	\$ 6.1	\$ 8.4	\$ -	\$ -	\$ 6.1	\$ 8.4	\$ -	\$ -	\$ 6.1	\$ 8.4
Total revenues	\$ 721.9	\$ 685.1	\$ 57.2	\$ 51.5	\$ 779.1	\$ 736.6	\$ 63.0	\$ 60.2	\$ 842.1	\$ 796.8
Expenditures										
General government	\$ 132.8	\$ 147.4	\$ -	\$ -	\$ 132.8	\$ 147.4	\$ -	\$ -	\$ 132.8	\$ 147.4
Public safety	\$ 81.7	\$ 77.4	\$ -	\$ -	\$ 81.7	\$ 77.4	\$ -	\$ -	\$ 81.7	\$ 77.4
Public works	\$ 38.7	\$ 35.7	\$ -	\$ -	\$ 38.7	\$ 35.7	\$ -	\$ -	\$ 38.7	\$ 35.7
Environmental services	\$ 11.4	\$ 11.3	\$ -	\$ -	\$ 11.4	\$ 11.3	\$ -	\$ -	\$ 11.4	\$ 11.3
Health and welfare	\$ 93.4	\$ 92.9	\$ -	\$ -	\$ 93.4	\$ 92.9	\$ -	\$ -	\$ 93.4	\$ 92.9
Libraries	\$ 12.0	\$ 11.5	\$ -	\$ -	\$ 12.0	\$ 11.5	\$ -	\$ -	\$ 12.0	\$ 11.5
Parks, culture and recreation	\$ 30.3	\$ 29.0	\$ -	\$ -	\$ 30.3	\$ 29.0	\$ -	\$ -	\$ 30.3	\$ 29.0
Planning and community development	\$ 32.3	\$ 30.4	\$ -	\$ -	\$ 32.3	\$ 30.4	\$ -	\$ -	\$ 32.3	\$ 30.4
Education	\$ 272.8	\$ 239.8	\$ -	\$ -	\$ 272.8	\$ 239.8	\$ 310.0	\$ 287.4	\$ 582.8	\$ 527.2
Debt service:										
Interest and other charges	\$ 12.3	\$ 7.8	\$ -	\$ -	\$ 12.3	\$ 7.8	\$ 8.2	\$ 7.7	\$ 20.5	\$ 15.5
Water and sewer	\$ -	\$ -	\$ 41.8	\$ 38.9	\$ 41.8	\$ 38.9	\$ -	\$ -	\$ 41.8	\$ 38.9
Parking garage	\$ -	\$ -	\$ 4.3	\$ 4.0	\$ 4.3	\$ 4.0	\$ -	\$ -	\$ 4.3	\$ 4.0
Total expenditures	\$ 717.7	\$ 683.2	\$ 46.1	\$ 42.9	\$ 763.8	\$ 726.1	\$ 318.2	\$ 295.1	\$ 1,082.0	\$ 1,021.2
Increase in net assets before sale of property and transfers:										
Sale of property	\$ 4.2	\$ 1.9	\$ 11.1	\$ 8.6	\$ 15.3	\$ 10.5	\$ (255.2)	\$ (234.9)	\$ (239.9)	\$ (224.4)
Transfers	\$ (0.2)	\$ 3.0	\$ -	\$ -	\$ (0.2)	\$ 3.0	\$ -	\$ -	\$ (0.2)	\$ 3.0
Increase (decrease) in net assets	\$ 4.0	\$ 0.7	\$ 11.1	\$ 8.6	\$ 15.1	\$ 9.3	\$ 17.2	\$ 6.0	\$ 32.3	\$ 15.3

Note: Totals may not add due to rounding.

To summarize, the activities of the County and Schools increased net assets as follows:

• Governmental activities	\$4.0	12.4%
• Business type activities	\$11.1	34.4%
• Component-unit Schools	\$17.2	53.2%
TOTAL	\$32.3	100.0%

The following (Chart A-3) displays the net costs of the County's and Schools' governmental activities.



Financial Analysis of the Government's Funds

As noted earlier, the County and Schools use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's and Schools governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's and Schools financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$196.9, an increase of \$3.1 in comparison with the prior year. Approximately, 27.5% of this total amount (\$54.2) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$40.0), to build facilities from general obligation bond proceeds and PAYGO monies (\$101.4) for a variety of other restricted purposes (\$1.3).

The general fund is a major governmental fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$54.1 while total fund balance reached \$62.2. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 8.1% of total general fund expenditures, while total fund balance represents 9.3% of that same amount.

The fund balance of the County general fund increased by \$3.0 during the current fiscal year. Key factors in this increase are as follows:

- Revenue from real property taxes increased due to appreciation in real estate assessments.
- Business and professional license revenues were higher due to the recovering economy.

The general capital projects fund is another major fund of the County. At the end of the current fiscal year, there was no unreserved fund balance of the general capital projects fund while total fund balance reached \$41.2. As a measure of the general capital project fund's liquidity, it may be useful to compare total fund

balance to total expenditures. Total fund balance represents 247.3% of total general capital project fund expenditures.

The fund balance of the County general capital projects fund decreased by \$2.0 during the current fiscal year. The key factor in this decrease is the increased rate of capital project expenditures in keeping with the County's many strategic capital initiatives.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Utilities Fund at the end of the year amounted to \$36.4 and those for the Ballston Public Parking Garage amounted to \$8.8. The total growth in net assets for both funds was 11.3 and (\$0.2) respectively. Other factors concerning the finances of these two funds have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Difference between the original budget and the final budget was \$25.4, which consisted of an increase of \$19.1 in the revenue budget due to increased federal grants, primarily for homeland security, and an increase of \$31.6 in the expenditure budget due to additional appropriations in the following:

- \$ 1.4 in increases allocated to the general government
- \$ 5.2 in increases in public safety
- \$ 2.2 in increases allocated to the departments of public works and environmental services
- \$14.1 in increases allocated to the department of human services
- \$ 1.5 in increases in planning and community development
- \$ 0.7 in increases allocated to the department of parks, recreation, and community resources
- \$ 0.8 in increases in judicial administration
- \$ 5.7 in increases allocated to the general government –non-departmental
- \$12.9 in transfers out to the Schools.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental, business type activities, and component unit-Schools activities as of June 30, 2004 amounts to \$941.2 (net of accumulated depreciation). This investment in capital assets includes land, building and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset acquisitions during the current fiscal year from the general capital projects fund included the following:

- Parks and recreation center improvements - \$1.1
- Transportation and pedestrian initiatives - \$4.0
- Community conservation - \$0.5
- Facility renovation - \$2.8
- Technical assets investments - \$2.4
- Contribution to regional authorities - \$1.0
- Schools improvements - \$14.3
- Utilities improvements - \$10.6

Other capital assets were constructed using bond funds.

Capital Assets

The following table (Table A-4) displays the County and Schools capital assets.

Capital Assets
Table A-4
Arlington County Capital Assets
(net of depreciation, in millions of dollars)

	Primary Government						Component Unit			
	Governmental Activities		Business Activities		Total		Schools		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Land	\$ 83.8	\$ 83.1	\$ 1.8	\$ -	\$ 85.6	\$ 84.1	\$ 4.7	\$ 4.7	\$ 90.3	\$ 88.8
Buildings	\$ 101.2	\$ 95.4	\$ 13.9	\$ 14.7	\$ 115.1	\$ 110.1	\$ 216.8	\$ 193.1	\$ 331.9	\$ 303.2
Equipment	\$ 15.0	\$ 13.2	\$ 1.1	\$ 0.9	\$ 16.1	\$ 14.1	\$ 27.3	\$ 29.9	\$ 43.4	\$ 44.0
Infrastructure	\$ 117.7	\$ 117.7	\$ -	\$ -	\$ 117.7	\$ 117.7	\$ -	\$ -	\$ 117.7	\$ 117.7
Plant - sewer system	\$ -	\$ -	\$ 209.1	\$ 201.0	\$ 209.1	\$ 201.0	\$ -	\$ -	\$ 209.1	\$ 201.0
Plant - water system	\$ -	\$ -	\$ 87.6	\$ 81.4	\$ 87.6	\$ 81.4	\$ -	\$ -	\$ 87.6	\$ 81.4
Construction in progress	\$ -	\$ -	\$ 43.1	\$ 34.4	\$ 43.1	\$ 34.4	\$ -	\$ -	\$ 43.1	\$ 34.4
Internal service funds	\$ 18.0	\$ 17.3	\$ -	\$ -	\$ 18.0	\$ 17.3	\$ -	\$ -	\$ 18.0	\$ 17.3
					\$ -	\$ -				
Total	\$ 335.7	\$ 326.7	\$ 356.6	\$ 332.4	\$ 692.3	\$ 660.1	\$ 248.8	\$ 227.7	\$ 941.1	\$ 887.8

Note: Totals may not add due to rounding

Long-term debt. At the end of the current fiscal year, the County and Schools had total long-term liabilities outstanding of \$651.1. Of this amount, \$582.3 comprises bonds, notes payable and related accrued interest and capital leases backed by the full faith and credit of the government.

The remainder of the County's debt (\$68.8) represents bonds secured solely by specified revenue sources (i.e., revenue bonds) (\$18.7), workers compensation reserves (\$3.2) and accrued compensated absences (\$46.9).

Long-term Debt.

The following table (Table A-5) reflects the County's and Schools long-term debt:

Long-term Debt Outstanding
Table A-5
Arlington County Outstanding Debt
(in millions of dollars)

	Primary government						Component Unit			
	Governmental Activities		Business-type Activities		Total		Schools		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
General obligation bonds**	\$ 505.4	\$ 477.4	\$ 35.2	\$ 39.0	\$ 540.6	\$ 516.4	\$ -	\$ -	\$ 540.6	\$ 516.4
Revenue bonds	\$ -	\$ -	\$ 15.3	\$ 15.8	\$ 15.3	\$ 15.8	\$ -	\$ -	\$ 15.3	\$ 15.8
Mortgage payable	\$ -	\$ -	\$ 3.4	\$ 3.4	\$ 3.4	\$ 3.4	\$ -	\$ -	\$ 3.4	\$ 3.4
Note payable	\$ 8.2	\$ 9.4	\$ 15.0	\$ -	\$ 23.2	\$ 9.4	\$ -	\$ -	\$ 23.2	\$ 9.4
Obligations under capital lease	\$ 7.1	\$ 9.1	\$ -	\$ -	\$ 7.1	\$ 9.1	\$ -	\$ 0.5	\$ 7.1	\$ 9.6
Worker's compensation claims	\$ 3.2	\$ 4.0	\$ -	\$ -	\$ 3.2	\$ 4.0	\$ -	\$ -	\$ 3.2	\$ 4.0
Accrued compensated absences	\$ 24.4	\$ 23.4	\$ 1.3	\$ 1.2	\$ 25.7	\$ 24.6	\$ 21.2	\$ 19.8	\$ 46.9	\$ 44.4
Mortgage and bond interest payable	\$ -	\$ -	\$ 11.4	\$ 10.3	\$ 11.4	\$ 10.3	\$ -	\$ -	\$ 11.4	\$ 10.3
Total	\$ 548.3	\$ 523.3	\$ 81.6	\$ 69.7	\$ 629.9	\$ 593.0	\$ 21.2	\$ 20.3	\$ 651.1	\$ 613.3

Note: Totals may not add due to rounding

** General fund is responsible for bond-financed school capital assets

The County's total debt increased by \$37.8 during the current fiscal year. The key factor in this increase was a \$60.1 general obligation bond issuance for the County and the Schools and the reduction of notes payable, capital leases, workers' compensation, and lowered debt service on the remaining bonds. The County maintains a "AAA" rating from Standard & Poor's and Fitch Investor Services and a "Aaa" rating from Moody's Investor Service for general obligation debt.

Additional information of the County's long-term debt can be found in Note 9 in Notes to the Financial Statements of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 1.6%, which is a small decrease from a rate of 2.3% percent a year ago. This compares favorably to the state's average unemployment rate of 3.2% percent and the national average rate of 5.5% percent.
- The vacancy rate of the County's office buildings marginally increased from 10.8% to 12.6%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Department of Management and Finance, 2100 Clarendon Boulevard, Suite 501, Arlington, Virginia, 22201, or at www.arlingtonva.us/dmf.



Basic Financial Statements

Basic Financial Statements are the core of general-purpose external financial reporting for state and local governments. Basic Financial Statements have three components:

- Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities.
- Fund financial statements which include separate sets of financial statements for governmental funds, proprietary funds and fiduciary funds.
- Notes to the financial statements.

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government			Component Unit	Total
	Governmental Activities	Business-Type Activities	Total	Schools	Government
ASSETS:					
Equity in pooled cash and investments	\$239,694,777	\$41,646,216	\$281,340,993	\$47,116,815	\$328,457,808
Receivables, net	207,418,549	10,054,577	217,473,126	4,666,474	222,139,600
Receivable from primary government	-	-	-	33,729,739	33,729,739
Receivable from other governments	11,715,389	-	11,715,389	-	11,715,389
Inventory	-	848,644	848,644	286,415	1,135,059
Other assets	25,197,954	2,778,625	27,976,579	-	27,976,579
Capital assets:					
Land	83,761,542	1,792,817	85,554,359	4,697,946	90,252,305
Depreciable, net	251,902,307	311,741,870	563,644,177	244,141,346	807,785,523
Construction in progress	-	43,129,441	43,129,441	-	43,129,441
Total capital assets, net	335,663,849	356,664,128	692,327,977	248,839,292	941,167,269
Total Assets	\$819,690,518	\$411,992,190	\$1,231,682,708	\$334,638,735	\$1,566,321,443
LIABILITIES:					
Accounts payable	12,630,230	5,233,664	17,863,894	8,884,695	26,748,589
Deferred revenue	31,618,058	-	31,618,058	656,732	32,274,790
Due to component unit	33,729,739	-	33,729,739	-	33,729,739
Accrued liabilities	15,607,036	4,922,976	20,530,012	24,618,119	45,148,131
Other liabilities	21,039,825	-	21,039,825	2,254,241	23,294,066
Non-current liabilities:					
Due within one year	46,716,072	23,806,293	70,522,365	2,123,226	72,645,591
Due in more than one year	501,545,907	57,767,326	559,313,233	19,109,030	578,422,263
Total liabilities	662,886,867	91,730,259	754,617,126	57,646,043	812,263,169
NET ASSETS:					
Invested in capital assets, net of related debt	38,974,921	275,090,509	314,065,430	248,839,292	562,904,722
Restricted for:					
Capital projects	133,313,816	-	133,313,816	5,713,911	139,027,727
Other projects	1,088,092	-	1,088,092	-	1,088,092
Unrestricted	(16,573,178)	45,171,422	28,598,244	22,439,489	51,037,733
Total net assets	\$156,803,651	\$320,261,931	\$477,065,582	\$276,992,692	\$754,058,274

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

ARLINGTON COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General Fund	General Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and investments	\$103,239,781	\$40,290,341	\$95,073,554	\$238,603,676
Receivables, net	187,703,068	391,108	19,234,508	207,328,684
Due from other funds	2,084,284	-	-	2,084,284
Receivables from other governments	8,508,112	2,283,555	923,722	11,715,389
Other assets	22,810,103	-	-	22,810,103
Totals assets	<u>\$324,345,348</u>	<u>\$42,965,004</u>	<u>\$115,231,784</u>	<u>\$482,542,136</u>
LIABILITIES				
Accounts Payable	8,997,143	956,519	2,343,200	12,296,862
Deferred revenue	200,510,361	-	-	200,510,361
Due to component unit	36,629,004	-	-	36,629,004
Due to other funds	-	-	94,727	94,727
Accrued liabilities	15,607,036	-	-	15,607,036
Other liabilities	426,249	757,074	189,992	1,373,315
Long-term liabilities	-	-	19,165,024	19,165,024
Total liabilities	<u>262,169,793</u>	<u>1,713,593</u>	<u>21,792,943</u>	<u>285,676,329</u>
FUND BALANCES				
Reserved for:				
Encumbrances	4,037,272	10,682,687	25,297,084	40,017,043
Others	4,000,000	30,568,724	66,880,143	101,448,867
Unreserved:				
Designated	54,138,283	-	-	54,138,283
Special Revenue:				
Section 8 Housing	-	-	1,088,092	1,088,092
Travel & Tourism	-	-	82,400	82,400
Special District Assessment	-	-	91,122	91,122
Total Fund Balances	<u>62,175,555</u>	<u>41,251,411</u>	<u>93,438,841</u>	<u>196,865,807</u>
Total liabilities and fund balance	<u>\$324,345,348</u>	<u>\$42,965,004</u>	<u>\$115,231,784</u>	<u>\$482,542,136</u>

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

EXHIBIT 2(A)

ARLINGTON COUNTY, VIRGINIA
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

Total governmental fund balances	\$196,865,807
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	317,677,958
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	168,892,303
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(546,640,414)
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Internal service funds	20,007,997
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Net assets of governmental activities	<hr/> <u><u>\$156,803,651</u></u>
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The notes to the financial statements are an integral part of this statement.

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for services (Includes Licenses, Permits & Fees)	Operating Grants and Contributions	Capital Grants & Contributions
Primary Government:				
Governmental Activities:				
General government	\$132,786,259	\$64,844,873	\$38,897,328	\$1,807,884
Public safety	81,678,550	6,495,849	1,729,714	-
Public works	38,734,103	1,882,116	4,336,927	-
Environmental services	11,356,699	7,915,520	286,122	-
Health & welfare	93,408,624	2,379,890	36,783,153	-
Libraries	12,026,602	459,590	216,239	-
Parks, recreation & culture	30,369,010	4,143,049	352,340	-
Planning & community development	32,338,633	6,254,893	20,455,615	-
Education	272,780,878	-	-	-
Interest and other charges	12,310,760	-	-	-
Total governmental activities	717,790,117	94,375,780	103,057,438	1,807,884
Business-type activities				
Utilities	41,758,123	49,679,885	506,339	2,343,910
Ballston Public Parking Garage	4,314,626	4,021,351	-	-
Total business-type activities	46,072,749	53,701,236	506,339	2,343,910
Total Primary government	763,862,866	148,077,016	103,563,777	4,151,794
Component unit:				
Schools				
Total component unit	310,065,960	11,407,742	38,045,445	-
General Revenues:				
Property Taxes:				
Real estate property taxes				
Personal property taxes				
Other Local taxes:				
Business, professional occupancy license taxes				
Other local taxes				
Investment and interest earnings				
Miscellaneous				
(Loss) on sale of capital assets				
Total General revenues				
Change in net assets				
Net assets, beginning				
Net assets, ending				

EXHIBIT 3

Governmental Activities	Business-Type Activities	Total	Component Unit Schools
(\$27,236,174)	-	(\$27,236,174)	-
(73,452,987)	-	(73,452,987)	-
(32,515,060)	-	(32,515,060)	-
(3,155,057)	-	(3,155,057)	-
(54,245,581)	-	(54,245,581)	-
(11,350,773)	-	(11,350,773)	-
(25,873,621)	-	(25,873,621)	-
(5,628,125)	-	(5,628,125)	-
(272,780,878)	-	(272,780,878)	272,423,625
(12,310,760)	-	(12,310,760)	(8,201,289)
<u>(518,549,015)</u>	<u>-</u>	<u>(518,549,015)</u>	<u>264,222,336</u>
-	10,772,011	10,772,011	-
-	(293,275)	(293,275)	-
<u>-</u>	<u>10,478,736</u>	<u>10,478,736</u>	<u>-</u>
<u>(518,549,015)</u>	<u>10,478,736</u>	<u>(508,070,279)</u>	<u>264,222,336</u>
-	-	-	(260,612,773)
341,211,003	-	341,211,003	-
79,602,097	-	79,602,097	-
45,090,463	-	45,090,463	-
41,766,426	-	41,766,426	13,222,628
8,967,138	642,326	9,609,464	357,253
6,055,102	-	6,055,102	-
(180,417)	-	(180,417)	-
<u>522,511,812</u>	<u>642,326</u>	<u>523,154,138</u>	<u>13,579,881</u>
<u>3,962,797</u>	<u>11,121,062</u>	<u>15,083,859</u>	<u>17,189,444</u>
<u>152,840,854</u>	<u>309,140,869</u>	<u>461,981,723</u>	<u>259,803,248</u>
<u>\$156,803,651</u>	<u>\$320,261,931</u>	<u>\$477,065,582</u>	<u>\$276,992,692</u>

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

ARLINGTON COUNTY, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General Fund	General Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes:				
Real Estate property taxes	\$325,543,791	-	-	\$325,543,791
Personal property taxes	79,602,097	-	-	79,602,097
Other Local taxes:				
BPOL	45,090,463	-	-	45,090,463
Other local taxes	40,016,733	-	1,749,693	41,766,426
Fines and forfeitures	9,357,346	-	-	9,357,346
Licenses, permits and fees	56,334,983	-	-	56,334,983
Intergovernmental	84,553,209	3,458,143	16,853,970	104,865,322
Charges for services	26,906,703	1,776,748	-	28,683,451
Interest and rent	8,012,783	11,000	943,355	8,967,138
Miscellaneous revenues	2,636,223	200,000	-	2,836,223
Total revenues	678,054,331	5,445,891	19,547,018	703,047,240
EXPENDITURES:				
Current operating:				
General government	122,453,396	-	-	122,453,396
Public safety	76,414,954	-	-	76,414,954
Public works	28,257,443	-	-	28,257,443
Environmental services	10,734,107	-	-	10,734,107
Health and welfare	88,197,009	-	-	88,197,009
Libraries	11,290,850	-	-	11,290,850
Parks, recreation and culture	27,450,241	-	1,071,964	28,522,205
Planning and community development	12,654,493	-	17,678,225	30,332,718
Education	258,194,496	-	-	258,194,496
Debt service				
Principal	22,728,755	-	-	22,728,755
Interest and other charges	12,087,485	-	-	12,087,485
Capital outlay	-	16,652,171	30,081,003	46,733,174
Total expenditures	670,463,229	16,652,171	48,831,192	735,946,592
Excess(deficiency) of revenues over expenditures	7,591,102	(11,206,280)	(29,284,174)	(32,899,352)
OTHER FINANCING SOURCES(USES)				
Transfers in	1,812,413	9,205,000	247,000	11,264,413
Transfers out	(9,821,540)	-	(953,173)	(10,774,713)
Proceeds from capital lease	1,179,948	-	-	1,179,948
Premium from sale of bonds	2,212,334	-	-	2,212,334
School construction funding	(28,000,000)	-	-	(28,000,000)
Proceeds of sale of bonds	28,000,000	-	32,070,000	60,070,000
Total other financing sources and uses	(4,616,845)	9,205,000	31,363,827	35,951,982
Net change in fund balances	2,974,257	(2,001,280)	2,079,653	3,052,630
Fund balances, beginning	59,201,298	43,252,691	91,359,188	193,813,177
Fund balances, ending	\$62,175,555	\$41,251,411	\$93,438,841	\$196,865,807

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

ARLINGTON COUNTY, VIRGINIA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds		\$3,052,630
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Add: Capital acquisitions	23,086,773	
Less: Depreciation expense	<u>(14,507,201)</u>	8,579,572

In the Statement of Activities, only gain(loss) on capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset.

(230,728)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

15,667,212

Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add: Debt repayment-debt principal	40,084,383	
Less: Proceeds from bonds and capital leases	(61,249,948)	
Bond premium to be amortized	(3,664,705)	
Amortization other charges and bond issue costs	<u>(223,275)</u>	(25,053,545)

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 such as compensated absences and workers compensation

(253,529)

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported by governmental activities:

Additional revenue for internal service	289,851	
Net operating gain internal service funds	<u>1,911,334</u>	<u>2,201,185</u>

Change in net assets of governmental activities		<u><u>\$3,962,797</u></u>
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The notes to the financial statements are an integral part of this statement.

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
For the Year Ended June 30, 2004

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive(Negative)
REVENUES:				
General Property taxes:				
Real estate	\$314,330,086	\$314,330,086	\$325,543,791	\$11,213,705
Personal	82,526,305	82,526,305	79,602,097	(2,924,208)
Other Local taxes	79,125,250	79,705,250	85,107,196	5,401,946
Licenses, permits and fees	53,927,349	53,927,349	56,334,983	2,407,634
Charges for services	31,004,956	26,742,956	26,906,703	163,747
Fines and forfeitures	9,261,920	9,261,920	9,357,346	95,426
Grants:				
State grants	53,649,283	56,283,763	58,693,884	2,410,121
Federal grants	22,878,734	38,595,103	25,859,325	(12,735,778)
Use of money and property	6,182,767	10,053,767	8,012,783	(2,040,984)
Miscellaneous revenue	1,280,267	1,815,342	2,636,223	820,881
Total Revenues	654,166,917	673,241,841	678,054,331	4,812,490
EXPENDITURES:				
General Government Administration				
County Board	\$617,798	699,671	710,493	(10,822)
County Manager	3,011,884	3,128,831	3,356,409	(227,578)
Financial Management	4,297,254	4,324,563	4,320,037	4,526
Civil Service	17,329	17,329	13,099	4,230
Human Resources	4,842,253	4,691,198	4,762,755	(71,557)
Technology Services	12,673,920	13,361,153	12,183,583	1,177,570
County Attorney	1,424,232	1,424,232	1,464,543	(40,311)
Office of Support Services	9,296,528	9,468,056	9,466,048	2,008
Commissioner of Revenue	3,641,292	3,641,292	3,625,294	15,998
Treasurer	4,866,035	4,866,035	4,913,547	(47,512)
Electoral Board	563,236	568,236	608,731	(40,495)
Total General Government	45,251,761	46,190,596	45,424,539	766,057
Judicial Administration				
Circuit Court	2,462,409	2,490,641	2,323,538	167,103
District Court	268,454	268,454	228,353	40,101
Juvenile & Domestic Relations Court	4,282,063	4,724,320	4,524,502	199,818
Commonwealth Attorney	3,092,656	3,184,262	2,984,055	200,207
Sheriff & Jail	23,277,531	23,521,243	24,276,721	(755,478)
Total Judicial Administration	33,383,113	34,188,920	34,337,169	(148,249)
Public Safety				
Police	39,281,133	42,974,736	40,623,125	2,351,611
Emergency Communications Center	4,764,054	4,764,054	4,779,799	(15,745)
Fire	29,919,869	31,458,074	31,012,030	446,044
Total Public Safety	73,965,056	79,196,864	76,414,954	2,781,910
Public Works				
Public Works	27,934,968	29,749,383	28,257,443	1,491,940
Environmental Services	10,486,805	10,891,364	10,734,107	157,257
Total Public Works	38,421,773	40,640,747	38,991,550	1,649,197
Health & Welfare	85,926,612	99,990,060	88,197,009	11,793,051
Libraries	11,322,678	11,605,173	11,290,850	314,323

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

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance Positive(Negative)
	Original	Final		
Planning & Community Development				
Economic development	2,592,646	3,078,508	2,693,229	385,279
Community Planning, Housing & development	9,957,751	11,027,906	9,961,264	1,066,642
Total Planning & Community Development	12,550,397	14,106,414	12,654,493	1,451,921
Parks and Recreation	26,751,867	27,520,051	27,450,241	69,810
Non-Department				
Non-Departmental	24,357,101	30,043,225	25,299,164	4,744,061
Debt Service				
Principal payment	22,403,858	22,403,858	22,728,755	(324,897)
Interest payment	12,469,154	12,469,154	11,971,729	497,425
Other costs	100,000	100,000	115,756	(15,756)
Regionals/Contributions	6,262,608	6,262,608	6,342,024	(79,416)
METRO	11,050,500	11,050,500	11,050,500	-
Total Non-Departmental	76,643,221	82,329,345	77,507,928	4,821,417
Total Expenditures	404,216,478	435,768,170	412,268,733	23,499,437
Excess of revenues over expenditures	249,950,439	237,473,671	265,785,598	28,311,927
Other Financing Sources (Uses)				
Transfers-in	229,500	229,500	1,812,413	1,582,913
Transfers-out	(261,453,712)	(274,339,645)	(268,016,036)	6,323,609
Premium on bond sale	-	-	2,212,334	2,212,334
Proceeds from capital lease	-	-	1,179,948	1,179,948
Total other financing sources/(uses)	(261,224,212)	(274,110,145)	(262,811,341)	11,298,804
Net change in fund balance	(11,273,773)	(36,636,474)	2,974,257	39,610,731
Fund Balance - beginning of year	59,201,298	59,201,298	59,201,298	-
Fund Balance - end of year	<u>\$47,927,525</u>	<u>\$22,564,824</u>	<u>\$62,175,555</u>	<u>\$39,610,731</u>

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2004

	Business-type activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Utilities	Ballston Public Parking Garage	Total	
ASSETS:				
Current assets:				
Equity in pooled cash and investments	\$28,308,026	\$13,338,190	\$41,646,216	\$1,091,101
Receivables, net	10,051,497	3,080	10,054,577	89,865
Due from component unit	-	-	-	2,899,265
Inventory, at cost	848,644	-	848,644	592,539
Other current Assets	2,508,645	269,980	2,778,625	-
Total Current assets	<u>41,716,812</u>	<u>13,611,250</u>	<u>55,328,062</u>	<u>4,672,770</u>
Capital assets:				
Land	1,792,817	-	1,792,817	-
Depreciable, net	297,595,217	14,146,653	311,741,870	17,985,891
Construction in progress	43,129,441	-	43,129,441	-
Total capital assets, net	<u>342,517,475</u>	<u>14,146,653</u>	<u>356,664,128</u>	<u>17,985,891</u>
Total Assets	<u>384,234,287</u>	<u>27,757,903</u>	<u>411,992,190</u>	<u>22,658,661</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	4,918,840	314,824	5,233,664	333,368
Accrued liabilities	446,044	4,476,932	4,922,976	-
Due to primary government	-	-	-	194,245
Other liabilities	-	-	-	501,486
Due within one year	11,160,187	12,646,106	23,806,293	339,983
Total Current liabilities	<u>16,525,071</u>	<u>17,437,862</u>	<u>33,962,933</u>	<u>1,369,082</u>
Non-current Liabilities:				
Due in more than one year	40,875,062	16,892,264	57,767,326	1,281,582
Total liabilities	<u>57,400,133</u>	<u>34,330,126</u>	<u>91,730,259</u>	<u>2,650,664</u>
NET ASSETS:				
Invested in capital assets, net of related debt	290,482,226	(15,391,717)	275,090,509	16,364,326
Unrestricted	<u>36,351,928</u>	<u>8,819,494</u>	<u>45,171,422</u>	<u>3,643,671</u>
Total net assets	<u>\$326,834,154</u>	<u>(\$6,572,223)</u>	<u>\$320,261,931</u>	<u>\$20,007,997</u>

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

ARLINGTON COUNTY, VIRGINIA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type activities-Enterprise Funds			Governmental Activities Internal Service Funds
	Utilities	Ballston Public Parking Garage	Total Business-type Activities	
OPERATING REVENUES:				
Water-sewer service charges	\$38,085,984	\$-	\$38,085,984	\$-
Water-service hook-up charges	3,575,011	-	3,575,011	-
Water-service connection charges	520,992	-	520,992	-
Sewage treatment service charges	5,533,881	-	5,533,881	-
Other charges for services	1,964,017	-	1,964,017	15,737,715
Parking charges	-	4,021,351	4,021,351	-
Total Operating revenues	49,679,885	4,021,351	53,701,236	15,737,715
OPERATING EXPENSES:				
Personnel services	11,321,070	-	11,321,070	3,900,394
Fringe benefits	2,424,419	-	2,424,419	930,075
Cost of store issuances	-	-	-	3,439,257
Contractual services	8,667,018	1,652,484	10,319,502	-
Purchases of water	6,500,908	-	6,500,908	-
Materials and supplies	3,868,534	234,819	4,103,353	516,704
Utilities	-	-	-	109,297
Outside services	-	-	-	1,287,567
Depreciation	5,103,683	502,452	5,606,135	3,330,022
Deferred rent	-	405,000	405,000	-
Miscellaneous	2,312,328	250,834	2,563,162	313,065
Total Operating expenses	40,197,960	3,045,589	43,243,549	13,826,381
Operating income	9,481,925	975,762	10,457,687	1,911,334
NON-OPERATING REVENUES(EXPENSES)				
Interest income and other income	582,938	59,388	642,326	-
Interest expense and fiscal charges	(1,560,163)	(1,269,037)	(2,829,200)	-
Interest payment on capital lease	-	-	-	(66,550)
Contributions from developers and other sources	2,343,910	-	2,343,910	-
State grant	506,339	-	506,339	-
Gain on disposal of assets	-	-	-	116,861
Total non-operating revenues(expenses)	1,873,024	(1,209,649)	663,375	50,311
Net Income(loss) before operating transfers	11,354,949	(233,887)	11,121,062	1,961,645
TRANSFERS:				
Transfers in	-	-	-	369,540
Transfers out	-	-	-	(130,000)
Total net transfers	-	-	-	239,540
Change in net assets	11,354,949	(233,887)	11,121,062	2,201,185
Net assets - beginning of year	315,479,205	(6,338,336)	309,140,869	17,806,812
Net assets - end of year	\$326,834,154	(\$6,572,223)	\$320,261,931	\$20,007,997

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Business-type activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Utilities	Ballston Public Parking Garage	Total Business-type Activities	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$49,666,096	\$4,896,364	\$54,562,460	\$906,573
Cash received from interfund charges	-	-	-	14,258,808
Cash paid to suppliers	(17,515,527)	(2,220,026)	(19,735,553)	(5,573,891)
Cash paid to employees	(13,636,274)	-	(13,636,274)	(4,872,479)
Net cash flows from operating activities	18,514,295	2,676,338	21,190,633	4,719,011
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	396,729	59,388	456,117	-
Net cash flows from investing activities	396,729	59,388	456,117	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer out to other funds	-	-	-	(130,000)
State grant	506,339	-	506,339	-
Temporary loan from General Fund	-	-	-	122,245
Transfers in	-	-	-	369,540
Net cash flows from non-capital financing activities	506,339	-	506,339	361,785
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments - bonds	(3,742,624)	(500,000)	(4,242,624)	-
Payment of principal on capital lease	-	-	-	(339,787)
Payment of interest on capital lease	-	-	-	(66,550)
Proceeds of Suntrust notes payable	6,200,000	-	6,200,000	-
Proceeds of VRA loan payable	8,749,767	-	8,749,767	-
Contributions from other sources	2,343,910	-	2,343,910	-
Interest and other loan expenses paid	(1,482,369)	(290,122)	(1,772,491)	-
Purchases of property	(29,843,758)	-	(29,843,758)	(4,110,126)
Proceeds from sale of equipment	-	-	-	244,056
Net cash flows from capital and related financing activities	(17,775,074)	(790,122)	(18,565,196)	(4,272,407)
Net increase(decrease) in cash and cash equivalents	1,642,289	1,945,604	3,587,893	808,389
Cash and cash equivalents at beginning of year	26,665,737	11,392,586	38,058,323	282,712
Cash and cash equivalents at end of year	\$28,308,026	\$13,338,190	\$41,646,216	\$1,091,101
Reconciliation of operating income to net cash flow from operations:				
Operating Income	\$9,481,925	\$975,762	\$10,457,687	\$1,911,334
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	5,103,683	502,452	5,606,135	3,330,022
(Increase)Decrease in accounts receivable	(13,789)	(3,080)	(16,869)	(572,334)
(Increase)Decrease in due from primary government	-	878,093	878,093	-
(Increase)Decrease in inventories	5,785	-	5,785	7,101
Increase (Decrease) in prepaid expenses	960,000	-	960,000	-
Increase(Decrease) in vouchers payable	3,049,782	(81,889)	2,967,893	84,897
Increase(Decrease) in compensated absences	109,215	-	109,215	(42,009)
Increase(Decrease) in contract retainage	(32,881)	-	(32,881)	-
Increase(Decrease) in other accrued liabilities	(149,425)	405,000	255,575	-
Net cash flows from operations	\$18,514,295	\$2,676,338	\$21,190,633	\$4,719,011

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Pension Trust	All Other Private Purpose Trust Funds	Total Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Equity in pooled cash and investments	\$91,409,631	\$299,409	\$22,431,597
Accounts receivable	5,599,794	-	1,005
Receivable from other government		-	1,988,553
Investments at fair value	<u>1,041,737,952</u>	<u>8,692,441</u>	<u>-</u>
Total assets	<u>\$1,138,747,377</u>	<u>\$8,991,850</u>	<u>\$24,421,155</u>
LIABILITIES:			
Accounts payable and accrued liabilities	\$5,787,865	\$336,007	\$22,625,843
Due to primary government	<u>-</u>	<u>-</u>	<u>1,795,312</u>
Total liabilities	<u>5,787,865</u>	<u>336,007</u>	<u>24,421,155</u>
NET ASSETS	<u><u>\$1,132,959,512</u></u>	<u><u>\$8,655,843</u></u>	<u><u>\$-</u></u>

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

EXHIBIT 10

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the year ended June 30, 2004

	Pension Trust	All Other Private Purpose Trust Funds
ADDITIONS:		
Contributions and Revenues:		
Employer/Employee Contributions	\$17,296,313	\$-
Shared revenues	-	2,459,328
Private donations	-	55,323
	<u>17,296,313</u>	<u>2,514,651</u>
Total contributions		
	<u>17,296,313</u>	<u>2,514,651</u>
Investment earnings:		
Interest and other	29,874,306	260,714
Securities Lending & Commission	498,031	-
Net change in fair value of investments	134,917,849	(148,438)
	<u>165,290,186</u>	<u>112,276</u>
Total investment earnings(losses)		
	<u>165,290,186</u>	<u>112,276</u>
Less investment expenses	6,249,609	-
	<u>159,040,577</u>	<u>112,276</u>
Net investment earnings(losses)		
	<u>159,040,577</u>	<u>112,276</u>
Total additions	<u>176,336,890</u>	<u>2,626,927</u>
DEDUCTIONS:		
Administrative expenses	1,290,740	3,770,475
Other private purpose program expenses	-	52,803
Retirees pension expense	50,291,250	-
	<u>51,581,990</u>	<u>3,823,278</u>
Total deductions		
	<u>51,581,990</u>	<u>3,823,278</u>
Change in net assets	<u>124,754,900</u>	<u>(1,196,351)</u>
Net assets - Beginning of the year	<u>1,008,204,612</u>	<u>9,852,194</u>
Net assets - End of the year	<u>\$1,132,959,512</u>	<u>\$8,655,843</u>

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

ARLINGTON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The government's significant accounting policies are described below.

I. Accounting Policies

A. The Financial Reporting Entity

Arlington County, Virginia (the "County") is a jurisdiction of the Commonwealth of Virginia and is governed by a five-member County Board. As required by GAAP, these financial statements present the County (primary government) and its component unit, the Arlington County Public Schools (the "Schools"), an entity for which the primary government is considered to be financially accountable. As a discretely presented component unit, the Schools are reported in a separate column in the combined financial statements, to emphasize that it is legally separate from the County.

Discretely Presented Component Units

Arlington County Public Schools (the "Schools") is a legally separate entity that provides educational services to citizens of the County. It is administered by a five-member School Board that is elected by the citizens. The Schools are fiscally dependent on the County since they are not legally authorized to raise taxes or issue debt. The Auditor of Public Accounts of the Commonwealth of Virginia ("APA") is responsible for all financial reporting by jurisdictions within the Commonwealth. APA has determined that the Schools must be displayed as a discretely presented component unit in all the comprehensive annual financial reports of primary governments in the Commonwealth, which have responsibility for school systems. The Schools do not issue separate component unit financial statements and has a June 30 year-end.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments ("GASB 34") established that the basic financial statements and required supplementary information should consist of the following sections:

- *Management's discussion and analysis (MD&A).*
 - MD&A will introduce the basic financial statements and provide an analytical overview of the government's financial activities.
- *Basic financial statements.* The basic financial statements include:
 - *Government-wide* financial statements, consisting of a statement of net assets and a statement of activities.
 - *Fund financial statements* consisting of a series of statements that focus on information about the government's major governmental and enterprise funds, including its blended component units. Fund financial statements also should report information about the government's fiduciary funds and components units that are fiduciary in nature.
 - *Notes to the financial statements* consisting of notes that provide information that is essential to a user's understanding of the basic financial statements.
- *Required supplementary information (RSI).* In addition to MD&A, this Statement requires budgetary comparison schedules to be presented as RSI along with other types of data as required by previous GASB pronouncements.

The County has followed the guidance of the Government Finance Officers Association of the United States and Canada ("GFOA") and included the required budgetary comparison for the major governmental fund as Exhibit 5 in the Basic Financial Statements section. It has included the other data required by previous GASB statements in the Notes to the Financial Statements in the Basic Financial Statements. Therefore, the CAFR does not include a separate RSI section.

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 financial statements. 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 measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

D. Funds

The Funds used by the County and the Schools are organized under the following broad categories.

Governmental Fund Types: Governmental Funds are those which are used to account for most general governmental functions of the County and the Schools. The acquisition, use and balances of the County and Schools' expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are included in these Funds. The measurement focus of these Funds is based upon determination of, and changes in, financial position rather than upon net income determination. The following are the County's and the Schools' Governmental Fund Types.

The **General Fund** is the government's major governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, State and Federal distributions, licenses, permits, charges for services and interest income are accounted for in this Fund. A significant part of the Fund's revenue is transferred to the Schools to finance their operations, pay-as-you-go capital projects, and debt service requirements.

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The Funds used for the Schools include the school operating, school cafeteria, school special grants, school debt service, school community activities, and school comprehensive services funds. County travel and tourism promotion, special assessment districts, community development block grants, and Section 8 housing grants are also accounted for in these funds.

The **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds), including general capital projects and various construction bond funds.

Proprietary Fund Types: Proprietary Funds are used to account for County operations which are similar to those often found in the private sector. The measurement focus of these Funds is the determination of net income through matching revenues earned with the expenses incurred to generate such revenues. The operations of such Funds are generally intended to be self-supporting. The following are the County's Proprietary Fund Types.

The **Enterprise Funds** account for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such activities. Enterprise Funds consist of the Utilities (water and sewer) and the Ballston Public Parking Garage Funds.

The government reports the following major proprietary funds:

The **Utilities Fund** accounts for the activities of the water pollution control plant and the water distribution system.

The **Ballston Public Parking Garage Fund** accounts for the activities of the parking garage operation.

Additionally, the government reports the following fund types:

Internal Service Funds account for fleet management, jail industries, and printing services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Fiduciary Fund Types: The Fiduciary Funds account for the assets received and disbursed by the County government acting in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The County reports the following fiduciary fund types:

The **Private-purpose Trust Funds** are used to account for resources legally held in trust to provide for capital costs of repairs to the waste-to-energy plant and other solid waste purposes and funds set aside for various social service programs.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

The ***Pension Trust Fund*** accounts for the activities of the Arlington County Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The ***Agency Funds*** account for assets held by the County as an agent for individuals, private organization, other governmental units and/ or funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance

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 Utilities Fund, of the Ballston Public Parking Garage Fund, and of the government's internal service funds are charges to customers for sales and services. The Utilities Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All appropriations are legally controlled at the departmental level. The School Board prepares a separate operations budget for approval by the County Board. The proposed budget includes a recommended program of County and School capital expenditures to be financed from current operations. The County Board also approves a separate six-year Capital Improvement Program. The Budget presentation displayed in Exhibit 5 is formatted differently than the governmental fund statements but the overall ending balance is identical.

F. Equity in Pooled Cash and Investments

The County pools substantially all cash and investments, including those held by the Schools, except for separate cash and investment accounts that are maintained in accordance with legal restrictions. Each Fund's equity share of the total pooled cash and investments is included on the accompanying balance sheet under the caption "Equity in Pooled Cash and Investments." The Code of Virginia, Sections 2.2-4500 through 4517, and the investment policy of the County as revised by the County Finance Board in April 2004, authorize the County Treasurer to invest County funds in obligations of the United States Treasury, U.S. Government agencies, obligations of the Commonwealth and its subdivisions, obligations of other states and of other counties, cities, etc. of such states upon which there is no default, commercial paper rated A-1 by Standard & Poor's, Inc., P-1 by Moody's Commercial Paper Record, F-1 by Fitch Investor's Services, Inc., D-1 by Duff and Phelps, Inc., banker's acceptances, repurchase agreements, municipal bonds, and the certificates of deposit and the Local Government Investment Pool. The investment policy specifies that no investment may have maturity greater than two years from the date of purchase, except for funds invested in the Capital Reserve Fund. The Capital Reserve Fund consists of monies which the Treasurer may designate for longer term investment since these funds are not currently required to meet the County's working capital needs. The Pension Trust Fund is also authorized to make investments as deemed appropriate by its Board of Trustees and in compliance with the U.S. Department of Labor regulations. It is required by County ordinance to maintain at least twenty-five percent of its portfolio in fixed income investments.

The County has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program ("SNAP") and the Commonwealth Cash Reserve Fund ("AIM"). SNAP and AIM are designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

These programs provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities and towns.

Investments in the Pension Trust Fund consist of investment instruments, domestic and international stocks and bonds, U.S. Treasury notes and bonds, and real estate and real estate notes which are held in the County' s name by the Fund' s Trustee who serves as the Pension System' s agent. Temporary investment funds on deposit with financial institutions were fully insured by the Federal Deposit Insurance Corporation up to \$100,000 for each Retirement System participant.

Investments are recorded at fair value based on quoted closing market prices except for real estate notes reported in the Pension Trust Fund. Investments in real estate notes in the Pension Trust Fund are stated at their remaining balance due, which approximates market. In accordance with its adopted investment policy, the Retirement System has invested in foreign currency forward contracts, which are valued at fair market value, as a risk management tool. All interest earned on cash and investments pooled by the County is recorded in the County's General Fund as legally allowed, except for separate cash and investments accounts or funds legally entitled to interest earned.

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from primary government", "due to/from component unit" or "due to/from other funds" (i.e., the current portion of interfund loans to the schools or primary government) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. "Accounts receivable, net" for the Utilities Fund includes water and sewer services used by customers but not yet billed. Unbilled revenues are estimated based on the billing cycles of each customer.

All taxes, assessments, service charges and other receivables are shown net of an allowance for uncollectibles. The County's allowance for uncollectible receivables is based upon historic non-collection percentages.

H. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in first-out method for inventories in the Utilities and Schools Funds. Inventories acquired by the Utilities Fund and the Automotive Equipment Fund are accounted for using the consumption method. Inventories in the School Cafeteria Fund are accounted for using the purchase method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets for both primary government and component unit schools are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. For infrastructure capital assets, this maintenance is carried in the General Capital Projects (Pay-Go) Fund. Additions to infrastructure capital assets are provided by capital outlays from the Street and Highway bond funds. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as of the component unit is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Water/sewer system	75
Parking garage	45
Infrastructure	40
Building/improvements	40
Furniture and fixtures	10
Other capital assets	3-20

J. Compensated Absences

County employees are granted vacation leave based upon length of employment; a total of 35 days of vacation may be carried over from one year to the next. Teachers do not earn vacation leave. Compensatory leave is granted to some County employees for overtime work on an hour-to-hour basis; no more than 80 hours of compensatory leave may be carried over from one year to the next. The County and the Schools do not place a maximum limitation on the accumulation of sick leave, which may be carried over from one year to the next. Compensatory leave is vested, while sick leave vests under certain limited circumstances.

Accumulated vested unpaid compensated absences for the County and the Schools in both the government-wide and the Proprietary Funds are recorded as an expense and liability of those funds as the benefits accrue to employees.

K. Arbitrage Rebate Liability

The U.S. Treasury has issued regulations on calculating the rebate due the Federal government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the County temporarily invests the proceeds of tax exempt debt in securities with higher yields. The County treats the estimated rebate payable as a reduction of available financial resources in the fund that earned the arbitrage profit. Accordingly, interest earnings are reduced by the amount of the increase in the estimated rebate payable and a liability is reported in the appropriate fund. At June 30, 2004, there was no arbitrage rebate liability.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

M. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

N. Comparative data/reclassifications

Comparative total data for the prior year have been presented in the accompanying combining financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Certain FY 2003 amounts have been reclassified to conform to the FY 2004 presentation.

O. Cash and Cash Equivalents

For Statement of Cash Flows reporting purposes, cash and cash equivalents include cash on hand, demand deposits, equity in highly liquid cash and investments pools, certificates of deposit, repurchase agreements and commercial paper with initial maturities of three months or less.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(546,640,414) difference as follows

General obligation bonds - general government	\$(284,212,847)
General obligation bonds - Schools	(217,539,411)
Compensated absences - general government	(24,442,690)
Worker's compensation - general government	(3,168,567)
Capital leases - general government	(5,507,995)
Notes payable	(8,200,000)
Bond issue costs and deferred amount on refunding, net	95,801
Current year Bond premium to be amortized - County	(2,212,334)
Current year Bond premium to be amortized – Schools	(1,452,371)
	<u>\$(546,640,414)</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and changes in *net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.” The details of this \$8,579,572 difference are as follows:

Capital acquisitions	\$23,086,773
Depreciation expense	(14,507,201)
Net adjustment to increase <i>net changes in fund balances</i> total <i>governmental funds</i> to arrive at changes in <i>net</i> <i>assets of governmental activities</i>	<u>\$8,579,572</u>

Another element of the reconciliation states that “In the Statement of Activities, only the *gain* (loss) on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets.”

Net adjustment to <i>decrease net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(230,728)</u>
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Another element of the reconciliation states that “Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds”. The details of this difference are as follows:

Deferred property tax revenue 6/30/04	\$168,892,303
Deferred property tax revenue 6/30/03	(153,225,091)
Net adjustment to increase net changes in fund balances – total governmental funds arrive at changes in net assets of governmental activities	<u>\$15,667,212</u>

Another element of that reconciliation states that “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets” The details of this \$(25,053,545) difference are as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Debt issued or incurred:	
Issuance of general obligation bonds - County	\$(32,070,000)
Issuance of general obligation bonds – Schools	(28,000,000)
 Capital lease financing – General Government	 (1,179,948)
	<u>(61,249,948)</u>
Principal repayments:	
General obligation debt – County	22,728,752
General obligation debt – Schools	13,413,618
Notes payable	1,200,000
Capital leases	2,742,013
	<u>40,084,383</u>
 Bond premium to be amortized	 (3,664,705)
 Other charges and bond issue costs	 (223,275)

Net adjustment to decrease <i>net changes in fund balances</i> - total governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$(25,053,545)</u></u>
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Another element of that reconciliation states that “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 such as compensated absences and worker’s compensation”. The detail of this \$(253,529) difference are as follows:

Compensated absences	\$(1,052,423)
Worker’s compensation	<u>798,894</u>

Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of government activities	<u><u>\$(253,529)</u></u>
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Another element of that reconciliation states that “Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported by governmental activities.”

Additional revenue – internal service funds	\$(289,851)
Net operating income – internal service funds	<u>(1,911,334)</u>

Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$(2,201,185)</u></u>
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ARLINGTON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 2. Legal Compliance

The County Manager's proposed budget for the following fiscal year is presented to the County Board in February. Public hearings on the proposed budget and tax rates are held in early spring and are followed by a series of work sessions of the County Board, during which preliminary funding decisions regarding proposed operating and capital programs are reached. Final County Board decisions are incorporated into the appropriation, tax, and budget resolutions for the fiscal year. These resolutions are generally approved by the County Board in April and a separate Adopted Budget document is issued subsequent to the Board approval. Under Virginia law, the County Board must adopt the School Board budget no later than May 1 of the current fiscal year.

Supplemental appropriations may be approved by the County Board subsequent to the adoption of the original budget. In FY 2004 such appropriation amendments totaled \$7,567,717 and are reflected in the amounts presented in the financial statements. In addition, the County Board can approve transfers of appropriations between County departments and the County Manager can approve budget transfers within a department's appropriation. The level of budgetary control in the County is at the department level. Expenditures exceeded the level of control in FY 2004 for the following departments; the County Board Office, the County Manager's Office, the Human Resources Department, the County's Attorney's Office, the Treasurer's Office, the Electoral Board Office and the Sheriff's Office. The County Board will re-appropriate funds to increase these budgets in the annual closeout package in November of FY 2004. Management will ensure these departments develop better budget estimates in future years.

The Ballston Parking Garage (an Enterprise Fund) commenced operations in 1986 and has generated sufficient positive cash flow since inception to meet its operating and revenue bond debt service requirements, however when considering limited liabilities (deferred ground rent and a deferred mortgage payable) and depreciation, the garage has a retained deficit of \$(9,074,648) at June 30, 2004. The deferred ground rent and deferred mortgage payable are limited liabilities and are only payable under certain net operating income circumstances. The deficiency has been caused by slower than anticipated commercial development of the areas adjacent to the garage and limitations on parking rates. Under its agreement with The May Company (Center Mark Properties, Inc.) the County was precluded from initially increasing some key parking rates. Management of the County believes that the most recent rate increases and subsequent rate increases in future fiscal years coupled with the completion of adjacent development projects will result in the eventual achievement of a positive equity position.

The Printing Fund (an Internal Service Fund), incurred a net loss of \$134,671 in FY 2004, resulting in an increased retained deficit of \$(193,339). User fees were raised in FY 2004 but still did not generate enough revenue to reduce this deficit. Management will evaluate additional measures to reduce the deficit in FY 2005.

NOTE 3. Cash and Investments

The County maintains a cash and investment pool in which each County and Schools fund participates on a dollar equivalent and daily transaction basis. Bank deposits and investments of the Pension Trust are held separately from those of the County.

A. Deposits

At year-end, the carrying amount of the County and School deposits was (\$111,714,875) and the bank balance was \$124,449,697. Of the bank balance, \$702,899 was covered by Federal depository insurance. The bank balances exceeding those covered by Federal insurance are protected under the provisions of the Virginia Security for Public Deposits Act ("the Act"). Pension Trust funds on deposits with financial institutions of \$170,843 at June 30, 2004 were fully insured by the Federal Deposit Insurance Corporation up to \$100,000 for each Retirement System participant. None of the bank balance was uninsured or uncollateralized in banks or savings and loans associations not qualifying under the Act at June 30, 2004. The bank deposit balance and the book balance in the Alexandria/ Arlington Waste Disposal Trust Fund at June 30, 2004 was \$271,456 and consisted of a money market account.

The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and report requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the

ARLINGTON COUNTY, VIRGINIA

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claims of governmental entities. If the value of the pool's collateral is inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Funds deposited in accordance with the requirements of the Act are considered fully secured and thus are not categorized below.

B. Investments

The Code of Virginia authorizes the County Treasurer to invest County funds in obligations of the United States Treasury, U.S. Government agencies, obligations of the Commonwealth and its subdivisions, obligations of other states and of other counties, cities, etc. of such states upon which there is no default, commercial paper rated A-1 by Standard & Poor's Inc., P-1 by Moody's Commercial Paper Record, F-1 by Fitch Investor's Services, Inc., D-1 by Duff and Phelps Inc., banker's acceptances, repurchase agreements, municipal bonds, and the Local Government Investment Pool ("the LGIP"). Pursuant to Sec.2.2-4602 Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in the LGIP is the same as the value of the pool shares, i.e. the LGIP maintains a stable net asset value of \$1 per share. The investment policy specifies that except for the Capital Reserve Fund, at no time shall an investment bear a maturity greater than twenty-four months from the date of purchase.

The Capital Reserve Fund is that portion of the County's investment portfolio which the County Treasurer may designate for longer term investment, since these funds are not currently required to meet the County's working capital needs. Investments in the Capital Reserve Fund may be invested for periods greater than two years. The Capital Reserve Fund, which is managed by Public Financial Management, Inc., must comply with the requirements of the Code of Virginia with respect to the investment of local funds. The Capital Reserve Funds investment portfolio consists of corporate notes and notes of federal agencies. The Pension Trust Fund is authorized to make investments as deemed appropriate by its Board of Trustees and in compliance with the U.S. Department of Labor regulations. It is required by County ordinance to maintain at least twenty-five percent of its portfolio in fixed income investments.

SunTrust Bank, as trustee for holders of bonds for the Ballston Public Parking Garage, is authorized to invest in all investment instruments for the County Treasurer. As of June 30, 2004, the Trustee Bank had \$14,735,205 in a U.S. government money market fund consisting of securities approved for direct investment. The Trustee Bank is also the trustee for the Alexandria/Arlington Waste Disposal Trust Fund and Arlington Solid Waste Authority. Investments in the amount of \$8,692,441 in U.S. government securities and agency obligations at fair value were held by the Trustee Bank at June 30, 2004.

The County has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program ("SNAP") and the Commonwealth Cash Reserve Fund ("AIM"). SNAP and AIM are designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities and towns. As of June 30, 2004, the County had \$147,322,161 in the SNAP short-term investment pool and \$5,702,946 in the AIM short-term investment pool.

The County's other investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. The Capital Reserve Fund investments are held in the County's name by State Street Bank as the County's agent. The other investments are held in the County's name by the Trust Department of the Chase Manhattan Bank. Category 2 includes investments which are uninsured or unregistered with securities held by a counter-party's agent or trust department in the County's name. Category 3 includes uninsured or unregistered securities held by a counter-party or its agent or its trust department but not in the County's name. The Retirement System categorizes its investments in the same manner as the County. Category 1 includes investments that are held in the Retirement System's name by the Bank of New York as the System's custodian. Category 2 includes investments that are uninsured with securities held by a counter-party's agent or trust department in the System's name. Category 3 includes uninsured or unregistered securities held by a counter-party or its agent or its trust department but not in the name. The following tables summarize the amount in the respective categories.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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	Categories (in thousands)			Fair Value
	1	2	3	
County Pooled Investments:				
US government securities and agency obligations	\$27,207	\$-	\$-	\$27,207
Repurchase agreements	-	-	6,670	6,670
Capital Reserve Fund:				
Federal agency bond/notes	21,636	-	-	21,636
Corporate notes	2,177	-	-	2,177
US Treasury notes	11,894	-	-	11,894
Total	\$62,914	\$-	\$6,670	\$69,584

Investments not subject to categorization:

State Non-Arbitrage Program (SNAP)	147,322
Commonwealth Cash Reserve (AIM)	5,703
Commonwealth Cash Reserve (Capital Reserve Fund)	645
SunTrust Trusco Money Market Fund	10,033
Asset T-Fund James Monroe Bank	122
Virginia Commerce Money Market	5,031
Total Investments	\$238,440

	Categories (in thousands)			Carrying Amount (at fair value)
	1	2	3	
Pension Trust Fund				
Corporate obligations	\$234,289	\$-	\$-	\$234,289
Domestic & foreign equities	376,983	-	-	376,983
Foreign, municipal and U.S. government obligations	69,031	-	-	69,031
Short-term investment fund	-	-	69,047	69,047
Total	\$680,303	\$-	\$69,047	\$749,350

Investments not subject to categorization:

Private investments	28,325
Real estate funds and notes	15,619
Pooled equity and fixed income	340,213
Total	384,157
Total Pension Trust Fund Investment	\$1,133,507

As permitted by the Arlington County Code, the System invests in various derivative instruments on a limited basis in accordance with the System's investment policy. At June 30, 2004 the System held derivative securities valued at \$3.6 million, less than 0.4% of the total value of the pension investments. The System invests directly in unleveraged commodities futures contracts to enhance return and hedge against rising inflation. Some market risk accrues from these investments. The credit risk of these investments

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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results from the credit worthiness of the counterparties to the contracts. The System maintains cash investments in the custodian's STIF account and rebalances monthly to insure that unintended leverage does not arise. As of June 30, 2004, the System's commodities account was valued at \$51.7 million, including \$3.6 million in futures contracts and \$48.1 million in cash. During FY 2004, the System invested directly in foreign currency forward contracts. The System entered into these investments either to increase earnings or to hedge against potential losses. Investments in foreign currency forward contracts generally contain market risk resulting from fluctuations in currency rates. The credit risk of these investments results from the creditworthiness of the counter-parties to the contracts. The foreign currency forward contracts held by the System never exceed the value of the respective foreign currency denominated stock held by the System. As of June 30, 2004, the global tactical asset allocation program had been terminated and the System held no foreign currency forward contracts.

The System engages in securities lending transactions through the Bank of New York (BoNY). In accordance with the contract, BoNY may lend any securities held in the Fund. Maturity matched collateral of cash, cash equivalents or irrevocable letters of credit are held at the minimum rate of 102% for domestic securities and 105% for international securities. The collateral is maintained by BoNY and all securities on loan are callable at any time. The System does not have the ability to invest, pledge, or sell the collateral. The System did not impose any restriction during the period on the amounts of loans BoNY made on its behalf and BoNY indemnifies the System by agreeing to purchase replacement securities, or to remit the cash collateral held in the event that the borrower fails to return loaned securities. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceeds the amounts the borrowers owe the System. Credit risk is mitigated both by the collateral and by the credit of BoNY. There were no such failures by any borrower during the fiscal year nor were there any losses during the year resulting from default of the borrower or lending agent.

NOTE 4. Receivables, net

Receivables at June 30, 2004 are summarized below.

	Governmental Activities	Business-type Activities
Real estate taxes	\$170,444,385	\$-
Personal property taxes	5,418,445	-
Omitted business licenses tax	6,131,302	-
Omitted meals tax	738,913	-
Accounts receivable	28,167,636	10,175,623
Interest	343,313	28,954
Total	<u>\$211,243,994</u>	<u>\$10,204,577</u>
Less: Allowance for uncollectible accounts	<u>(3,825,445)</u>	<u>(150,000)</u>
Net receivables	<u>\$207,418,549</u>	<u>\$10,054,577</u>

Real Estate assessments are based on 100% of the fair market value of land and improvements as of January 1 of each year; January 1 has also been established as the lien date for real property by state law.

The County Board establishes the tax rates on or about April 1 of each year, at which time the County has the legal right to request payment. Real Estate taxes are due in two equal installments on June 5 and October 5. Included in real estate taxes receivable is the unbilled October 5 installment. This October due amount, totaling \$168,892,303, has also been recorded as deferred revenue since these revenues are not considered to be available to finance current year expenditures.

Personal property tax assessments, relating principally to motor vehicles and tangible property belonging to businesses, are based on 100% of the fair market value of the property as of January 1. Personal property taxes are due on October 5.

The County's allowance for uncollectible taxes and service fees for water and sewer services is based upon historic non-collection percentages.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 5. Capital Assets

The following is a summary of the balances in the County and Schools General Capital Assets at June 30, 2004.

Primary Government	
Land	\$83,761,542
Infrastructure	336,410,748
Building	142,410,701
Furniture, fixtures and equipment	37,593,627
Total General Capital Assets	<u>600,176,618</u>
Accumulated Depreciation	
Infrastructure	(218,713,463)
Building	(41,243,953)
Furniture, fixtures and equipment	(22,541,244)
Total Accumulated Depreciation	<u>(282,498,660)</u>
Net Book Value – Primary Government	<u>317,677,958</u>
Internal Service Funds:	
Furniture, fixture and equipment	36,602,312
Less: Accumulated depreciation	<u>(18,616,421)</u>
Net Book Value – Internal Service	<u>17,985,891</u>
Total Book Value Primary Government and Internal Service Funds	<u>\$335,663,849</u>
Component Unit: Schools	
Land	\$4,697,946
Building	281,684,501
Furniture, fixtures and equipment	64,249,992
Total School Capital Assets	<u>350,632,439</u>
Accumulated Depreciation	
Building	(64,929,554)
Furniture, fixtures and equipment	(36,863,593)
Total Accumulated Depreciation	<u>(101,793,147)</u>
Net Book Value – Schools	<u>\$248,839,292</u>

The following is a summary of Enterprise Fund type property, plant and equipment, at June 30, 2004.

Enterprise Fund	
Land	\$1,792,817
Sewer system	264,288,686
Water system	110,863,713
Parking garage	22,315,887
Furniture and fixtures	1,793,267
Equipment	253,504
Construction in progress	43,129,441
	<u>444,437,315</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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Accumulated depreciation	
Sewer System	(55,153,139)
Water Service	(23,266,025)
Furniture/ Fixture and Equipment	(931,285)
Parking Garage/ Building	(8,422,738)
	<u>(87,773,187)</u>
Net Book Value - Enterprise Funds	<u>\$356,664,128</u>

The proprietary enterprise fund operations of the County include the water and sewer system reported in the Utilities Fund and the parking garage operations reported in the Ballston Public Parking Garage Fund. As of June 30, 2004, the Construction in Progress in the various enterprise funds of the County are:

Utilities Pay-as-You Go Projects	\$39,753,087
Utilities Water Bond Fund Projects	2,045,703
Utilities Waste Water Treatment Facilities	<u>1,330,651</u>
Total Construction in Progress	<u>\$43,129,441</u>

Depreciation expense was charged to functions of the County and Schools as follows:

FUNCTION AND ACTIVITY

	Depreciation expense
Primary government:	
Governmental activities:	
General government	\$3,536,901
Public safety	1,022,692
Public works, including depreciation of infrastructure assets	8,908,418
Environmental services	26,867
Health and welfare	316,826
Libraries	109,128
Parks, recreation and culture	263,870
Planning and community development	322,499
Total Depreciation Expense - Governmental Activities	<u>14,507,201</u>
Internal Service	<u>3,330,022</u>
Total Depreciation Expense – Governmental and Internal Service Activities	<u>\$17,837,223</u>
Business-type activities:	
Utilities	\$5,103,683
Ballston Public Parking Garage	502,452
Total Depreciation Expense – Business-type Activities	<u>\$5,606,135</u>
Component unit – Schools	
Schools	<u>\$12,444,484</u>
Total Depreciation Expense – Component Unit – Schools	<u>\$12,444,484</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 6. Risk Management

The County is exposed to various risks of loss relative to property, liability, revenue and personnel. The systematic identification and analysis of exposures to risk, implementation of risk control and loss mitigation techniques, and utilization of appropriate risk financing alternatives encompasses the management of these risks. It is the general philosophy of the County to retain risks internally up to economically prudent retention levels and account for necessary claim settlements in the General Fund. For excess exposure levels, specialized exposures and where commercial insurance is available at cost-effective premiums, the County will transfer some risk to commercial insurance carriers through the purchase of insurance policies, while maintaining the integrity of the County's strategic self-insurance objectives. The major self-insurance programs are workers' compensation, employees' health insurance, and the self-insured retention portion of general, automobile, and public officials' liability. For each major self-insurance program the County uses the professional services of a third-party administrator to adjudicate claims and recommend appropriate reserves for outstanding claims. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The amount of settlement did not exceed the insurance coverage for each of the last three years. At June 30, 2004 the current portion of these liabilities was \$2.612 million; the non-current portion was \$3.168 million. These liabilities are the County's best estimate based on available information.

Changes in the reported liabilities since July 1, 2002 resulted from the following:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year- End
2002 – 2003				
Current	\$1,576,800	\$26,516,791	\$25,744,391	\$2,349,200
Long Term	3,338,903	3,411,885	2,783,327	3,967,461
2003 – 2004				
Current	2,349,200	28,390,630	28,127,830	2,612,000
Long Term	3,967,461	1,592,322	2,391,216	3,168,567

In addition, the County has designated a General Fund balance self-insurance reserve of \$3,500,000 as of June 30, 2004. The County maintains a General Fund operating reserve that totaled \$14,400,000 as of June 30, 2004. Since its establishment in FY 1986, this operating reserve has not been used, but has been increased to its current funding level which is greater than or equal to 2% of the General Fund budget.

NOTE 7. Operating Leases

The County leases office space and equipment under various long-term lease agreements. The building lease agreements are subject to various adjustments during the terms of the leases. Future minimum rental payments for each of the following years ending June 30, are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$12,258,720
2006	12,554,498
2007	12,784,385
2008	13,091,246
2009	13,218,610
	<u>\$63,907,459</u>

In FY 2003, the County renewed and amended the operating lease agreement of the Court House Plaza to include the ninth floor premises. Total square feet of office space under the new 15 year agreement is 208,433. As part of the Court House Plaza lease agreement, the County receives 50% of the net cash flow generated by office and residential buildings located in the Court House area, subject to a minimum of \$150,000 annually. During the fiscal year ended June 30, 2004 the County received \$1,464,764 under

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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these lease agreements. The County has also entered into a 45-year lease agreement for approximately 4.41 acres of land for the construction and operation of the Ballston Public Parking Garage. Cumulative lease payments are payable only when the garage attains certain cash flow targets which have not occurred since the inception of the lease. This liability amounts to \$4,476,932 and is accrued in the General Fund as of June 30, 2004. In FY 2000, the County entered into a long term operating lease agreement for 145,777 square feet of office space and additional garage space to consolidate the operations of its Department of Human Services at 3033 Clarendon Boulevard.

NOTE 8. Capital Leases

The annual future minimum lease payments as of June 30, 2004 are as follows:

PRIMARY GOVERNMENT

General Government:

<u>Year Ending June 30,</u>	<u>Technology Services</u>	<u>Criminal Justice Academy</u>	<u>Human Services</u>	<u>Emergency Communication Center</u>	<u>Public Works</u>
2005	\$419,693	\$196,134	\$497,278	\$257,187	\$515,082
2006		196,134	497,277	257,188	582,646
2007	-	196,134			463,272
2008	-	196,139	-	-	194,675
2009	-		-	-	40,985
2010	-	-	-	-	40,985
Total Minimum Lease Payments	\$419,693	\$784,541	\$994,555	\$514,375	\$1,837,645
Less Imputed Interest	<u>(5,669)</u>	<u>(248,365)</u>	<u>(48,105)</u>	<u>(24,879)</u>	<u>(89,021)</u>
Present Value of Minimum Payments	<u>\$414,024</u>	<u>\$536,176</u>	<u>\$946,450</u>	<u>\$489,496</u>	<u>\$1,748,624</u>

<u>Year Ending June 30,</u>	<u>Electoral Board</u>	<u>Fire</u>	<u>Environmental Services</u>	<u>Total General Government</u>
2005	\$130,104	\$127,179	\$87,978	\$2,230,635
2006	130,105	127,179		1,790,529
2007	130,104	127,179	-	916,689
2008	130,105	127,179	-	648,098
2009		127,179	-	168,164
2010	-	254,357	-	295,342
Total Minimum Lease Payments	\$520,418	\$890,252	\$87,978	\$6,049,457
Less Imputed Interest	<u>(23,523)</u>	<u>(98,864)</u>	<u>(3,136)</u>	<u>(541,462)</u>
Present Value of Minimum Payments	<u>\$496,895</u>	<u>\$791,388</u>	<u>\$84,842</u>	<u>\$5,507,995</u>

ARLINGTON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

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Internal Service Funds:

<u>Year Ending June 30</u>	<u>Printing</u>	<u>Auto Equipment</u>	<u>Total Internal Service Funds</u>
2005	\$15,821	\$378,354	\$394,175
2006		378,354	378,354
2007		378,354	378,354
2008		378,354	378,354
2009		206,689	206,689
2010		35,023	35,023
Total Minimum Lease Payments	15,821	1,755,128	1,770,949
Less Imputed Interest	(302)	(149,082)	(149,384)
Present Value of Minimum Lease Payments	\$15,519	\$1,606,046	\$1,621,565

NOTE 9. Long-Term Debt

A. General Obligation Bonds

All outstanding bonds, except revenue bonds, constitute legally binding obligations of the County. The County Board is authorized and required by law to levy ad valorem taxes, without limitation as to rate or amount, on all taxable property within the County to pay the principal and any interest on the bonds. There is no overlapping debt for the County and no legal debt limit for counties in Virginia. There is, however, a requirement that general obligation bonds be approved by the voters at referenda before authorization for sale and issuance. Maturities of general obligation bonds currently outstanding, including interest, excluding premiums, are as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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ARLINGTON COUNTY, VIRGINIA
GENERAL OBLIGATION BONDS

FISCAL YEAR	GENERAL FUND		SCHOOL FUND		UTILITY FUND		TOTAL G.O. BONDS	
	P	I	P	I	P	I	P	I
2005	22,805,996	13,464,566	14,548,057	10,190,082	3,130,947	1,773,121	40,485,000	25,427,769
2006	22,635,563	12,419,521	14,496,172	9,575,978	2,953,265	1,656,626	40,085,000	23,652,125
2007	22,612,908	11,657,587	14,426,127	8,943,314	3,245,965	1,250,269	40,285,000	21,851,170
2008	21,783,216	10,383,916	14,356,721	8,323,751	3,430,064	1,264,147	39,570,001	19,971,814
2009	21,682,673	9,373,555	14,311,638	7,682,431	3,415,690	1,114,963	39,410,001	18,170,949
2010	20,408,739	8,347,430	13,808,558	7,037,576	3,232,706	962,076	37,450,003	16,347,082
2011	20,366,258	7,341,500	13,790,829	6,343,091	3,217,913	782,597	37,375,000	14,467,188
2012	19,997,365	6,343,820	13,585,570	5,651,835	2,997,065	609,452	36,580,000	12,605,107
2013	16,759,201	5,327,814	12,373,704	4,975,641	2,602,095	455,450	31,735,000	10,758,905
2014	15,327,098	4,538,870	12,364,502	4,370,656	2,588,401	325,209	30,280,001	9,234,735
2015	14,494,853	3,783,937	10,926,034	3,779,251	769,113	172,307	26,190,000	7,735,495
2016	11,945,901	3,126,196	9,540,125	3,259,069	768,974	133,598	22,255,000	6,518,863
2017	11,949,723	2,537,038	9,541,302	2,791,701	768,974	94,729	22,259,999	5,423,468
2018	9,679,247	1,973,263	8,685,667	2,330,490	695,085	55,693	19,059,999	4,359,446
2019	8,899,450	1,524,421	7,952,900	1,928,546	347,650	29,362	17,200,000	3,482,329
2020	7,009,449	1,094,837	5,912,900	1,544,950	132,650	11,442	13,054,999	2,651,229
2021	6,307,495	759,720	5,336,309	1,263,786	96,198	4,810	11,740,002	2,028,316
2022	4,447,707	458,384	3,812,293	1,010,211			8,260,000	1,468,595
2023	3,425,000	244,063	2,775,000	828,381			6,200,000	1,072,444
2024	1,675,000	79,563	2,775,000	697,175			4,450,000	776,738
2026			2,775,000	569,500			2,775,000	569,500
2027			2,775,000	439,025			2,775,000	439,025
2028			2,775,000	308,550			2,775,000	308,550
2029			2,775,000	180,875			2,775,000	180,875
2030			1,120,000	53,200			1,120,000	53,200
	284,212,842	104,780,001	217,539,408	94,079,065	34,392,755	10,695,851	536,145,005	209,554,917

B. Advance Refunding

At June 30, 2004, \$155,360,000 of outstanding General Obligation Bonds are considered to be defeased and are not reflected on the balance sheet.

C. Revenue Bonds – Ballston Public Parking Garage

Revenue Bonds of \$22,300,000 were issued by the County in 1984 to provide for the acquisition and construction of a public parking garage facility. The bonds were issued in the form of Variable Rate Revenue Bonds to mature on August 1, 2017, and are subject to redemption as a whole or in part, at any time, at the principal amount thereof, plus accrued interest at the County's discretion. The loans are not general obligations of the County and are payable solely from gross revenues arising from the operations of the garage facilities, an irrevocable direct pay letter of credit in the initial principal amount of \$25,648,055 and other funds which may be available to the project. The County has a "moral" obligation to consider appropriating funds should a shortfall in revenues affect the payments to the bondholders. Debt service payments on the bonds are further secured by a deed of trust on the garage facilities and related assets. As of June 30, 2004, \$15,300,000 is outstanding under these revenue bonds.

The interest rate on the bonds is determined weekly, using a Variable Interest Index, calculated under the terms of the bond issuance agreements. The rate may be converted to a fixed interest rate at the discretion of the County during the term of the bonds. The

ARLINGTON COUNTY, VIRGINIA

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initial interest rate was 6.9%, at no time can exceed 15%, and averaged approximately 1.00% in FY 2004. Interest is payable quarterly prior to conversion to a fixed interest rate, and on June 1 and December 1 of each year thereafter until maturity, purchase or earlier redemption. The direct pay letter of credit is substantially collateralized by the assignment of the land lease and other agreements, and will expire in September of 2004. Interest on drawings is payable at an interest rate publicly announced by the bank. When interest is due to the bondholders, the direct pay letter of credit pays the bondholders by drawing down on the letter of credit and then immediately seeking reimbursement from garage revenues.

Using a usual and customary direct-pay letter of credit mechanism, during FY 2004, the County drew from the letter of credit \$154,691 to pay bondholders for the interest accrued on the revenue bonds. The letter of credit drawdowns were immediately repaid by the County from garage revenues held in trust at the time of the drawdowns. The fees associated with the letter of credit were \$58,417 in FY 2004. Also in FY 2004 \$500,000 of bond principal was repaid from garage revenues in accordance with the terms of the letter of credit agreement.

D. Mortgage Debt

The County entered into an agreement (the "Agreement") dated August 1, 1984, for the purchase of an existing parking garage facility at a total purchase price of \$3,929,679. An initial payment of \$500,000 was made on October 22, 1986, with the remaining balance of \$3,429,679 payable annually with 8% interest per annum beginning in FY 1988. Principal and interest are payable solely from revenues derived from garage operations, at \$275,000 and \$375,000 for the first 10 years and the next 17 years, respectively. In any year that there is not sufficient cash flow, payments under the note shall be deferred; however, the note shall be due and payable in full, 45 years from the date of the note. At June 30, 2004, all payments have been deferred. The long-term portion of this mortgage payable at June 30, 2004 was \$2,092,264.

E. Notes Payable

The County entered into a Credit Facility Agreement ("Credit Agreement") dated November 22, 2002 with Fannie Mae Corporation to pay the acquisition costs in connection with the purchase of Gates of Arlington, a 465-unit rental apartment complex for a total note payable of \$10,000,000. A payment of \$1,200,000 was made in FY 2004 with the remaining balance of \$8,200,000 payable quarterly in the amount of \$300,000 plus interest through November 1, 2005. Interest will be charged at a rate not lower than 1% above the one-year average of the 90-day LIBOR interest rate plus one and thirty-five hundredths percent (1.35%). In addition, the County has agreed to maintain \$1,000,000 in a reserve account in a County agency fund which will bear interest and be available to pay the note payments if necessary.

F. Virginia Resources Authority Note Payable

In June 2004, the County entered into a Financing Agreement with the Virginia Resources Authority (VRA). VRA agreed to issue \$100,000,000 Wastewater System Revenue Bonds, Series 2004 (VRA Bonds) and lend the proceeds to the County for the acquisition and improvements to the County's water pollution control plant and wastewater system. The VRA Bonds will be secured by a pledge of County sewer revenues. At June 30, 2004, VRA had provided an initial loan of VRA bond proceeds in the amount of \$8,749,767 to the County. Interest will be charged at a rate of 3.10%.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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G. Changes in Long-Term Liabilities

During the year ended June 30, 2004, the following changes occurred in liabilities reported in the County and Schools Long-term Obligations.

Governmental Type Activities

	Balance July 1	Additions	Reductions	Balance June 30	Due in one Year
Compensated absences	\$23,390,267	\$22,639,352	\$(21,586,929)	\$24,442,690	\$2,444,269
Workers' compensation	3,967,461	3,000,000	(3,798,894)	3,168,567	3,168,567
General obligation bonds- County	274,871,599	32,070,000	(22,728,752)	284,212,847	22,805,996
General obligation bonds- Schools	202,953,029	28,000,000	(13,413,618)	217,539,411	14,548,057
Long-term Notes payable	9,400,000	-	(1,200,000)	8,200,000	1,200,000
Capital leases	7,070,060	1,179,948	(2,742,013)	5,507,995	2,036,609
Deferred cost on refunding	(319,080)	212,634	10,645	(95,801)	(10,645)
Bond premium to be amortized- County	-	2,212,334	-	2,212,334	110,617
Bond premium to be amortized- Schools	-	1,452,371	-	1,452,371	72,619
Total General Government	\$521,333,336	\$90,766,639	\$(65,459,561)	\$546,640,414	\$46,376,089
Internal Service- Capital leases	1,961,353	-	(339,788)	1,621,565	339,983
Total Governmental Activities	<u>\$523,294,689</u>	<u>\$90,766,639</u>	<u>\$(65,799,349)</u>	<u>\$548,261,979</u>	<u>\$46,716,072</u>
Component Unit: School Board					
Compensated absences	\$19,842,222	\$3,190,251	\$(1,800,217)	\$21,232,256	\$2,123,226
Capital lease	489,324	-	(489,324)	-	-
Total Component Unit-Schools	<u>\$20,331,546</u>	<u>\$3,190,251</u>	<u>\$(2,289,541)</u>	<u>\$21,232,256</u>	<u>\$2,123,226</u>
Business Type Activities					
Compensated absences	\$1,180,306	\$1,318,308	\$(1,209,093)	\$1,289,521	\$1,289,521
General obligation bonds	38,135,379	-	(3,742,623)	34,392,756	3,130,951
Bond and mortgage interest	10,296,090	2,612,479	(1,560,163)	11,348,406	11,348,406
Revenue bonds	15,800,000	-	(500,000)	15,300,000	500,000
Long-term notes payable	3,429,679	6,200,000	-	9,629,679	7,537,415
VRA loan payable	-	8,749,767	-	8,749,767	-
Deferred cost of refunding	957,690	-	(94,200)	863,490	-
Total business-type activities	<u>\$69,799,144</u>	<u>\$18,880,554</u>	<u>\$(7,106,079)</u>	<u>\$81,573,619</u>	<u>\$23,806,293</u>

NOTE 10. Invested in Capital Assets, net of related debt – Component unit - Schools

Virginia state law provides that a school board is a separate legal entity and school boards hold title to all school assets. However, whether separately elected or appointed by the governing body, Virginia's local school boards do not have the power to levy and collect taxes or issue debt. Purchases of school equipment, buildings or improvements (capital assets) to be funded by debt financing require the local government to issue the debt. Accordingly, in the government-wide financial statements, the "school debt" is reflected in Exhibit 1 "Statement of Net Assets" in the governmental activities column of the primary government. The net

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effect of this on the entries to the Exhibit 1 governmental activities for “Non-current liabilities” and “Invested in capital assets, net of related debt” is \$217,539,411 for the Primary Government and the Schools. The effect on the Statement of Activities includes \$14.6 million which represents the net of school bond proceeds less principal payments on school bonds. This election has no effect on the combined total of the overall government.

NOTE 11. Interfund Receivables and Payables

The County has numerous transactions among Funds and Component Units to finance operations, provide services, and construct assets. Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans. The amounts of such transactions not received or paid at June 30, 2004 are reflected in current due to/from accounts of each Fund/Component Unit, as summarized below:

	Interfund	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$2,084,284	\$-
Special Revenue Funds		
Section 8 Housing	-	94,727
Internal Service Funds		
Printing Fund	-	122,245
Jail Industries	-	72,000
Trust & Agency Funds	-	-
Drug Task Force	-	1,795,312
	<u>\$2,084,284</u>	<u>\$2,084,284</u>
	Primary	Component Unit
	Government	
General Fund	\$517,155	\$37,146,159
Auto Equipment	2,899,265	-
School Funds:		
Operating		
Primary Government	33,250,600	2,899,265
Other School Funds	1,094,538	120,068
Cafeteria		
Other School Funds	5,031	150,032
Community Activities		
Primary Government	769,300	-
Other School Funds	9,713	3,034
School – Special & In-Service		
Other School Funds	106,879	730,983
Chapter 1		
Other School Funds	-	212,044
Pay-As-You-Go		
Primary Government	3,126,259	-
CSA	-	517,155
	<u>\$41,778,740</u>	<u>\$41,778,740</u>

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NOTE 12. Reservations and Designations of Fund Balances

Certain portions of fund balances have been reserved or designated by the County Board for specific purposes and are therefore not available for general appropriation as summarized below. Future disbursements relating to these reserved and designated fund balances are accounted for as expenditures in the year in which incurred.

- a. **General Fund** - Four Mile Run - \$500,000 reserved by the County Board related to the Four Mile Run Maintenance Agreement with U.S. Army Corps of Engineers.
- b. **General Fund** - Designated for Operating Reserve - \$14,400,000 designated by the County Board in its "General Fund Operating Reserve" resolution to protect the County's financial position in the event of major "severe unforeseen financial problems" that could cause "severe financial hardship". The amount designated for these purposes was increased from \$13,400,000 to \$14,400,000 during FY 2004.
- c. **General Fund** - Designated for Self-insurance - \$3,500,000 designated by the County Board related to the County's self-insurance program for workers' compensation, general liability and automobile liability where purchased insurance coverage is insufficient to pay claims which may become due.
- d. **General Fund** - Designated for FY 2005 Budget - \$11,203,957 designated by the County Board at the time of the adoption of the FY 2005 budget to be one of the elements that financed the FY 2005 Adopted General Fund budget.
- e. **General Fund** - Designated for Incomplete Projects - \$13,036,688 designated by the County Board to fund in FY 2005 projects approved by the County Board in FY 2004 but not yet completed at the close of FY 2004.
- f. **General Fund** - Designated for Schools - \$15,497,638 designated by the County Board at the time of the reappropriation to the FY 2004 budget to be one of the elements which is planned to finance part of the FY 2005 Adopted School Fund budgets.
- g. **School Funds** - Construction funds - \$5,713,911 reserved for project construction expenditures and encumbrances.
- h. **Special Revenue Funds** - Section 8 Housing - \$1,088,092 reserve equivalent to the net difference between earned Section 8 Housing administrative revenues and actual administrative expenditures since inception of the program.
- i. **Capital Projects Funds** - Construction funds - \$97,448,867 reserved for project construction expenditures and encumbrances. Of these funds, \$66,880,143 is reserved in construction bond funds and represents bond proceeds.
- j. **Trust Fund** - Reserved for Trusts - \$8,627,890 reserved to be held by the Alexandria/Arlington Waste Disposal Trust fund for future plant expenditures and cover any shortfalls should they occur.
- k. **Trust Fund** - Net Assets Held in Trust for Pension Benefits - \$1,132,959,512 reserved to fund the Arlington County Employee's Supplemental Retirement System.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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NOTE 13. Commitments and Contingencies

A. Washington Metropolitan Area Transit Authority

The County and other local participating jurisdictions entered into a series of Capital Contributions Agreements with the Washington Metropolitan Area Transit Authority ("WMATA") agreeing to share in the cost of a regional rapid transit rail system. During January of 1992, Arlington County, other regional and state governmental signatories and WMATA agreed to a Fifth Interim Capital Contributions Agreement (ICCA-V) which plans and details the proposed financing of the completion of the last 13.5 miles of the regional Metrorail system (to 103 miles). Arlington and other signatories agreed to provide the 37.5% local share of the \$2.1 billion total cost of these 13 miles of Metrorail. The federal government has approved authorizing legislation for the remaining 62.5% federal share of the \$2.1 billion project. The local funding requirement is limited to "faithful cooperation and best efforts" and is subject to "discretionary appropriations" by the local and state signatories. Arlington's share of this \$2.1 billion program over a seven-year period was \$48.2 million. In August 1993, January 1995, November 1996, November 1999, and November 2001, the Commonwealth sold recordation tax-backed transportation bonds; a total of \$34.1 million of which are for the County's Metro capital expenses including ICCA-V.

In June 1992 the County, and other signatories to the ICCA-V agreement, signed a Local Funding Agreement (LFA) with WMATA. This LFA details the terms and conditions for the County fulfilling its planned funding obligation under ICCA-V. The LFA establishes an annual budget and notification process by which Arlington's capital share of the Metrorail construction program in each year becomes a legally binding obligation as of July 1 of that fiscal year. As of June 30, 2004, the County has paid its share of \$48.2 million.

In October 2004, the County and other WMATA contributing jurisdictions signed to the Metro Matters Funding Agreement (MMFA) with WMATA for fiscal year 2005-2010 for a \$3.3 billion. This Agreement describes funding priorities for system renewal and enhancement projects for Metrorail and Metrobus, and presents a financial plan to implement more than \$3 billion in projects over the six year period of the Agreement.

The Metro Matters Program covered by this Agreement consists of four urgent priorities of capital program elements: (a) Infrastructure Renewal Program, which will keep WMATA's existing assets in a state of good repair (includes rail and bus systems); (b) Rail Car Program, which will enhance Metrorail performance, reduce system crowding and support further ridership growth; (c) Bus Program, which will relieve overcrowding, support future growth, enhance customer facilities, and improve access to Metro stations; (d) Security Program, which to provide continued operation during an emergency and to implement other security protective measure.

Arlington County contribution of \$79.6 million in funding over a six –year period of this Agreement, is subject to annual appropriation of funds, and other limitations on expenditures or obligations under the applicable law. Arlington County is planning to use General Obligation Bonds and state grants to cover its share of the Metro Matters Funding needs.

In addition, the County shares the costs of capital expenditures for the WMATA bus system as well as operating costs for WMATA's combined bus and rail system. State aid and Northern Virginia Transportation Commission funds have been utilized to help finance these costs. During FY 2004, the County paid \$11.0 million from its General Fund to subsidize WMATA's bus and rail operating costs.

B. Construction Commitments

As of June 30, 2004 contractual commitments were outstanding in the following funds for the amounts indicated:

Capital Projects Funds	\$25,966,248
Utilities Fund	<u>11,499,081</u>
	<u>\$37,465,329</u>

ARLINGTON COUNTY, VIRGINIA

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These projects include the design and construction of the Water Pollution Control Division Master Plan Upgrade, Shirlington and Westover libraries and the Aurora Hills fire station.

C. Waste-to-Energy Facility

Arlington Solid Waste Authority

The Arlington Solid Waste Authority (the "ASWA") was created in 1984 and is responsible for oversight of the waste-to-energy facility ("the Facility"). The ASWA consists of the five elected members of the Arlington County Board, the County Manager, who is appointed by the County Board, and the County Comptroller, who reports (as a trustee of the Trust Fund) to the County Manager. The boards of the County and the ASWA have the same membership.

On December 1, 1984, an inter-local joint enterprise agreement was entered into between the Alexandria Sanitation Authority and the Arlington Solid Waste Authority (the "Authorities"). The Joint Enterprise, referred to as the Alexandria/Arlington Resource Recovery Corporation, was formed to design, construct, equip, test, and operate a solid waste disposal facility having an installed capacity of 975 tons per day of mixed municipal solid waste. The facility is located at 5301 Eisenhower Avenue, Alexandria, Virginia. Revenue bonds were issued by the Alexandria Industrial Development Authority and proceeds were lent to the Authorities to construct the facility.

On October 22, 1985, the Facility was sold by the Authorities to a private company ("the Corporation") pursuant to a Conditional Sale and Security Agreement. The sale involved the transfer of construction-in-progress together with marketable securities and other assets. The Corporation assumed the obligation to provide funds adequate to pay the current liabilities and the outstanding revenue bonds payable as of October 22, 1985. This Agreement requires the Authorities to transfer full title to the Facility only when principal and interest on the outstanding revenue bonds or any subsequent refinancing revenue bonds have been paid in full. The Agreement also entitles the Authorities to repossess the Facility if revenue bond debt service payments are not made.

In connection with this transaction, the Corporation entered into a Facility Agreement dated as of October 1, 1986, obligating it to construct the Facility and to provide waste disposal services to the City of Alexandria, Arlington County, and the Authorities for 20 years. Under the Facility Agreement, the County has a guaranteed annual tonnage of acceptable waste commitment to the Facility. The commitment is based on a percent of solid waste the County expects to collect. The Facility charges a fee on each ton based on defined costs, and the County has met its maximum requirement for annual tonnage each year.

In July 1998, the Authorities advance refunded \$55,025,000 of the outstanding revenue bonds (Series 1998 A bonds) for the Facility to take advantage of lower interest rates. In November 1998, the Arlington Industrial Development Authority issued \$48,550,000 in new retrofit revenue bonds (Series 1998 B bonds) to cover the cost of new pollution abatement equipment at the Facility required by federal law. The proceeds of the Series 1998 B bonds were lent to Authorities to construct the equipment. A promissory note was issued by the ASWA in the amount of \$27,651,000 as part of this construction financing.

Because the ASWA Board is essentially the same as the Arlington County Board and the financing agreements require the capital assets built with the Series 1998 B bonds to belong to the ASWA (60% ownership), the County had to record these assets in its financial statements for FY 1999 and FY 2000. Cash, capital assets (construction-in-progress), and the promissory note signed by the ASWA were displayed with the County's Enterprise Funds. The retrofitting of the Facility's boiler units with certain air pollution control equipment was made necessary by the EPA regulations adopted pursuant to the 1990 Clean Air Act Amendments which imposed more stringent emission limitations on waste-to-energy facilities. The Corporation has agreed to design, construct, start-up, and test the equipment so that it passes the Acceptance tests.

Since Acceptance testing on each unit was completed in November 2000, the Operating Lease agreement between the ASWA and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the County records and are now considered a part of the plant. In FY 2004 they have been recorded in the same manner, as is the rest of the plant.

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Alexandria/Arlington Waste Disposal Trust Fund

The Alexandria/Arlington Waste Disposal Trust Fund ("the Trust") is a private purpose trust fund of Arlington County, Virginia and, accordingly, the financial position and results of operations of the Trust are reflected in the comprehensive annual financial report of Arlington County, Virginia. The City of Alexandria, Virginia and Arlington County, Virginia each have a 50% ownership interest in the Trust; however, because Arlington County performs the administrative functions for the Trust, it is reflected in the Arlington County reporting entity. As part of the Conditional Sale and Security Agreement, the Corporation made a payment of \$1,000,000 to the Trust, which was to be used as a reserve for future expenditures.

The Trust Fund derives its revenue from the following sources: a portion of the annual property tax assessment by the City of Alexandria, interest on invested funds and a portion of special revenues generated on contract waste. Revenues of \$2,571,604 were collected and project-related expenditures of \$3,770,475 were incurred in FY 2004.

Expenditures such as capital costs of repairs, replacement/changes to the facility, and waste recycling programs/activities which benefit the two jurisdictions are eligible for reimbursement through the Trust. In addition, in FY 2004 the Trust has been used to pay consulting fees to an engineering firm for operations and maintenance audits of the facility, for oversight of the new construction and for legal consulting fees paid for services related to the issuance of retrofit financing.

The Trust also has been used to subsidize the difference between the contractual tipping fee paid by haulers under special contracts and the standard tipping fee and to cover deficiencies arising in the "income-available-for-debt-service" calculations mandated by the Facility Agreement between the Corporation, the jurisdictions, and the Authorities. In June 2001, the City of Alexandria, with the concurrence of Arlington County took responsibility for the investment of Trust fund monies.

D. Arlington Regional Jail

On June 22, 1994, the County and the Treasury Board of the Commonwealth of Virginia signed a regional jail financing agreement. In this agreement, the Commonwealth agreed to provide, subject to appropriation by the General Assembly, reimbursement of certain debt service costs of the new Arlington Regional Jail, totaling \$35,400,000 through the year 2013. In FY 2004 \$1.8 million was received from the Commonwealth. The Arlington Regional Jail's assets and debt are recorded in the financial statements of the County.

E. Litigation

The County is a defendant in lawsuits concerning various matters; in the opinion of the County Attorney, the resulting liability from these lawsuits is not expected to be material.

NOTE 14. Joint Ventures

A. Northern Virginia Criminal Justice Academy

The County participates in a joint venture with Loudoun County and the Cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park to provide training for sworn law enforcement and correctional officers to satisfy requirements mandated by the Commonwealth of Virginia. The Industrial Development Authority of Loudoun County, Virginia issued \$6,585,000 Northern Virginia Criminal Justice Academy Lease Revenue Bonds, Series 1993, to finance the acquisition, renovation, and equipment of the Academy Training Center. The County, the City of Alexandria, and Loudoun County have entered into a capital lease with the Industrial Development Authority of Loudoun County. The County maintains an equity interest only in the land and building of the Academy, which is reflected in the County's General Capital Leases. The County does not maintain an equity interest in the Academy's operations.

In addition, the County pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In FY 2004, the County paid \$393,920 for capital and operating costs. Financial statements for

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the Academy may be obtained from the Northern Virginia Criminal Justice Academy, 45299 Research Place, Ashburn, Virginia, 22011-2600.

B. Peumansend Creek Regional Jail Authority

In 1992, the County entered into an agreement with the Counties of Caroline, Prince William and Loudoun, and the City of Alexandria to form an Authority to construct and operate a regional jail in Caroline County. The regional jail is used primarily to hold prisoners from each member jurisdiction. The Authority is composed of two representatives, the Chief Administrative Officer and the Sheriff, from each participating jurisdiction. The City of Richmond, which was not party to the original agreement, is now a part of the project.

The regional jail is currently designed with the capacity for 378 prisoners. The County is guaranteed a minimum of 60 beds. Current cost projections anticipate a total project cost of approximately \$27 million with 50% of the eligible construction cost (\$23.8 million) to be reimbursed by the Commonwealth. The Authority issued \$10.22 million in revenue bonds and \$12 million in grant anticipation notes in March 1997. The County has no equity in the jail and is not responsible for repayment of the bonds or notes. The County's portion of the project costs includes approximately \$3.8 million over the 20-year period of debt (1997-2017). In FY 2004, the County paid \$ 573,502 for capital and operating costs. Financial statements may be obtained from the Peumansend Creek Regional Jail Authority, P. O. Box 1460, Bowling Green, Virginia, 22427.

NOTE 15. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, excluding School Board employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the plan participants and their beneficiaries. Participants' rights under the plan are in an amount equal to the fair market value of the deferred account for each participant. Investments in the plan are valued at market. All defined contribution plan assets are invested as directed by the individual employee and the plan is administered by ING.

NOTE 16. Employee Retirement Systems

The County maintains a single-employer, defined benefit pension plan, the Arlington County Employees' Retirement System ("System"), which covers substantially all employees of the County Board. The County also participates in the Virginia Retirement System ("VRS") that covers most School Board employees and some County employees associated with state agencies. The System was established under Chapter 46, Chapter 35, and Chapter 21 of the Arlington County Code.

The pension plan financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, including contributions, are recorded when earned and expenses, including benefits paid and refunds paid, are recorded when a liability is incurred regardless of the timing of related cash flows.

Complete financial statements of the system may be obtained from the Arlington County Employee Retirement System, 2100 Clarendon Boulevard, Suite 504, Arlington, Virginia, 22201. Complete financial statements of the VRS may be obtained from the Virginia Retirement System, Attn: William Sullivan, P. O. Box 2500, Richmond, Virginia, 23218.

A. Arlington County Employees' Retirement System

Plan Description and Provisions

The System is a single employer public employee retirement pension plan. The System provides retirement benefits as well as disability benefits. Membership is required of all employees except certain employees hired prior to February 8, 1981, seasonal or

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

temporary employees, employees hired at age 62 or older (52 for uniformed employees) and elected officials who do not elect to participate within 60 days of assuming office.

All benefits vest after 5 years of credited service. Accumulated employee contributions plus interest are usually refunded to the employee or designated beneficiary if an employee leaves County employment prior to vesting. Benefits are calculated as a percentage of average annual compensation, as defined by County code.

At July 1, 2003, the date of the most recent actuarial valuation, System membership consisted of the following:

	General	Uniformed	School	Total
Current Employees:				
Vested	1,645	527	217	2,389
Non-Vested	<u>1,044</u>	<u>271</u>	<u>23</u>	<u>1,338</u>
Total	2,689	798	240	3,727
Retirees and Beneficiaries	1,387	558	1,297	3,242

While the County has not expressed any intent to discontinue the System, it is free to do so at any time providing that benefits accrued to the date of termination are adequately funded.

Funding Policy

The System's funding policy provides for periodic County and employee contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Contribution rates are determined using the entry age actuarial cost method. The System also has used the level percentage of payroll method to amortize any overfunded / unfunded liability over an open period of 15 year rolling.

Contributions totaling \$17,296,313 (\$8,952,509 of Employer contributions, \$8,290,871 of Employee contributions, and \$52,933 other contributions) were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2003. Member contributions are established by Arlington County Code, and are deducted from the members' salaries. For FY 2004, the member contribution rates varied up to 6.62% of their salary depending on the chapter of the plan they were covered under.

ARLINGTON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Annual Pension Cost

Net pension obligation represents the difference between the annual pension costs and the actuarially required contributions. The County had no unfunded pension obligation at June 30, 2004. Three-year trend information is presented below.

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC) (in million)</u>	<u>Percentage of APC Contributed</u>
2002	6.1	100.0%
2003	6.4	100.0%
2004	9.0	100.0%

The Arlington County Code requires the System to have an actuarial valuation at least biannually. The annual required contribution for the current year was determined as part of the July 1, 2003 actuarial valuation.

Actuarial Assumptions

The information presented below are the significant actuarial assumptions.

Valuation date	07/01/03
Actuarial cost method	Aggregate Entry Age
Remaining amortization period	15 year rolling
Treated as a level percentage of payroll	
Negative amortization is applied when funding exceeds 110%	
Asset valuation method	5 year, smoothed
Actuarial assumptions	
Investment rate of return ¹	8.0%
Projected salary increases ¹	4.5%
¹ Includes inflation at	4.5%
Cost of living adjustments	
Chapter 21	1.5%
Chapter 46	100% CPI-U increase to a maximum of 3% plus ½ CPI-U increase for net 9% (max 7 ½% increase for 12% increase in CPI-U)

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Required Supplementary Information

Three-year historical trend information about the System is presented below as required supplementary information. This information is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Schedule of Funding Progress (\$ in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/01	1,129.6	832.5	(297.1)	135.7%	186.8	(159.0)%
7/1/02	1,167.7	969.1	(198.6)	120.5%	202.2	(98.2)%
7/1/03	1,171.5	996.8	(174.7)	117.5%	203.8	(85.7)%

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the system's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

Concentration

The System does not have investments, other than U.S. Government and U.S. Government guaranteed obligations, in any one organization in excess of 5% of the System's net assets held in trust for pension benefits.

B. Virginia Retirement System (VRS)

Plan Description

Professional employees of Arlington County Public Schools participate in the VRS Statewide teacher cost-sharing pool. There are 146 school system participating employers in this pool. VRS is administered by the State, which bills the County for the employer's share of contributions. In accordance with the requirements established by State statute, the VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The VRS issues a publicly available annual report that includes financial statements and required supplementary information for the VRS; this report can be obtained by writing the Virginia Retirement System, Attention: William Sullivan, P. O. Box 2500, Richmond, Virginia, 23218-2500.

ARLINGTON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Funding Policy

Retirement benefits are funded by employer contributions and by investment earnings. In accordance with State statute, the County is required to contribute at an actuarially determined rate. VRS changed rates for both employee and employer contributions in FY 2002. State statute may be amended only by the Commonwealth of Virginia General Assembly. In FY 2004, the contribution rate was 9.44%. The County's contributions to the VRS for the years ended June 30, 2004, 2003 and 2002 were \$15.9 million, \$13.8 million and \$ 9.9 million respectively, which were equal to the required contributions for each year.

NOTE 17. Post-Employment Benefits

In addition to the pension benefits described in Note 16, the County provides post-employment health care benefits to all permanent employees who meet the requirements under the County's or the State's pension plans. Eligibility is contingent upon the retiree participating in one of the County's current health plans at the time of retirement. The County Board considers and approves these benefits annually as part of the Adopted Budget process. As of June 30, 2004, 1,221, and 1,321 retirees were both eligible and received benefits from the health and life plans, respectively. For full career employees, the County currently contributes 80% towards the cost of medical and dental health premiums and 100% of premiums for a fixed coverage for life and accidental death insurance. Funding for these benefits is made on a pay-as-you-go basis. During the year, County expenditures of \$5,628,651 were recognized for post-employment health care benefits.

NOTE 18. Subsequent Events

On August 1, 2004, the Arlington Industrial Development Authority (IDA) issued \$60,540,000 of Lease Revenue Bonds, Series 2004. The proceeds have been lent to the County to finance the acquisition, construction, improvement, furnishing and equipping of various capital projects, including the installation of various equipment and various improvements to the County's Court/Police Facility that are a part of the relocation of the County's Emergency Communication Center, communication equipment, communication tower improvements, various improvements to the County's financial and human resource systems, computer equipment, improvements to the County's George Mason Center and various improvements that are a part of the County's Trades Center Project consisting of a parks and recreation field operations center, a multi-story parking deck, a chain shop, equipment storage facilities, a vehicle maintenance facilities and a Police impoundment lot and laboratory.

On August 19, 2004, the County issued \$81,005,000 of Refunding Bonds, Series 2004, to provide funds to be used to refund portions of the Series 1996, Series 1997, Series 1999 and Series 2002 General Obligation Public Improvement Bonds.

On September 26, 2004, a new Letter of Credit (LOC) was issued by Bank of America to support the \$22.3 million Arlington County Variable Rate Demand Revenue Bonds for Ballston Public Parking Garage. The LOC is valid for a term of five years. This replaced the prior LOC issued by Citibank, N.A. which has expired.



OTHER SUPPLEMENTARY INFORMATION

The supplemental schedules are presented to reflect finance-related legal and contractual compliance, details of data summarized in the preceding financial statements and other information deemed useful for financial statements users in the analysis of the County's financial activities.



Combined Financial Statements - Overview

The combined financial statements provide a summary level of reporting for the operating results and financial position of the County's various fund types and account group.

These "general purpose financial statements" provide a broad financial overview for users requiring less detailed information than is presented in the individual statements for each separate fund and account group.

ARLINGTON COUNTY, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS							Total Nonmajor Governmental funds
	Travel & Tourism Promotion	Special Assessment District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Higher Educ. & University Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	
ASSETS												
Equity in pooled cash and investments	\$158,179	\$91,122	\$376,345	\$-	\$14,480,266	\$18,049,857	\$3,000,000	\$31,259,919	\$6,663,241	\$7,144,186	\$13,850,439	\$95,073,554
Receivables, net	937	-	18,158,402	1,075,169	-	-	-	-	-	-	-	19,234,508
Receivables from other governments	-	-	724,362	199,360	-	-	-	-	-	-	-	923,722
Total Assets	<u>\$159,116</u>	<u>\$91,122</u>	<u>\$19,259,109</u>	<u>\$1,274,529</u>	<u>\$14,480,266</u>	<u>\$18,049,857</u>	<u>\$3,000,000</u>	<u>\$31,259,919</u>	<u>\$6,663,241</u>	<u>\$7,144,186</u>	<u>\$13,850,439</u>	<u>\$115,231,784</u>
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts Payable	\$19,923	-	\$94,085	\$33,681	\$340,354	\$458,082	\$-	\$1,123,322	\$270,856	\$2,897	\$-	\$2,343,200
Other liabilities	-	-	-	-	18,454	102,924	-	2,045	66,569	-	-	189,992
Due to other funds	-	-	-	94,727	-	-	-	-	-	-	-	94,727
Long-term liabilities	-	-	19,165,024	-	-	-	-	-	-	-	-	19,165,024
Total liabilities	<u>19,923</u>	<u>-</u>	<u>19,259,109</u>	<u>128,408</u>	<u>358,808</u>	<u>561,006</u>	<u>-</u>	<u>1,125,367</u>	<u>337,425</u>	<u>2,897</u>	<u>-</u>	<u>21,792,943</u>
FUND BALANCES												
Reserved for encumbrances	56,793	-	-	58,029	2,924,252	2,524,234	-	14,887,876	4,051,354	794,546	-	\$25,297,084
Rereserved for construction	-	-	-	-	11,197,206	14,964,617	3,000,000	15,246,676	2,274,462	6,346,743	13,850,439	66,880,143
Unreserved-special revenue	<u>82,400</u>	<u>91,122</u>	<u>-</u>	<u>1,088,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,261,614</u>
Total Fund balances	<u>139,193</u>	<u>91,122</u>	<u>-</u>	<u>1,146,121</u>	<u>14,121,458</u>	<u>17,488,851</u>	<u>3,000,000</u>	<u>30,134,552</u>	<u>6,325,816</u>	<u>7,141,289</u>	<u>13,850,439</u>	<u>93,438,841</u>
Total Liabilities and Fund balances	<u>\$159,116</u>	<u>\$91,122</u>	<u>\$19,259,109</u>	<u>\$1,274,529</u>	<u>\$14,480,266</u>	<u>\$18,049,857</u>	<u>\$3,000,000</u>	<u>\$31,259,919</u>	<u>\$6,663,241</u>	<u>\$7,144,186</u>	<u>\$13,850,439</u>	<u>\$115,231,784</u>

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

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2004

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS							Total Nonmajor Governmental funds
	Travel & Tourism Promotion	Special Assessment District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Higher Educ. & University Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	
REVENUES:												
Other local taxes	\$767,778	\$981,915	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$1,749,693
Intergovernmental	399	-	2,951,298	13,902,273	-	-	-	-	-	-	-	16,853,970
Interest income	-	-	-	-	228,907	221,323	2,797	274,847	58,668	85,569	71,244	943,355
Total Revenues	768,177	981,915	2,951,298	13,902,273	228,907	221,323	2,797	274,847	58,668	85,569	71,244	19,547,018
EXPENDITURES:												
Planning and community development	-	880,975	2,951,298	13,845,952	-	-	-	-	-	-	-	17,678,225
Parks recreation and culture	1,071,964	-	-	-	-	-	-	-	-	-	-	1,071,964
Capital outlay	-	-	-	-	6,848,482	6,730,757	-	7,838,037	1,697,059	565,990	6,400,678	30,081,003
Total expenditures	1,071,964	880,975	2,951,298	13,845,952	6,848,482	6,730,757	-	7,838,037	1,697,059	565,990	6,400,678	48,831,192
Revenues over (under) expenditures	(303,787)	100,940	-	56,321	(6,619,575)	(6,509,434)	2,797	(7,563,190)	(1,638,391)	(480,421)	(6,329,434)	(29,284,174)
OTHER FINANCING SOURCES(USES):												
Proceeds from sale of bonds	-	-	-	-	-	3,010,000	3,000,000	12,267,000	2,760,000	-	11,033,000	32,070,000
Transfers in	247,000	-	-	-	-	-	-	-	-	-	-	247,000
Transfers out	-	(9,818)	-	-	(228,907)	(221,323)	(2,797)	(274,847)	(58,668)	(85,569)	(71,244)	(953,173)
Total Other financing sources (uses)	247,000	(9,818)	-	-	(228,907)	2,788,677	2,997,203	11,992,153	2,701,332	(85,569)	10,961,756	31,363,827
Net change in fund balances	(56,787)	91,122	-	56,321	(6,848,482)	(3,720,757)	3,000,000	4,428,963	1,062,941	(565,990)	4,632,322	2,079,653
FUND BALANCE, beginning of year	195,980	-	-	1,089,800	20,969,940	21,209,608	-	25,705,589	5,262,875	7,707,279	9,218,117	91,359,188
FUND BALANCE, end of year	\$139,193	\$91,122	\$-	\$1,146,121	\$14,121,458	\$17,488,851	\$3,000,000	\$30,134,552	\$6,325,816	\$7,141,289	\$13,850,439	\$93,438,841

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



General Fund

The General Fund is the primary operating fund of the County and is used to account for the majority of current operating expenditures of the general government. Financing is also provided for the operations of other funds, which include the County's public school system. Debt service expenditures for the payments of principal and interest on the County's general long-term debt (bond and other long-term debt not serviced by the Utilities Operating or School Debt Service Funds) are included in this fund.

The major sources of revenue include property taxes, other local taxes, licenses, permits, fees and other miscellaneous charges. Revenues and expenditures under a variety of State and Federal grant programs are also accounted for in this fund.

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
BALANCE SHEET
JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	<u>2004</u>	<u>2003</u>
ASSETS		
Equity in pooled cash and investments	\$102,970,829	\$80,221,794
Petty cash	13,695	13,695
Cash with fiscal agents	255,257	255,257
Receivables(net, where applicable, of allowance for uncollectibles):		
Taxes	178,907,600	165,428,096
Accounts	8,452,155	8,388,572
Accrued interest	343,313	286,020
Due from other governments	8,508,112	17,230,589
Due from other funds	2,084,284	5,578,448
Due from component unit	517,155	375,734
Other assets	<u>22,810,103</u>	<u>21,198,241</u>
Total Assets	<u><u>\$324,862,503</u></u>	<u><u>\$298,976,446</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accrued payroll liabilities	\$15,607,036	\$13,566,541
Vouchers payable	8,997,143	7,971,990
Current maturities of interest payable	267,305	425,593
Other current liabilities	158,944	2,267,358
Deferred revenue	200,510,361	186,090,365
Due to component unit	<u>37,146,159</u>	<u>29,453,301</u>
Total Liabilities	<u>262,686,948</u>	<u>239,775,148</u>
FUND BALANCE:		
Reserved -		
For Encumbrances	4,037,272	3,517,687
For Self Insurance	3,500,000	3,500,000
For Four Mile Run	500,000	500,000
Unreserved -		
Designated for operating reserve	14,400,000	13,400,000
Designated for FY 2004 budget	-	11,273,773
Designated for FY 2005 budget	11,203,957	5,768,224
Designated for schools	15,497,638	12,530,934
Designated for LPACAP Revenue	-	18,000
Designated for incomplete projects	<u>13,036,688</u>	<u>8,692,680</u>
Total Fund Balance	<u>62,175,555</u>	<u>59,201,298</u>
Total Liabilities and Fund Balance	<u><u>\$324,862,503</u></u>	<u><u>\$298,976,446</u></u>

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	2004			
	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	2003 ACTUALS
REVENUES:				
Taxes	\$476,561,641	\$490,253,084	\$13,691,443	\$451,618,561
Licenses and permits	53,927,349	56,334,983	2,407,634	54,319,921
From the Commonwealth of Virginia	56,283,763	58,693,884	2,410,121	53,615,793
From the federal government	38,595,103	25,859,325	(12,735,778)	29,073,752
Charges for services	26,742,956	26,906,703	163,747	25,648,106
Fines and forfeitures	9,261,920	9,357,346	95,426	8,882,272
Use of money and property	10,053,767	8,012,783	(2,040,984)	7,598,664
Miscellaneous revenues	1,815,342	2,636,223	820,881	7,630,874
Total Revenues	673,241,841	678,054,331	4,812,490	638,387,943
EXPENDITURES:				
Current:				
General government	46,190,596	45,424,539	766,057	46,652,761
Judicial administration	34,188,920	34,337,169	(148,249)	32,171,078
Public safety	79,196,864	76,414,954	2,781,910	70,738,944
Environmental services	10,891,364	10,734,107	157,257	10,375,379
Public works	29,749,383	28,257,443	1,491,940	24,887,647
Health and welfare	99,990,060	88,197,009	11,793,051	85,636,626
Parks and recreation	27,520,051	27,450,241	69,810	25,537,947
Libraries	11,605,173	11,290,850	314,323	10,531,858
Planning and community development	14,106,414	12,654,493	1,451,921	11,648,725
Non-departmental	30,043,225	25,299,164	4,744,061	38,196,161
Contributions to regional agencies	17,313,108	17,392,524	(79,416)	16,006,299
Debt service:				
Principal	22,403,858	22,728,755	(324,897)	22,080,315
Interest on serial bonds	12,469,154	11,971,729	497,425	12,142,238
Other costs	100,000	115,756	(15,756)	84,541
Total Expenditures	435,768,170	412,268,733	23,499,437	406,690,519
Revenues over Expenditures	237,473,671	265,785,598	28,311,927	231,697,424
OTHER FINANCING SOURCES(USES):				
Transfers in	229,500	1,455,160	1,225,660	7,844,121
Transfers from component unit	-	357,253	357,253	130,260
Transfers out	(9,798,160)	(9,821,540)	(23,380)	(20,071,495)
Transfers to component unit	(264,541,485)	(258,194,496)	6,346,989	(239,824,064)
Proceeds from notes payable	-	-	-	10,000,000
Proceeds from capital lease	-	1,179,948	1,179,948	2,367,311
Premium on sale of bonds	-	2,212,334	2,212,334	-
Proceeds from sale of land	-	-	-	3,355,926
Total Other Financing Sources(Uses)	(274,110,145)	(262,811,341)	11,298,804	(236,197,941)
Revenues Over (Under) Expenditures and Other Sources(Uses)	(36,636,474)	2,974,257	39,610,731	(4,500,517)
FUND BALANCE, beginning of year	59,201,298	59,201,298	-	63,701,815
FUND BALANCE, end of year	\$22,564,824	\$62,175,555	\$39,610,731	\$59,201,298



Special Revenue Funds

Travel and Tourism Promotion – to account for the operations of various programs to promote tourism and business travel in the County.

Special Assessment District – to account for the operations of various special assessment districts created to collect and disperse local tax revenue for district specific purposes.

Community Development Grants – to account for the operations of various community development programs which are financed by block grant and other grant assistance by the U.S. Department of Housing and Urban Development.

Section 8 Housing Program – to account for the operations of various housing programs which are financed by grant assistance from the U.S. Department of Housing and Urban Development.

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

					Totals	
	Travel & Tourism Promotion	Special Assessment District	Community Dev. Grants	Section 8 Housing Program	June 30, 2004	June 30, 2003
ASSETS						
Equity in pooled cash and investments	\$158,179	\$91,122	\$376,345	\$-	\$625,646	\$213,874
Receivable from other government	-	-	724,362	199,360	923,722	1,941,112
Other current receivables	-	-	2,106	-	2,106	-
Long-term receivables	937	-	18,156,296	1,075,169	19,232,402	17,851,834
Total Assets	\$159,116	\$91,122	\$19,259,109	\$1,274,529	\$20,783,876	\$20,006,820
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Vouchers payable	19,923	-	94,085	33,681	147,689	333,328
Due to primary government	-	-	-	94,727	94,727	1,645,636
Long-term liabilities	-	-	19,165,024	-	19,165,024	16,742,076
Total Liabilities	19,923	-	19,259,109	128,408	19,407,440	18,721,040
FUND BALANCES						
Reserved for encumbrances	56,793	-	-	58,029	114,822	35,782
Unreserved- special revenue	82,400	91,122	-	1,088,092	1,261,614	1,249,998
Total Fund Balances	139,193	91,122	-	1,146,121	1,376,436	1,285,780
Total Liabilities and Fund Balances	\$159,116	\$91,122	\$19,259,109	\$1,274,529	\$20,783,876	\$20,006,820

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

					Totals	
	Travel & Tourism Promotion	Special Assessment District	Community Dev. Grants	Section 8 Housing Program	June 30, 2004	June 30, 2003
REVENUES:						
Other local taxes	\$767,778	\$981,915	\$-	\$-	\$1,749,693	\$710,078
From the federal government	399	-	2,951,298	13,902,273	16,853,970	16,716,772
Total revenues	768,177	981,915	2,951,298	13,902,273	18,603,663	17,426,850
EXPENDITURES:						
Current -						
Community development	-	880,975	2,951,298	-	3,832,273	2,555,763
Housing program	-	-	-	13,845,952	13,845,952	13,637,611
Travel and tourism	1,071,964	-	-	-	1,071,964	1,006,934
Total expenditures	1,071,964	880,975	2,951,298	13,845,952	18,750,189	17,200,308
Revenues over (under) expenditures	(303,787)	100,940	-	56,321	(146,526)	226,542
OTHER FINANCING SOURCES(USES):						
Transfers out	-	(9,818)	-	-	(9,818)	-
Transfers in	247,000	-	-	-	247,000	247,000
Total Other Financing Sources(Uses)	247,000	(9,818)	-	-	237,182	247,000
Revenues and other financing sources (uses) over expenditures	(56,787)	91,122	-	56,321	90,656	473,542
FUND BALANCES, beginning of year	195,980	-	-	1,089,800	1,285,780	812,238
FUND BALANCES, end of year	\$139,193	\$91,122	\$-	\$1,146,121	\$1,376,436	\$1,285,780

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
TRAVEL AND TOURISM PROMOTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Other local taxes	\$814,800	\$767,778	(\$47,022)
Revenue from federal government	-	399	399
	<u>814,800</u>	<u>768,177</u>	<u>(46,623)</u>
Total revenue			
EXPENDITURES:			
Travel and tourism promotion	1,106,082	1,071,964	34,118
	<u>1,106,082</u>	<u>1,071,964</u>	<u>34,118</u>
Revenues over(under) expenditures	(291,282)	(303,787)	(12,505)
OTHER FINANCING SOURCES:			
Operating transfers in	247,000	247,000	-
	<u>247,000</u>	<u>247,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	(44,282)	(56,787)	(12,505)
FUND BALANCE, beginning of year	195,980	195,980	-
	<u>195,980</u>	<u>195,980</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$151,698</u>	<u>\$139,193</u>	<u>(\$12,505)</u>

ARLINGTON COUNTY, VIRGINIA
 SPECIAL REVENUE FUNDS
 SPECIAL ASSESSMENT DISTRICT FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Other local taxes	\$970,010	\$981,915	\$11,905
Total revenue	970,010	981,915	11,905
EXPENDITURES:			
Special real estate tax assessments	970,010	880,975	89,035
Revenues over(under) expenditures	-	100,940	100,940
OTHER FINANCING SOURCES(USES):			
Transfers out	-	(9,818)	(9,818)
Total Other Financing Sources(Uses)	-	(9,818)	(9,818)
Revenues and other financing sources(uses)		91,122	91,122
FUND BALANCE, beginning of year	-	-	-
FUND BALANCE, end of year	\$-	\$91,122	\$91,122

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMMUNITY DEVELOPMENT GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
From the federal government	<u>\$4,073,328</u>	<u>\$2,951,298</u>	<u>(\$1,122,030)</u>
Total Revenues	<u>4,073,328</u>	<u>2,951,298</u>	<u>(1,122,030)</u>
EXPENDITURES:			
Community development	<u>4,073,328</u>	<u>2,951,298</u>	<u>1,122,030</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ARLINGTON COUNTY, VIRGINIA
 SPECIAL REVENUE FUNDS
 SECTION 8 HOUSING PROGRAM
 STATEMENT OF REVENUES, EXPENDITURE AND CHANGES IN FUND BALANCE
 BUDGET(GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
From the federal government	<u>\$13,962,652</u>	<u>\$13,902,273</u>	<u>(\$60,379)</u>
EXPENDITURES:			
Housing program	<u>13,962,652</u>	<u>13,845,952</u>	<u>116,700</u>
Revenues over expenditures	<u>-</u>	<u>56,321</u>	<u>56,321</u>
FUND BALANCE, beginning of year	<u>1,089,800</u>	<u>1,089,800</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$1,089,800</u></u>	<u><u>\$1,146,121</u></u>	<u><u>\$56,321</u></u>



Capital Projects Funds

The Capital Projects Funds are used to account for the purchase and/or construction of major capital facilities, including buildings, roads and other long-lived improvements, which are not financed by proprietary funds. Financing is provided primarily by bond issues, State and Federal grants, and General Fund transfers.

The capital projects for general government functions which are financed under the County's pay-as-you-go capital programs are accounted for in the General Capital Projects Funds. As required by law, separate funds are used to account for the capital project expenditures financed by the proceeds of general obligation bonds.

ARLINGTON COUNTY, VIRGINIA
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	General Capital Projects Fund	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Higher Educ. & University Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	Totals	
									June 30, 2004	June 30, 2003
ASSETS:										
Equity in pooled cash and investments	\$40,290,341	\$14,480,266	\$18,049,857	\$3,000,000	\$31,259,919	\$6,663,241	\$7,144,186	\$13,850,439	\$134,738,249	\$135,480,772
Due from other government	2,283,555	-	-	-	-	-	-	-	2,283,555	-
Accounts receivable - other	391,108	-	-	-	-	-	-	-	391,108	1,613,235
Total Assets	\$42,965,004	\$14,480,266	\$18,049,857	\$3,000,000	\$31,259,919	\$6,663,241	\$7,144,186	\$13,850,439	\$137,412,912	\$137,094,007
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Vouchers payable	\$956,519	\$340,354	\$458,082	\$-	\$1,123,322	\$270,856	\$2,897	\$-	\$3,152,030	\$2,820,290
Contracts payable-retainage	96,477	18,454	102,924	-	2,045	66,569	-	-	286,469	192,833
Other liabilities	660,597	-	-	-	-	-	-	-	660,597	754,785
Total Liabilities	1,713,593	358,808	561,006	-	1,125,367	337,425	2,897	-	4,099,096	3,767,908
FUND BALANCES:										
Reserved for encumbrances	10,682,687	2,924,252	2,524,234	-	14,887,876	4,051,354	794,546	-	35,864,949	20,538,470
Reserved for construction	30,568,724	11,197,206	14,964,617	3,000,000	15,246,676	2,274,462	6,346,743	13,850,439	97,448,867	112,787,629
Total Fund Balances	41,251,411	14,121,458	17,488,851	3,000,000	30,134,552	6,325,816	7,141,289	13,850,439	133,313,816	133,326,099
Total Liabilities and Fund Balances	\$42,965,004	\$14,480,266	\$18,049,857	\$3,000,000	\$31,259,919	\$6,663,241	\$7,144,186	\$13,850,439	\$137,412,912	\$137,094,007

ARLINGTON COUNTY, VIRGINIA
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	General Capital Projects Fund	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Higher Educ. & University Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	Totals	
									June 30, 2004	June 30, 2003
REVENUES:										
From the Commonwealth of Virginia	\$510,312	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$510,312	\$6,936,218
From the federal government	2,947,831	-	-	-	-	-	-	-	2,947,831	-
Charges for services	1,776,748	-	-	-	-	-	-	-	1,776,748	876,766
Use of money and property	11,000	228,907	221,323	2,797	274,847	58,668	85,569	71,244	954,355	1,286,344
Miscellaneous revenue	200,000	-	-	-	-	-	-	-	200,000	798,804
Total Revenues	5,445,891	228,907	221,323	2,797	274,847	58,668	85,569	71,244	6,389,246	9,898,132
EXPENDITURES-Capital outlay	16,652,171	6,848,482	6,730,757	-	7,838,037	1,697,059	565,990	6,400,678	46,733,174	44,010,438
Revenues Over/(Under) Expenditures	(11,206,280)	(6,619,575)	(6,509,434)	2,797	(7,563,190)	(1,638,391)	(480,421)	(6,329,434)	(40,343,928)	(34,112,306)
OTHER FINANCING SOURCES/(USES):										
Proceeds from sale of bonds	-	-	3,010,000	3,000,000	12,267,000	2,760,000	-	11,033,000	32,070,000	33,600,000
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	17,481,647
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(18,958,769)
Bond premium paid to escrow agent	-	-	-	-	-	-	-	-	-	1,477,122
Transfers in	9,205,000	-	-	-	-	-	-	-	9,205,000	14,335,759
Transfers out	-	(228,907)	(221,323)	(2,797)	(274,847)	(58,668)	(85,569)	(71,244)	(943,355)	(6,904,745)
Total Other Financing Sources/(Uses)	9,205,000	(228,907)	2,788,677	2,997,203	11,992,153	2,701,332	(85,569)	10,961,756	40,331,645	41,031,014
Revenues and Other Financing Sources (Uses) Over/(Under) Expenditures	(2,001,280)	(6,848,482)	(3,720,757)	3,000,000	4,428,963	1,062,941	(565,990)	4,632,322	(12,283)	6,918,708
FUND BALANCE, beginning of year	43,252,691	20,969,940	21,209,608	-	25,705,589	5,262,875	7,707,279	9,218,117	133,326,099	126,407,391
FUND BALANCE, end of year	\$41,251,411	\$14,121,458	\$17,488,851	\$3,000,000	\$30,134,552	\$6,325,816	\$7,141,289	\$13,850,439	\$133,313,816	\$133,326,099



Enterprise Funds

Utilities Fund – to account for the operations, maintenance and construction of the County's water and sanitary sewer system. Revenues of this fund consist principally of charges for services to County residents. Debt service on the general obligation bonds issued to finance the construction of plant facilities is also accounted for in this fund.

Ballston Public Parking Garage Fund – to account for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services.

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2004

ASSETS

			Totals	
	Utilities	Ballston Public Parking Garage	June 30, 2004	June 30, 2003
CURRENT ASSETS:				
Equity in pooled cash and investments	\$28,282,805	\$13,338,190	\$41,620,995	\$38,033,102
Cash with fiscal agents	25,221	-	25,221	25,221
Accounts receivable:				
Water-sewer charges	2,055,272	-	2,055,272	2,059,245
Estimated unbilled service charges	5,828,791	-	5,828,791	5,260,168
Other	2,138,480	3,080	2,141,560	2,590,900
Interest receivable	28,954	-	28,954	56,367
Federal government	-	-	-	98,440
Due from primary government	-	-	-	878,093
Prepaid expenses	2,447,864	187,880	2,635,744	1,675,744
Inventories	848,644	-	848,644	854,430
Total Current Assets	41,656,031	13,529,150	55,185,181	51,531,710
PLANT IN SERVICE:				
Land	1,792,817	-	1,792,817	1,792,817
Sewer system	264,288,686	-	264,288,686	252,616,914
Water system	110,863,713	-	110,863,713	103,300,059
Furniture and fixtures	1,793,267	-	1,793,267	4,820,351
Parking garage	-	22,315,887	22,315,887	22,315,887
Garage equipment	-	253,504	253,504	253,504
Total plant in service	378,738,483	22,569,391	401,307,874	385,099,532
Less-Allowance for depreciation	(79,350,449)	(8,422,738)	(87,773,187)	(85,311,247)
Net plant in service	299,388,034	14,146,653	313,534,687	299,788,285
Construction in progress	43,129,441	-	43,129,441	34,433,498
Deferred bond issuance costs	60,781	82,100	142,881	152,572
Total Assets	\$384,234,287	\$27,757,903	\$411,992,190	\$385,906,065

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2004

LIABILITIES AND EQUITY

			Totals	
	Utilities	Ballston Public Parking Garage	June 30, 2004	June 30, 2003
CURRENT LIABILITIES:				
Payable from current assets:				
General obligation bonds payable	\$3,130,951	\$-	\$3,130,951	\$3,742,620
Bond and mortgage interest payable	539,715	10,808,691	11,348,406	10,296,090
Vouchers payable	4,918,840	314,824	5,233,664	2,265,770
Compensated absences	1,289,521	-	1,289,521	1,180,306
Contracts payable-retainage	38,624	-	38,624	71,505
Revenue bonds payable-current	-	500,000	500,000	500,000
Mortgage /notes payable	-	1,337,415	1,337,415	1,145,176
Suntrust Notes payable	6,200,000	-	6,200,000	-
Other accrued liabilities	407,420	4,476,932	4,884,352	4,628,777
Total Current Liabilities	16,525,071	17,437,862	33,962,933	23,830,244
LONG-TERM LIABILITIES:				
General obligation bonds payable	2,537,805	-	2,537,805	2,826,786
Revenue bonds payable	-	14,800,000	14,800,000	15,300,000
VRA Loan payable	8,749,767	-	8,749,767	-
Mortgage payable	-	2,092,264	2,092,264	2,284,503
Bonds payable	29,587,490	-	29,587,490	32,523,663
Total long-term Liabilities	40,875,062	16,892,264	57,767,326	52,934,952
Total Liabilities	57,400,133	34,330,126	91,730,259	76,765,196
EQUITY (DEFICIT):				
Contributed capital-				
Contributions from local sources	88,832,663	2,502,425	91,335,088	91,335,088
Contributions from federal and state governments	56,754,812	-	56,754,812	56,754,812
Total Contributed Capital	145,587,475	2,502,425	148,089,900	148,089,900
Retained earnings (deficit) -				
Unreserved	181,246,679	(9,074,648)	172,172,031	161,050,969
Total Retained Earnings (Deficit)	181,246,679	(9,074,648)	172,172,031	161,050,969
Total Equity (Deficit)	326,834,154	(6,572,223)	320,261,931	309,140,869
Total Liabilities and Equity	\$384,234,287	\$27,757,903	\$411,992,190	\$385,906,065

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

			Totals	
	Utilities	Ballston Public Parking Garage	June 30, 2004	June 30, 2003
OPERATING REVENUES:				
Water-sewer service charges	\$38,085,984	\$-	\$38,085,984	\$34,574,773
Water-service hook-up charges	3,575,011	-	3,575,011	3,325,832
Water-service connection charges	520,992	-	520,992	450,838
Sewage treatment service charges	5,533,881	-	5,533,881	5,261,162
Other	1,964,017	-	1,964,017	1,696,968
Parking charges	-	4,021,351	4,021,351	4,005,282
Total Operating Revenues	49,679,885	4,021,351	53,701,236	49,314,855
OPERATING EXPENSES:				
Personnel services	11,321,070	-	11,321,070	10,624,341
Fringe benefits	2,424,419	-	2,424,419	2,172,329
Contractual services	8,667,018	1,652,484	10,319,502	9,279,099
Purchases of water	6,500,908	-	6,500,908	6,050,895
Materials and supplies	3,868,534	234,819	4,103,353	4,126,483
Deferred rent	-	405,000	405,000	405,000
Depreciation	5,103,683	502,452	5,606,135	5,062,688
Miscellaneous	2,312,328	250,834	2,563,162	2,360,686
Total Operating Expenses	40,197,960	3,045,589	43,243,549	40,081,521
Operating Income	9,481,925	975,762	10,457,687	9,233,334
NON-OPERATING REVENUES(EXPENSES):				
Interest income and other income	582,938	59,388	642,326	1,046,233
Interest expense and fiscal charges	(1,560,163)	(1,269,037)	(2,829,200)	(2,867,736)
Contributions from developers and other sources	2,343,910	-	2,343,910	979,080
Federal & State grant	506,339	-	506,339	197,486
Total Non-Operating Revenues(Expenses)	1,873,024	(1,209,649)	663,375	(644,937)
Net Income (loss)	11,354,949	(233,887)	11,121,062	8,588,397
EQUITY:				
Retained earnings (deficit), beginning of year	169,891,730	(8,840,761)	161,050,969	152,462,572
Retained earnings (deficit), end of year	181,246,679	(9,074,648)	172,172,031	161,050,969
Contributed capital, beginning and end of the year	145,587,475	2,502,425	148,089,900	148,089,900
Total Equity (Deficit), end of year	\$326,834,154	(\$6,572,223)	\$320,261,931	\$309,140,869

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	Totals			
	Utilities	Ballston Public Parking Garage	June 30 2004	June 30 2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$49,666,096	\$4,896,364	\$54,562,460	\$49,091,171
Cash paid to suppliers	(17,515,527)	(2,220,026)	(19,735,553)	(23,026,625)
Cash paid to employees	(13,636,274)	-	(13,636,274)	(12,757,504)
Net cash flows from operating activities	18,514,295	2,676,338	21,190,633	13,307,042
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	396,729	59,388	456,117	831,165
Net cash flows from investing activities	396,729	59,388	456,117	831,165
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
State grant	506,339	-	506,339	197,485
Net cash flows from non-capital financing activities	506,339	-	506,339	197,485
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments - bonds	(3,742,624)	(500,000)	(4,242,624)	(4,136,691)
Payments to bonds redeemed	-	-	-	(20,328,191)
Proceeds of bond refunding	-	-	-	19,415,825
Proceeds of Suntrust notes payable	6,200,000	-	6,200,000	-
Proceeds of VRA loan	8,749,767	-	8,749,767	-
Contributions from other sources	2,343,910	-	2,343,910	979,080
Interest and other loan expenses paid	(1,482,369)	(290,122)	(1,772,491)	(2,438,169)
Purchases of property	(29,843,758)	-	(29,843,758)	(12,045,540)
Net cash flows from capital and related financing activities	(17,775,074)	(790,122)	(18,565,196)	(18,553,686)
Net increase(decrease) in cash and cash equivalents	1,642,289	1,945,604	3,587,893	(4,217,994)
Cash and cash equivalents at beginning of year	26,665,737	11,392,586	38,058,323	42,276,317
Cash and cash equivalents at end of year	\$28,308,026	\$13,338,190	\$41,646,216	\$38,058,323
Reconciliation of operating income to net cash flow from operations:				
Operating Income	\$9,481,925	\$975,762	\$10,457,687	\$9,233,334
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	5,103,683	502,452	5,606,135	5,062,688
(Increase)Decrease in accounts receivable	(13,789)	(3,080)	(16,869)	654,409
(Increase)Decrease in due from primary government	-	878,093	878,093	(878,093)
(Increase)Decrease in inventories	5,785	-	5,785	76,606
Increase(Decrease) in vouchers payable	3,049,782	(81,889)	2,967,893	225,368
Increase(Decrease) in compensated absences	109,215	-	109,215	39,165
Increase(Decrease) in contract retainage	(32,881)	-	(32,881)	(1,723,535)
Increase(Decrease) in prepaid expenses	960,000	-	960,000	-
Increase(Decrease) in other accrued liabilities	(149,425)	405,000	255,575	617,100
Net cash flows from operations	\$18,514,295	\$2,676,338	\$21,190,633	\$13,307,042



Internal Service Funds

Automotive Equipment Fund – to account for the costs related to the operation and maintenance of automotive equipment used by County departments and agencies. The acquisition and replacement of automotive equipment is accounted for in this fund. Revenue is derived primarily from user charges to recover actual costs which include depreciation of equipment.

Printing Fund – to account for the costs of operating a central print shop which provides printing and duplicating services to County departments and agencies. Revenue is derived principally from user charges and specific services.

Jail Industries Fund – to account for the costs of providing various services to County departments and agencies by jail inmates, who in return develop useable job skills. Revenue is derived principally from user charges for specific services delivered.

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

				Totals	
	Automotive Equipment	Printing	Jail Industries	June 30 2004	June 30 2003
ASSETS					
CURRENT ASSETS:					
Equity in pooled cash and investments	\$834,494	\$-	\$256,607	\$1,091,101	\$282,712
Accounts receivable	25,905	63,960	-	89,865	90,283
Due from component unit	2,899,265	-	-	2,899,265	2,326,512
Inventories	568,163	24,376	-	592,539	599,639
Total Current Assets	4,327,827	88,336	256,607	4,672,770	3,299,146
CAPITAL ASSETS, at cost:					
Equipment and other capital assets	36,326,251	276,061	-	36,602,312	34,260,679
Less-allowance for depreciation	(18,378,387)	(238,034)	-	(18,616,421)	(16,927,696)
Net Capital Assets	17,947,864	38,027	-	17,985,891	17,332,983
Total Assets	\$22,275,691	\$126,363	\$256,607	\$22,658,661	\$20,632,129
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Vouchers payable	\$252,728	\$74,412	\$6,228	\$333,368	\$248,471
Compensated absences	388,770	107,526	5,190	501,486	543,494
Capital lease - current portion	324,464	15,519	-	339,983	339,788
Due to primary government	-	122,245	72,000	194,245	72,000
Total Current Liabilities	965,962	319,702	83,418	1,369,082	1,203,753
LONG-TERM LIABILITIES					
Capital lease	1,281,582	-	-	1,281,582	1,621,564
Total liabilities	2,247,544	319,702	83,418	2,650,664	2,825,317
EQUITY:					
Retained earnings/(deficit)	20,028,147	(193,339)	173,189	20,007,997	17,806,812
Total Equity	20,028,147	(193,339)	173,189	20,007,997	17,806,812
Total Liabilities and Equity	\$22,275,691	\$126,363	\$256,607	\$22,658,661	\$20,632,129

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30 2004	June 30 2003
OPERATING REVENUES:					
Charges for services	\$13,963,216	\$1,585,018	\$189,481	\$15,737,715	\$14,026,608
OPERATING EXPENSES:					
Cost of store issuances	2,872,847	566,410	-	3,439,257	3,133,084
Personnel services	3,232,068	528,748	139,578	3,900,394	3,661,595
Fringe benefits	770,032	122,933	37,110	930,075	803,151
Material and supplies	322,762	192,978	964	516,704	515,556
Utilities	101,159	7,997	141	109,297	102,633
Outside services	873,433	404,405	9,729	1,287,567	1,447,223
Depreciation	3,310,471	19,551	-	3,330,022	3,080,930
Insurance and other	312,025	802	238	313,065	493,203
Total Operating Expenses	11,794,797	1,843,824	187,760	13,826,381	13,237,375
Operating Income (Loss)	2,168,419	(258,806)	1,721	1,911,334	789,233
NON-OPERATING REVENUES (EXPENSES):					
Interest payment on capital lease	(65,529)	(1,021)	-	(66,550)	(71,524)
Gain/(Loss)on disposal of assets	116,861	-	-	116,861	(196,557)
Total Non-operating Revenues (Expenses)	51,332	(1,021)	-	50,311	(268,081)
Income Before Transfers	2,219,751	(259,827)	1,721	1,961,645	521,152
TRANSFERS IN (OUT):					
Transfers in	244,384	125,156	-	369,540	325,212
Transfers out	(130,000)	-	-	(130,000)	(130,000)
Total Operating Transfers	114,384	125,156	-	239,540	195,212
Net Income (Loss)	2,334,135	(134,671)	1,721	2,201,185	716,364
Retained earnings beginning of year	17,694,012	(58,668)	171,468	17,806,812	17,090,448
Retained earnings (deficit), end of year	\$20,028,147	(\$193,339)	\$173,189	\$20,007,997	\$17,806,812

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30, 2004	June 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$718,421	(\$1,329)	\$189,481	\$906,573	\$340,817
Cash received from interfund charges	12,728,675	1,530,133	-	14,258,808	12,575,590
Cash paid to suppliers	(4,439,304)	(1,125,232)	(9,355)	(5,573,891)	(5,952,395)
Cash paid to employees	(4,054,633)	(641,097)	(176,749)	(4,872,479)	(4,429,518)
Net cash provided (used) by operating activities	4,953,159	(237,525)	3,377	4,719,011	2,534,494
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Payment of temporary loan	-	-	-	-	(39,525)
Temporary loan from general fund	-	122,245	-	122,245	-
Operating transfers in	244,384	125,156	-	369,540	325,212
Operating transfers out	(130,000)	-	-	(130,000)	(130,000)
Net cash provided by financing activities	114,384	247,401	-	361,785	155,687
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital lease	-	-	-	-	222,995
Principal payment on capital lease	(312,824)	(26,963)	-	(339,787)	(231,034)
Payment of interest on capital lease	(65,529)	(1,021)	-	(66,550)	(71,524)
Purchases of equipment and other fixed assets	(4,110,126)	-	-	(4,110,126)	(4,554,904)
Proceeds from sale of equipment	244,056	-	-	244,056	443,192
Net cash used by capital and related financing activities	(4,244,423)	(27,984)	-	(4,272,407)	(4,191,275)
Net increase (decrease) in cash and cash equivalents	823,120	(18,108)	3,377	808,389	(1,501,094)
Cash and cash equivalents at beginning of year	11,374	18,108	253,230	282,712	1,783,806
Cash and cash equivalents at end of period	\$834,494	\$-	\$256,607	\$1,091,101	\$282,712
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$2,168,419	(\$258,806)	\$1,721	\$1,911,334	\$789,233
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	3,310,471	19,551	-	3,330,022	3,080,930
(Increase)Decrease in accounts receivable	(516,120)	(56,214)	-	(572,334)	(1,110,201)
(Increase)Decrease in inventories	(9,992)	17,093	-	7,101	8,102
Increase (Decrease) in prepaid expenses	-	-	-	-	80,000
Increase(Decrease) in vouchers payable	52,914	30,267	1,716	84,897	(348,798)
Increase(Decrease) in compensated absences	(52,533)	10,584	(60)	(42,009)	35,228
Net cash provided (used) by operating activities	\$4,953,159	(\$237,525)	\$3,377	\$4,719,011	\$2,534,494



Fiduciary Funds

Fiduciary funds are used to account for the assets received and disbursed by the County government acting in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Pension Trust Fund – to account for the operations of the Arlington Employee's Supplemental Retirement System.

Private Purpose Trust Funds:

Alexandria/Arlington Waste Disposal Trust Fund – to account for the Waste Disposal Trust Fund set up by the County and the City of Alexandria to provide a reserve for future expenditures for waste disposal

Other Private Purpose Trust Funds – to account for contributions from private donors and other miscellaneous sources which are restricted for various recreational and other community service programs.

Agency Funds:

Commonwealth of Virginia Fund – to account for the collection and remittance of State taxes and fees by the County as an agency for the Commonwealth of Virginia.

Drug Task Force Fund – to account for the support of anti-drug enforcement operations in the Baltimore-Washington Metropolitan area including Northern Virginia.

Other Agency Funds – to account for contributions from private donors and other miscellaneous sources which are restricted for various recreational and other community service programs.

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

		Private Purpose Trust			Agency Funds				
	Pension Trust	Alex/Arlington Waste Disposal Trust	Other Private Purpose Trusts	Total Private Purpose Trust	Commonwealth of Virginia	Drug Task Force Grant	Other Agency Funds	Total Agency Funds	Total Fiduciary Funds
ASSETS									
Equity in pooled cash and investment:	\$91,409,631	\$271,456	\$27,953	\$299,409	\$15,632	\$-	\$22,415,965	\$22,431,597	\$114,140,637
Accounts receivable	5,599,794	-	-	-	-	-	1,005	1,005	5,600,799
Receivable from other government	-	-	-	-	-	1,988,553	-	1,988,553	1,988,553
Investments at fair value	<u>1,041,737,952</u>	<u>8,692,441</u>	<u>-</u>	<u>8,692,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050,430,393</u>
Total assets	<u>1,138,747,377</u>	<u>8,963,897</u>	<u>27,953</u>	<u>8,991,850</u>	<u>15,632</u>	<u>1,988,553</u>	<u>22,416,970</u>	<u>24,421,155</u>	<u>1,172,160,382</u>
LIABILITIES									
Accounts payable and accrued liabilities	5,787,865	336,007	-	336,007	15,632	193,241	22,416,970	22,625,843	28,749,715
Due to primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,795,312</u>	<u>-</u>	<u>1,795,312</u>	<u>1,795,312</u>
Total liabilities	<u>5,787,865</u>	<u>336,007</u>	<u>-</u>	<u>336,007</u>	<u>15,632</u>	<u>1,988,553</u>	<u>22,416,970</u>	<u>24,421,155</u>	<u>30,545,027</u>
NET ASSETS	<u>\$1,132,959,512</u>	<u>\$8,627,890</u>	<u>\$27,953</u>	<u>\$8,655,843</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,141,615,355</u>

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2004

	Private Purpose Trusts			
	Pension Trust	Alex/Arlington Waste Disposal Trust	Other Private Purpose Trusts	Total Private Purpose Trusts
ADDITIONS				
Contributions and Revenues				
Employer/ Employee Contributions	\$17,296,313	\$-	\$-	\$-
Revenue from Commonwealth of Virgin	-	-	-	-
Revenue from federal government	-	-	-	-
Shared revenues	-	2,459,328	-	2,459,328
Private donations- Others	-	-	55,323	55,323
Total contributions	17,296,313	2,459,328	55,323	2,514,651
Investment earnings:				
Interest and other	29,874,306	260,714	-	260,714
Securities Lending & Commission	498,031	-	-	-
Net change in fair value of investments	134,917,849	(148,438)	-	(148,438)
Total investment earnings	165,290,186	112,276	-	112,276
Less investment expenses	6,249,609	-	-	-
Net investment earnings	159,040,577	112,276	-	112,276
Total additions	176,336,890	2,571,604	55,323	2,626,927
DEDUCTIONS				
Administrative expenses	1,290,740	3,770,475	-	3,770,475
Retirees pension expense	50,291,250	-	52,803	52,803
Total deductions	51,581,990	3,770,475	52,803	3,823,278
Change in net assets	124,754,900	(1,198,871)	2,520	(1,196,351)
Net assets- Beginning of the year	1,008,204,612	9,826,761	25,433	9,852,194
Net assets- Ending of the year	<u>\$1,132,959,512</u>	<u>\$8,627,890</u>	<u>\$27,953</u>	<u>\$8,655,843</u>

ARLINGTON COUNTY, VIRGINIA
PENSION TRUST FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	<u>2004</u>	<u>2003</u>
ADDITIONS:		
Member contributions	\$8,290,871	\$9,420,693
Employer contributions	8,952,509	6,402,233
Other contributions	52,933	35,322
Investment income:		
Interest and dividends	29,874,306	29,380,923
Net appreciation (depreciation) in fair value	134,891,467	14,289,648
Commission recapture	48,946	67,515
Securities lending	449,085	435,909
Class action recovery	26,382	-
Investment expense	<u>(6,249,609)</u>	<u>(3,683,327)</u>
Total Additions	<u>176,336,890</u>	<u>56,348,916</u>
DEDUCTIONS:		
Members' benefits	48,651,821	44,600,883
Refund of members' contributions	1,639,429	1,165,271
Administrative expenses	512,022	373,577
Pension Gold	397,345	199,795
Other operating expenses	<u>381,373</u>	<u>338,666</u>
Total Deductions	<u>51,581,990</u>	<u>46,678,192</u>
Net Increase	124,754,900	9,670,724
Net Assets Held in Trust for Plan Benefits, beginning of year	<u>1,008,204,612</u>	<u>998,533,888</u>
Net Assets Held in Trust for Plan Benefits, end of year:		
Undesignated	<u><u>\$1,132,959,512</u></u>	<u><u>\$1,008,204,612</u></u>

ARLINGTON COUNTY, VIRGINIA
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>Commonwealth of Virginia</u>				
ASSETS:				
Cash	\$-	\$15,632	\$-	\$15,632
Receivable from other government	21,217	-	21,217	-
Total Assets	<u>\$21,217</u>	<u>\$15,632</u>	<u>\$21,217</u>	<u>\$15,632</u>
LIABILITIES:				
Due to other government	<u>\$21,217</u>	<u>\$-</u>	<u>\$5,585</u>	<u>\$15,632</u>
Total Liabilities	<u>\$21,217</u>	<u>\$-</u>	<u>\$5,585</u>	<u>\$15,632</u>
<u>Drug Task Force Fund</u>				
ASSETS:				
Cash & cash equivalents	\$402,750	\$-	\$402,750	\$-
Due from other government	3,878,445	-	1,889,892	1,988,553
Total Assets	<u>\$4,281,195</u>	<u>\$-</u>	<u>\$2,292,642</u>	<u>\$1,988,553</u>
LIABILITIES:				
Vouchers payable	\$536,345	\$-	\$232,943	\$303,402
Due to primary government	3,855,011	-	2,059,699	1,795,312
Deferred revenue	(110,161)	-	-	(110,161)
Total Liabilities	<u>\$4,281,195</u>	<u>\$-</u>	<u>\$2,292,642</u>	<u>\$1,988,553</u>
<u>Other Agency Fund</u>				
ASSETS:				
Cash & cash equivalents	\$22,595,400	\$-	\$179,435	\$22,415,965
Accrued receivables	28,730	-	27,725	1,005
Total Assets	<u>\$22,624,130</u>	<u>\$-</u>	<u>\$207,160</u>	<u>\$22,416,970</u>
LIABILITIES:				
Vouchers payable	\$42,286	\$47,530	\$-	\$89,816
Deferred revenue	22,581,844	-	254,690	22,327,154
Total Liabilities	<u>\$22,624,130</u>	<u>\$47,530</u>	<u>\$254,690</u>	<u>\$22,416,970</u>
<u>Total All Agency Funds</u>				
ASSETS:				
Cash	\$22,998,150	\$15,632	\$582,185	\$22,431,597
Receivable from other government	3,899,662	-	1,911,109	1,988,553
Accrued receivables	28,730	-	27,725	1,005
Total Assets	<u>\$26,926,542</u>	<u>\$15,632</u>	<u>\$2,521,019</u>	<u>\$24,421,155</u>
LIABILITIES:				
Due to primary government	\$3,855,011	\$-	\$2,059,699	\$1,795,312
Due to other government	21,217	-	5,585	15,632
Vouchers Payable	578,631	47,530	232,943	393,218
Deferred revenue	22,471,683	-	254,690	22,216,993
Total Liabilities	<u>\$26,926,542</u>	<u>\$47,530</u>	<u>\$2,552,917</u>	<u>\$24,421,155</u>



Discretely Presented Component Unit – Schools

School Operating Fund – to account for the general operations of the County's public school system. Financing is provided primarily by transfers from the General Fund and from State and Federal grants to be used only for education programs.

School Cafeteria Fund – to account for the operations of the School food services programs for student meals. Revenue is provided by fees, State financing and other miscellaneous sources to be used for School food service operations.

School Community Activities Fund – to account for the operations of various community service programs, which include aquatic centers and day care facilities. Financing is provided primarily by General Fund transfers and fees collected for specific activities.

School Special Grant/ Debt Service Funds - to account for the operations of various special school programs, which are financed by limited term grants under State and Federal aid programs. Debt Service expenditures for the payment of principal and interest on school bonds are also accounted for in these funds.

School Capital Project Funds – to account for purchase and /or construction of major capital facilities for the schools. The capital projects which are financed under the County's Pay-As-You-go Capital Programs are accounted for in the School Capital Projects Pay-As-You-Go Fund. As required by law, a separate fund, the School Capital Projects Bond Fund, is used to account for the capital project expenditures financed by the proceeds of general obligation bonds.

School Comprehensive Services Act Fund – to account for expenditures for at-risk youth by the Department of Human Services- Foster Care, Juvenile and Domestic Relations District Court and the Schools. The State reimburses 55% of these expenditures.

ARLINGTON COUNTY, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	Governmental Funds								Totals	
	School Operating Fund	School Cafeteria Fund	School Community Activities Fund	School Special Grants Fund	School Capital Projects Bond Fund	School Capital Projects (Pay-as-you go Fund)	School Debt Service Fund	School Comprehensive Services Act	June 30, 2004	June 30, 2003
ASSETS										
Equity in pooled cash and investments	\$2,933,589	\$-	\$-	\$-	\$44,182,951	\$-	\$-	\$-	\$47,116,540	\$49,118,652
Petty cash	200	-	75	-	-	-	-	-	275	275
Accounts receivable	823,495	193,892	12,844	3,058,728	-	60,360	-	517,155	4,666,474	4,429,868
Due from other funds	1,094,538	5,031	9,713	106,879	-	-	-	-	1,216,161	1,673,994
Due from primary government	33,250,600	-	769,300	-	-	3,126,259	-	-	37,146,159	29,453,301
Inventories	-	286,415	-	-	-	-	-	-	286,415	284,249
Total Assets	\$38,102,422	\$485,338	\$791,932	\$3,165,607	\$44,182,951	\$3,186,619	\$-	\$517,155	\$90,432,024	\$84,960,339
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accrued salaries payable	\$23,787,888	\$234,698	\$485,742	\$101,804	\$7,987	\$-	\$-	\$-	\$24,618,119	\$19,436,018
Vouchers payable	3,408,954	94,138	133,001	493,703	3,608,626	1,146,273	-	-	8,884,695	5,829,565
Other liabilities	2,254,241	-	-	-	-	-	-	-	2,254,241	2,354,237
Deferred revenue	495,557	-	161,175	-	-	-	-	-	656,732	563,739
Due to other funds	120,068	150,032	3,034	943,027	-	-	-	-	1,216,161	1,673,994
Due to primary government	2,899,265	-	-	-	-	-	-	517,155	3,416,420	2,702,245
Total Liabilities	32,965,973	478,868	782,952	1,538,534	3,616,613	1,146,273	-	517,155	41,046,368	32,559,798
FUND EQUITY AND OTHER CREDITS										
Reserved for encumbrances	1,136,449	24,202	8,980	135,255	34,852,427	2,040,346	-	-	38,197,659	24,849,253
Reserved for inventories	-	-	-	-	-	-	-	-	-	112,233
Reserved for construction	-	-	-	-	5,713,911	-	-	-	5,713,911	21,716,896
Unreserved	4,000,000	(17,732)	-	1,491,818	-	-	-	-	5,474,086	5,722,159
Total Fund Equity and Other Credits	5,136,449	6,470	8,980	1,627,073	40,566,338	2,040,346	-	-	49,385,656	52,400,541
Total Liabilities, Fund Equity and Other Credits	\$38,102,422	\$485,338	\$791,932	\$3,165,607	\$44,182,951	\$3,186,619	\$-	\$517,155	\$90,432,024	\$84,960,339

EXHIBIT G1(A)

ARLINGTON COUNTY, VIRGINIA
Reconciliation of the Fund Balances of Component Unit - Schools
to Net Assets of Component Unit - Schools
June 30, 2004

Total-component unit-Schools fund balances	\$49,385,656
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	248,839,292
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Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds	(21,232,256)
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Net assets of component unit-Schools	<hr/> <u>\$276,992,692</u>
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The notes to the financial statements are an integral part of this statement.

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
FOR THE YEAR ENDED JUNE 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	Governmental Funds								Totals	
	School Operating Fund	School Cafeteria Fund	School Community Activities Fund	School Special Grants Fund	School Capital Projects Bond Fund	School Capital Projects (Pay-as-you- go) Fund	School Debt Service Fund	School Comprehensive Services Act	June 30, 2004	June 30, 2003
REVENUES:										
Sales tax	\$13,222,628	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$13,222,628	\$12,704,260
State/local government	19,524,078	71,854	-	2,215,938	-	585,244	-	1,779,260	24,176,374	24,570,865
Federal	-	2,923,313	-	10,945,758	-	-	-	-	13,869,071	12,303,425
Charges for services	3,129,735	2,271,618	4,007,354	1,999,035	-	-	-	-	11,407,742	10,514,930
Use of money and property	-	-	-	-	357,253	-	-	-	357,253	130,261
Total revenues	35,876,441	5,266,785	4,007,354	15,160,731	357,253	585,244	-	1,779,260	63,033,068	60,223,741
EXPENDITURES:										
Current -										
Parks and recreation	-	-	12,021,687	-	-	-	-	-	12,021,687	10,915,937
Education	255,429,208	5,374,838	-	16,390,959	-	-	-	3,459,512	280,654,517	260,566,240
Capital projects	-	-	-	-	30,053,343	7,051,416	-	-	37,104,759	22,441,945
Debt service -										
Principal	-	-	-	-	-	-	13,413,620	-	13,413,620	10,541,744
Interest	-	-	-	-	-	-	8,690,613	-	8,690,613	7,671,646
Total expenditures	255,429,208	5,374,838	12,021,687	16,390,959	30,053,343	7,051,416	22,104,233	3,459,512	351,885,196	312,137,512
Excess (deficiency) of revenues over expenditures	(219,552,767)	(108,053)	(8,014,333)	(1,230,228)	(29,696,090)	(6,466,172)	(22,104,233)	(1,680,252)	(288,852,128)	(251,913,771)
Other financing sources(uses):										
Transfers in	218,592,534	-	8,012,630	1,023,302	-	6,781,545	22,104,233	1,680,252	258,194,496	239,824,063
Transfers out	-	-	-	-	(357,253)	-	-	-	(357,253)	(130,261)
School construction funding	-	-	-	-	28,000,000	-	-	-	28,000,000	41,400,000
Proceeds from refunding of bonds	-	-	-	-	-	-	-	-	-	28,877,529
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(31,317,554)
Bond premium paid to escrow agent	-	-	-	-	-	-	-	-	-	2,440,025
Total other financing sources(uses)	218,592,534	-	8,012,630	1,023,302	27,642,747	6,781,545	22,104,233	1,680,252	285,837,243	281,093,802
Excess (deficiency) of Revenues and other sources over expenditures and other uses	(960,233)	(108,053)	(1,703)	(206,926)	(2,053,343)	315,373	-	-	(3,014,885)	29,180,031
FUND BALANCES, beginning of year	6,096,682	114,523	10,683	1,833,999	42,619,681	1,724,973	-	-	52,400,541	23,220,510
FUND BALANCES, end of year	\$5,136,449	\$6,470	\$8,980	\$1,627,073	\$40,566,338	\$2,040,346	\$-	\$-	\$49,385,656	\$52,400,541

ARLINGTON COUNTY, VIRGINIA
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Component Unit-Schools
 to Statement of Activities - Component Unit-Schools
 For the Year Ended June 30, 2004

Net change in fund balances - component unit-Schools	\$	(3,014,883)
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Amounts reported for governmental activities in the Statement
 of Activities are different because:

Governmental funds report capital outlays as expenditures
 while governmental activities report depreciation expense
 to allocate those expenditures over the life of the assets.

Add: Capital acquisitions	33,549,524	
Less Depreciation expense	<u>(12,444,484)</u>	21,105,040

In the Statement of Activities, only gain(loss) on capital assets
 is reported, while in the governmental funds, the proceeds
 from the sale increase financial resources. Thus, the change
 in net assets differs from the change in fund balance by the
 cost of the capital asset.

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Repayment of capital leases		489,324
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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
 such as compensated absences and workers compensation

(1,390,037)

Change in net assets of component unit-Schools		<u><u>\$17,189,444</u></u>
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The notes to the financial statements are an integral part of this statement.

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES- BUDGET (GAAP BASIS) AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
FOR THE YEAR ENDED JUNE 30, 2004

	School Operating Fund			School Cafeteria Fund			School Community Activities Fund		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
REVENUES:									
Sales tax	\$12,936,162	\$13,222,628	\$286,466	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental									
State	19,933,112	19,524,078	(409,034)	89,800	71,854	(17,946)	-	-	-
Federal	-	-	-	3,000,429	2,923,313	(77,116)	-	-	-
Charges for services	1,517,700	3,129,735	1,612,035	2,257,150	2,271,618	14,468	4,179,432	4,007,354	(172,078)
Use of money and property	-	-	-	-	-	-	-	-	-
Total revenues	<u>34,386,974</u>	<u>35,876,441</u>	<u>1,489,467</u>	<u>5,347,379</u>	<u>5,266,785</u>	<u>(80,594)</u>	<u>4,179,432</u>	<u>4,007,354</u>	<u>(172,078)</u>
EXPENDITURES:									
Education	256,606,284	255,429,208	1,177,076	5,347,379	5,374,838	(27,459)	-	-	-
Parks & recreation	-	-	-	-	-	-	12,421,153	12,021,687	399,466
Capital projects	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	<u>256,606,284</u>	<u>255,429,208</u>	<u>1,177,076</u>	<u>5,347,379</u>	<u>5,374,838</u>	<u>(27,459)</u>	<u>12,421,153</u>	<u>12,021,687</u>	<u>399,466</u>
Excess (deficiency) of revenues over expenditures	<u>(222,219,310)</u>	<u>(219,552,767)</u>	<u>2,666,543</u>	<u>-</u>	<u>(108,053)</u>	<u>(108,053)</u>	<u>(8,241,721)</u>	<u>(8,014,333)</u>	<u>227,388</u>
Other financing sources(uses):									
School construction funding	-	-	-	-	-	-	-	-	-
Transfers in	220,122,628	218,592,534	(1,530,094)	-	-	-	8,231,038	8,012,630	(218,408)
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	<u>220,122,628</u>	<u>218,592,534</u>	<u>(1,530,094)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,231,038</u>	<u>8,012,630</u>	<u>(218,408)</u>
Excess (deficiency) of Revenues and other sources over expenditures and other uses	<u>(2,096,682)</u>	<u>(960,233)</u>	<u>1,136,449</u>	<u>-</u>	<u>(108,053)</u>	<u>(108,053)</u>	<u>(10,683)</u>	<u>(1,703)</u>	<u>8,980</u>
FUND BALANCES, beginning of year	<u>6,096,682</u>	<u>6,096,682</u>	<u>-</u>	<u>114,523</u>	<u>114,523</u>	<u>-</u>	<u>10,683</u>	<u>10,683</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$4,000,000</u>	<u>\$5,136,449</u>	<u>\$1,136,449</u>	<u>\$114,523</u>	<u>\$6,470</u>	<u>(\$108,053)</u>	<u>\$-</u>	<u>\$8,980</u>	<u>\$8,980</u>

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES- BUDGET (GAAP BASIS) AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
FOR THE YEAR ENDED JUNE 30, 2004

	School Special Grants Fund			School Debt Service Fund			School Capital Projects Bond Fund		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
REVENUES:									
Sales tax	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental									
State	2,815,642	2,215,938	(599,704)	-	-	-	-	-	-
Federal	13,252,433	10,945,758	(2,306,675)	-	-	-	-	-	-
Charges for services	3,087,498	1,999,036	(1,088,462)	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	357,253	357,253
Total revenues	19,155,573	15,160,732	(3,994,841)	-	-	-	-	357,253	357,253
EXPENDITURES:									
Education	20,106,698	16,390,960	3,715,738	-	-	-	-	-	-
Parks & recreation	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	70,619,681	30,053,343	40,566,338
Debt service:									
Principal retirement	-	-	-	12,873,160	13,413,620	(540,460)	-	-	-
Interest and fiscal charges	-	-	-	9,350,382	8,690,613	659,769	-	-	-
Total expenditures	20,106,698	16,390,960	3,715,738	22,223,542	22,104,233	119,309	70,619,681	30,053,343	40,566,338
Excess (deficiency) of revenues over expenditures	(951,125)	(1,230,228)	(279,103)	(22,223,542)	(22,104,233)	119,309	(70,619,681)	(29,696,090)	40,923,591
Other financing sources(uses):									
School construction funding	-	-	-	-	-	-	-	28,000,000	28,000,000
Transfers in	951,125	1,023,302	72,177	22,223,542	22,104,233	(119,309)	-	-	-
Transfers out	-	-	-	-	-	-	-	(357,253)	(357,253)
Total other financing sources(uses)	951,125	1,023,302	72,177	22,223,542	22,104,233	(119,309)	-	27,642,747	27,642,747
Excess (deficiency) of Revenues and other sources over expenditures and other uses	-	(206,926)	(206,926)	-	-	-	(70,619,681)	(2,053,343)	68,566,338
FUND BALANCES, beginning of year	1,833,999	1,833,999	-	-	-	-	42,619,681	42,619,681	-
FUND BALANCES, end of year	\$1,833,999	\$1,627,073	(\$206,926)	\$-	\$-	\$-	\$-	\$40,566,338	\$68,566,338

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES- BUDGET(GAAP BASIS) AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
FOR THE YEAR ENDED JUNE 30, 2004

	School Capital Projects (Pay-as-you-go) Fund			School Comprehensive Services Act			Totals		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
REVENUES:									
Sales tax	\$-	\$-	\$-	\$-	\$-	\$-	\$12,936,162	\$13,222,628	\$286,466
Intergovernmental									
State	591,087	585,244	(5,843)	1,650,000	1,779,260	129,260	25,079,641	24,176,374	(903,267)
Federal	-	-	-	-	-	-	16,252,862	13,869,071	(2,383,791)
Charges for services	-	-	-	-	-	-	11,041,780	11,407,743	365,963
Use of money and property	-	-	-	-	-	-	-	357,253	357,253
Total revenues	591,087	585,244	(5,843)	1,650,000	1,779,260	129,260	65,310,445	63,033,069	(2,277,376)
EXPENDITURES:									
Education	-	-	-	3,400,000	3,459,512	(59,512)	285,460,361	280,654,518	4,805,843
Parks & recreation	-	-	-	-	-	-	12,421,153	12,021,687	399,466
Capital projects	14,530,337	7,051,416	7,478,921	-	-	-	85,150,018	37,104,759	48,045,259
Debt service:									
Principal retirement	-	-	-	-	-	-	12,873,160	13,413,620	-
Interest and fiscal charges	-	-	-	-	-	-	9,350,382	8,690,613	659,769
Total expenditures	14,530,337	7,051,416	7,478,921	3,400,000	3,459,512	(59,512)	405,255,074	351,885,197	53,910,337
Excess (deficiency) of revenues over expenditures	(13,939,250)	(6,466,172)	7,473,078	(1,750,000)	(1,680,252)	69,748	(339,944,629)	(288,852,128)	51,632,961
Other financing sources(uses):									
School construction funding	-	-	-	-	-	-	-	28,000,000	28,000,000
Transfers in	12,214,277	6,781,545	(5,432,732)	1,750,000	1,680,252	(69,748)	265,492,610	258,194,496	(7,298,114)
Transfers out	-	-	-	-	-	-	-	(357,253)	(357,253)
Total other financing sources(uses)	12,214,277	6,781,545	(5,432,732)	1,750,000	1,680,252	(69,748)	265,492,610	285,837,243	20,344,633
Excess (deficiency) of Revenues and other sources over expenditures and other use	(1,724,973)	315,373	2,040,346	-	-	-	(74,452,019)	(3,014,885)	71,977,594
FUND BALANCES, beginning of year	1,724,973	1,724,973	-	-	-	-	52,400,541	52,400,541	-
FUND BALANCES, end of year	\$-	\$2,040,346	\$2,040,346	\$-	\$-	\$-	(\$22,051,478)	\$49,385,656	\$71,977,594

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY TO THE COUNTY- ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Governmental Funds			Proprietary Funds		Fiduciary Fund	Component Units	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Schools	Total (Memorandum Only)
BALANCE, beginning of year	\$81,134,160	\$213,874	\$135,480,772	\$37,120,736	\$282,712	\$32,693,630	\$49,118,652	\$336,044,536
Receipts (net):								
Taxes	490,253,084	1,749,693	-	-	-	-	13,222,628	505,225,405
Licenses and permits	56,334,983	-	-	-	-	-	-	56,334,983
Fines and forfeitures	9,357,346	-	-	-	-	-	-	9,357,346
Revenue from use of money and property	8,012,783	-	954,355	642,326	-	-	357,253	9,966,717
Charges for services	26,906,703	-	1,776,748	53,701,236	15,737,715	2,571,604	11,407,742	112,101,748
Miscellaneous	2,636,223	-	200,000	2,343,910	-	2,665,107	-	7,845,240
Intergovernmental	84,553,209	16,853,970	3,458,143	506,339	-	7,310,008	38,045,445	150,727,114
Proceeds from indebtedness	1,179,948	-	32,070,000	14,949,767	-	-	28,000,000	76,199,715
Proceeds from sale of land	-	-	-	-	116,861	-	-	116,861
Total Receipts	679,234,279	18,603,663	38,459,246	72,143,578	15,854,576	12,546,719	91,033,068	927,875,129
Total Receipts and Balance	760,368,439	18,817,537	173,940,018	109,264,314	16,137,288	45,240,349	140,151,720	1,263,919,665
Disbursements (net):								
Warrants(checks)issued	356,364,052	18,429,073	47,463,414	60,546,274	14,879,390	14,289,995	328,768,190	840,740,388
Retirement of indebtedness	22,728,755	-	-	4,242,624	339,787	-	13,413,620	40,724,786
Interest and other debt costs	12,087,485	-	-	2,829,200	66,550	-	8,690,613	23,673,848
Total Disbursements	391,180,292	18,429,073	47,463,414	67,618,098	15,285,727	14,289,995	350,872,423	905,139,022
Interfund Transfers:								
Transfers in	1,812,413	247,000	9,205,000	-	369,540	-	258,194,496	269,828,449
Transfers out	(268,016,036)	(9,818)	(943,355)	-	(130,000)	(371,987)	(357,253)	(269,828,449)
BALANCE, end of year	\$102,984,524	\$625,646	\$134,738,249	\$41,646,216	\$1,091,101	\$30,578,367	\$47,116,540	\$358,780,643

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY
June 30, 2004

Assets Held by the Treasurer	
Cash on Hand	<u>\$29,013</u>
Cash in Banks:	
Checking	
BB & T	101,326
Burke & Herbert	79,546
James Monroe Bank	8,383,162
Wachovia Bank	65,351,071
SunTrust	6,914,616
Alexander Key	21,158
Bank of America	5,219,012
United Bank	23,131
Virginia Commerce Bank	<u>15,906</u>
Total Checking Account	<u>86,108,928</u>
Savings:	
Wachovia Bank	<u>4,885</u>
Total Savings Account	<u>4,885</u>
Certificates of Deposit:	
James Monroe Bank	6,500,000
Virginia Commerce Bank	<u>4,000,000</u>
Total Certificates of Deposit	<u>10,500,000</u>
Held with Trustee:	
Federal Agency Bonds & Municipal Securities	27,207,289
Repurchase Agreements	6,670,016
Capital Reserve Fund	<u>35,706,039</u>
Total Held with Trustee	<u>69,583,344</u>
Cash and Investments with Trustees:	
SunTrust, Ballston Garage Accounts	14,697,440
SunTrust, (Ballston Parking Garage)	37,765
SunTrust Solid Waste	<u>8,963,897</u>
Total Cash and Investments with Trustee	<u>23,699,102</u>
State Treasurer's Local Government Investment Pool	78
James Monroe T-Fund	121,620
James Monroe Money Market	10,032,689
Virginia Commerce Money Market	5,030,608
State Non Arbitrage Investment Program (SNAP)	147,322,161
Commonwealth Cash Reserve (Cap. Res. Fund)	645,269
Commonwealth Cash Reserve (AIM)	<u>5,702,946</u>
Total Cash & Investment Balances, June 30, 2004	<u><u>\$358,780,643</u></u>

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
June 30, 2004

	INTEREST RATE	MATURITY DATE	COST
Repurchase Agreements:			
Bank of America	0.45%	07/01/04	\$6,670,016
TOTAL REPURCHASE AGREEMENTS			6,670,016
Certificates of Deposit:			
James Monroe Bank	2.00%	07/16/04	500,000
James Monroe Bank	2.00%	08/28/04	500,000
Virginia Commerce Bank	2.00%	08/29/04	1,000,000
James Monroe Bank	2.00%	09/24/04	1,000,000
James Monroe Bank	2.00%	09/24/04	1,000,000
James Monroe Bank	2.00%	09/24/04	1,000,000
Virginia Commerce Bank	1.75%	10/29/04	500,000
Virginia Commerce Bank	2.00%	01/04/05	500,000
James Monroe Bank	2.00%	01/08/05	500,000
James Monroe Bank	2.00%	01/10/05	1,000,000
Virginia Commerce Bank	2.00%	01/10/05	500,000
Virginia Commerce Bank	2.00%	01/21/05	500,000
Virginia Commerce Bank	1.75%	05/13/05	500,000
James Monroe Bank	2.50%	05/30/05	1,000,000
Virginia Commerce Bank	2.25%	06/26/05	500,000
TOTAL CERTIFICATES OF DEPOSIT			10,500,000
Federal Agency Bonds & Municipal Securities:			
FHLB	1.15%	08/13/04	3,998,760
FHLB	1.25%	01/21/05	2,991,570
FNMA	1.67%	05/26/05	2,986,890
FHLB	2.12%	06/23/05	3,993,760
FNMA	1.30%	06/30/05	2,971,890
FHLB	2.50%	09/23/05	1,000,310
FHLB	2.56%	12/23/05	998,440
FHLB	2.71%	12/23/05	2,000,000
FNMA	2.50%	06/30/06	4,012,520
FHLB	2.25%	08/13/04	300,282
FFCB	1.45%	09/30/04	105,000
FHLB	2.00%	11/15/04	200,438
FNMA	1.87%	12/15/04	400,500
FHLB	2.12%	12/15/04	250,625
FHLB	1.26%	12/16/04	99,844
FHLB	0.00%	12/17/04	100,020
FHLMC	1.87%	01/15/05	200,126
FHLB	1.30%	01/28/05	99,719
FFCB	1.25%	04/07/05	99,438
FHLB	1.62%	04/15/05	99,688
FHLB	1.38%	06/30/05	198,188
FHLB	1.60%	07/21/05	99,281
TOTAL FEDERAL AGENCY BONDS & MUNICIPAL SECURITIES			27,207,289
Capital Reserve Fund:			
<u>Corporate Notes:</u>			
Associates Corp. NA SR Notes	6.10%	01/15/05	583,561
Associates Corp. NA SR Notes	6.00%	07/15/05	258,550
General Electric Cap Corp Notes	6.80%	11/01/05	1,053,739
Citigroup, Inc., Senior Debs	8.62%	02/01/07	281,079

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
June 30, 2004

	INTEREST RATE	MATURITY DATE	COST
<u>Federal Agency Bonds/Notes:</u>			
FNMA Strips Bonds	0.00%	04/30/05	1,962,889
FFCB Notes	1.70%	05/05/05	99,688
FHLB Notes (callable)	1.50%	07/15/05	99,188
FNMA Notes (callable)	1.62%	07/21/05	99,313
FHLMC Notes	1.50%	08/15/05	990,625
FHLMC Reference Notes	2.87%	09/15/05	2,010,625
FNMA Float Qrtly T-bill +15	1.53%	10/07/05	99,998
FHLB Tap Notes	6.50%	11/15/05	1,052,188
FHLB Notes	2.25%	12/15/05	994,805
FNMA Benchmark Notes	6.00%	12/15/05	1,048,281
FHLB Notes (callable)	1.56%	12/30/05	98,406
FNMA Benchmark Notes	5.50%	02/15/06	1,043,320
FNMA Notes	2.12%	04/15/06	1,975,625
FNMA Notes	2.00%	05/04/06	98,375
FHLMC Float 06/16/04 Step (callable)	1.51%	06/16/06	991,487
FHLMC Notes (callable)	3.00%	06/29/06	1,493,700
FHLMC Global Reference Notes	5.50%	07/15/06	1,048,906
FHLB Notes (callable)	1.82%	07/24/06	975,313
FHLB Notes	3.50%	08/15/06	1,008,125
FHLB Notes	3.10%	12/04/06	996,563
FHLMC Notes (callable)	2.45%	12/11/06	1,471,854
FNMA Notes	2.37%	02/15/07	975,664
FNMA Notes	4.10%	07/12/07	1,000,625
<u>US Treasury Bonds/Notes:</u>			
US Treasury Notes	1.12%	06/30/05	990,820
US Treasury Notes	1.12%	06/30/05	99,082
US Treasury Notes	1.50%	07/31/05	993,320
US Treasury Notes	1.62%	09/30/05	992,500
US Treasury Notes	1.62%	02/28/06	1,182,422
US Treasury Notes	6.87%	05/15/06	1,937,672
US Treasury Notes	2.00%	05/15/06	988,164
US Treasury Notes	2.62%	11/15/06	1,489,570
US Treasury Notes	3.12%	05/15/07	1,945,000
US Treasury Notes	3.12%	05/15/07	1,275,000
			<u>35,706,039</u>
Virginia State Non-Arbitrage Program			147,322,161
James Monroe T-Fund			121,620
James Monroe Money Market			10,032,689
Virginia Commerce Money Market			5,030,608
Commonwealth Investment Fund (AIM)			5,702,946
Commonwealth Investment Fund (Cap Res. Fund)			645,269
State Treasurer's Local Government Investment Pool			<u>78</u>
TOTAL			<u>\$248,938,714</u>

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2004

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			Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
	Amount Authorized and Sold	Date of Bonds	Interest Rate- %	Principal	Annual Amount	Maturity Date
General Obligation Debt: <u>Serviced by General Fund:</u>						
G.O. Public Improvement (\$11,000,000)		01/17/87				
Central Library	3,462,000		5.90	1,650,000	550,000	06/01-05-07
Community Conservation	1,440,000					
Local & Regional Parks	4,170,000			\$1,650,000		
Street & Highway	1,928,000					
	\$11,000,000					
G.O. Refunding (\$36,585,000)		04/15/92				
Human Resources Facilities	366,790		6.00	1,126,675	1,126,675	06/01/05
Jail Expansion	810,799					
Street & Highway	8,052,314			\$1,126,675		
Community Conservation	5,210,652					
Metrorail	14,323,121					
Local & Regional Parks	3,384,680					
Storm Water Drainage	695,829					
	\$32,844,185					
G.O. Refunding (\$42,075,000)		11/15/93				
Police & Jail	17,449,353		4.60	1,347,975	1,347,975	06/01/05
Local & Regional Parks	1,299,365		4.70	1,331,250	1,331,250	06/01/06
Community Conservation	467,340		4.80	1,311,181	1,311,181	06/01/07
Streets & Highways	3,754,697		4.75	4,538,961	4,538,961	06/01/08
Fire Station	814,316		5.00	4,468,720	4,468,720	06/01/09
Central Library	4,361,839		6.00	9,643,202	3,227,780	06/01/10
	\$28,146,910				3,214,401	06/01/11
					3,201,021	06/01/12
				\$22,641,289		
G.O. Public Improvement (\$54,745,000)		07/12/94				
Higher Education	3,000,000		5.40	2,785,000	2,785,000	08/01/04
Local & Regional Parks	6,934,000		5.50	2,785,000	2,785,000	08/01/05
Metrorail	13,900,000					
Streets & Highway	7,911,000			\$5,570,000		
Jail	23,000,000					
	\$54,745,000					
G.O. Public Improvement (\$41,700,000)		06/01/95				
Street & Highway	4,500,000		5.00	610,000	610,000	06/01/05
Community & Conservation	1,027,800		5.00	615,000	615,000	06/01/06
Community & Conservation (DPW)	1,672,200			\$1,225,000		
Local & Regional Parks	4,500,000					
	\$11,700,000					

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2004

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			Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
	Amount Authorized and Sold	Date of Bonds	Interest Rate- %	Principal	Annual Amount	Maturity Date
<hr/>						
G.O. Public Improvement (\$25,955,000)		10/15/96				
Street & Highway	6,237,000		5.00	2,065,440	1,032,720	12/01/04-05
Community & Conservation	3,097,200		5.00	1,036,545	1,036,545	12/01/06
Community & Conservation (DPW)	1,155,800		5.00	1,040,370	1,040,370	12/01/07
Local & Regional Parks	9,365,000		5.15	1,040,370	1,040,370	12/01/08
	<u>\$19,855,000</u>		5.25	1,044,195	1,044,195	12/01/09
			5.25	2,096,040	1,048,020	12/01/10-11
			5.375	1,051,846	1,051,846	12/01/12
			5.375	1,055,670	1,055,670	12/01/13
			5.375	1,059,494	1,059,494	12/01/14
			5.375	1,063,319	1,063,319	12/01/15
			5.375	1,067,142	1,067,142	12/01/16
				<u>\$13,620,431</u>		
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G.O. Public Improvement (\$34,200,000)		06/01/97				
Street & Highway	5,900,000		5.00	8,423,332	1,203,333	06/01/05-11
Community & Conservation	2,700,000		5.00	3,610,002	1,203,334	06/01/12-14
Community & Conservation (DPW)	3,800,000		5.10	3,610,002	1,203,334	06/01/15-17
Local & Regional Parks	8,200,000			<u>\$15,643,336</u>		
Metrorail	2,200,000					
	<u>\$22,800,000</u>					
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G.O. Public Improvement & Refunding (\$87,740,000)		05/01/98				
Street & Highway	3,630,000		4.25	4,989,366	4,989,366	10/01/04
Community Conservation	2,215,000		4.75	4,948,170	4,948,170	10/01/05
Local & Regional Parks	4,000,000		4.75	5,913,290	5,913,290	10/01/06
Metro Rail	4,800,000		4.75	4,690,730	4,690,730	10/01/07
	<u>\$14,645,000</u>		5.00	4,667,915	4,667,915	10/01/08
			5.00	4,649,570	4,649,570	10/01/09
			5.00	4,620,299	4,620,299	10/01/10
			5.00	4,269,799	4,269,799	10/01/11
			5.00	4,234,799	4,234,799	10/01/12
			5.00	2,804,799	2,804,799	10/01/13
			5.00	2,779,799	2,779,799	10/01/14
			5.00	2,309,400	769,799	10/01/15-17
				<u>\$50,877,936</u>		
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G.O. Public Improvement (\$79,750,000)		06/17/99				
Street & Highway	15,807,000		4.50	1,900,000	1,900,000	06/01/05
Central Library	300,000		5.00	7,600,000	1,900,000	06/01/06-09
Community Conservation	6,423,000		5.125	3,800,000	1,900,000	06/01/10-11
Local & Regional Parks	10,760,000		5.25	13,300,000	1,900,000	06/01/12-18
Metro Rail	3,100,000		5.25	1,890,000	1,890,000	06/01/19
	<u>\$36,390,000</u>			<u>\$28,490,000</u>		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2004

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			Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
	Amount Authorized and Sold	Date of Bonds	Interest Rate- %	Principal	Annual Amount	Maturity Date
<hr/>						
G.O. Public Improvement (\$90,325,000)		06/18/01				
Street & Highway	8,222,000		4.50	10,238,394	2,559,598	02/01/05-08
Central Library	1,001,000		4.50	12,784,647	2,556,929	02/01/09-13
Community Conservation	5,558,000		4.70	2,556,929	2,556,929	02/01/14
Community Conservation-DPW	5,265,000		4.75	2,556,929	2,556,929	02/01/15
Local & Regional Parks	16,294,000		4.875	2,554,260	2,554,260	02/01/16
Metro Rail	11,476,000		5.00	10,217,041	2,554,260	02/01/17-20
Fire Station	400,000			1,852,306	1,852,306	02/01/21
	<u>\$48,216,000</u>			<u>\$42,760,506</u>		
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G.O. Public Improvement (\$39,545,000)		06/11/02				
Central Library	5,800,000		3.00	2,050,378	1,025,189	02/01/05-06
Local & Regional Parks	5,330,000		3.20	1,025,189	1,025,189	02/01/07
Metro Rail	5,983,500		3.40	1,025,189	1,025,189	02/01/08
Fire Station	1,800,000		3.60	1,025,189	1,025,189	02/01/09
Higher Education/University	719,000		3.80	1,025,189	1,025,189	02/01/10
	<u>\$19,632,500</u>		4.00	2,050,378	1,025,189	02/01/11-12
			4.10	1,025,189	1,025,189	02/01/13
			4.25	1,025,189	1,025,189	02/01/14
			5.25	3,075,567	1,025,189	02/01/15-17
			4.70	1,025,189	1,025,189	02/01/18
			4.75	1,025,189	1,025,189	02/01/19
			5.00	2,050,378	1,025,189	02/01/20-21
			5.00	1,022,714	1,022,714	02/01/22
				<u>\$18,450,927</u>		
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G.O. Public Improvement (\$75,000,000)		05/01/03				
Local & Regional Parks	17,768,000		3.00	1,350,000	1,350,000	01/15/05
Street, Highway	7,182,000		4.00	1,755,000	1,755,000	01/15/06
Higher Education/University	281,000		5.00	1,755,000	1,755,000	01/15/07
Central Library	880,388		4.00	3,510,000	1,755,000	01/15/08-09
Fire Station	1,000,000		5.00	8,775,000	1,755,000	01/15/10-14
Metrorail	15,210		4.00	8,775,000	1,755,000	01/15/15-19
Community Conservation	6,355,000		4.125	1,755,000	1,755,000	01/15/20
General Capital Projects	118,402		4.20	1,755,000	1,755,000	01/15/21
	<u>\$33,600,000</u>		4.30	1,750,000	1,750,000	01/15/22
			4.375	1,750,000	1,750,000	01/15/23
				<u>\$32,930,000</u>		
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G.O. Public Improvement Refunding (\$65,775,000)		05/01/03				
Street & Highway	3,223,616					
Community Conservation	1,746,416		3.00	1,686,138	1,686,138	01/15/05
Higher Education	562,909		4.00	1,650,302	1,650,302	01/15/06
Parks & Recreation	3,648,420		5.00	3,683,770	3,683,770	01/15/07
Libraries	522,701		4.00	1,395,033	1,395,033	01/15/08
Jail	4,573,199		4.00	1,390,215	1,390,215	01/15/09
Metrorail	3,204,385		5.00	1,371,741	1,371,741	01/15/10
	<u>\$17,481,646</u>		5.00	1,368,086	1,368,086	01/15/11
			5.00	1,363,073	1,363,073	01/15/12
			5.00	1,357,104	1,357,104	01/15/13
			5.00	1,351,177	1,351,177	01/15/14
			4.00	540,108	540,108	01/15/15
				<u>17,156,747</u>		

ARLINGTON COUNTY, VIRGINIA
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Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)		Maturity Date
		Interest Rate- %	Principal	Annual Amount		
G.O. Public Improvement (\$60,070,000)	05/12/04					
Fire Station	2,760,000	5.00	640,000	640,000		06/30/05
Higher Education	3,000,000	5.00	1,280,000	1,280,000		06/30/06
Community Conservation	3,010,000	5.00	25,125,000	1,675,000		06/30/07-21
Parks and Recreation	12,267,000	5.25	3,350,000	1,675,000		06/30/22-23
Metrorail	11,033,000	4.75	1,675,000	1,675,000		06/30/24
	<u>\$32,070,000</u>		<u>\$32,070,000</u>			
FY 2003 Deferred cost/premium of bond refunding (net)			<u>\$442,182</u>			
FY 2004 Bond premium to be amortized			<u>\$2,212,334</u>			
Total Bonds Serviced by General Fund:			<u>\$286,867,363</u>			
Long-term Notes Payable			<u>\$8,200,000</u>			
Compensated Absences			<u>\$24,442,690</u>			
Estimated Liability for Workers' Comp Claims & Other Judgments			<u>\$3,168,567</u>			
Serviced by General Fund-Capital Leases			<u>\$5,507,995</u>			
Total General Obligation Debt Serviced by General Fund:			<u>\$328,186,615</u>			

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
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	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding:	Payments:		Maturity Date
			(Relates to total amount authorized and sold)	(Relates to total amount authorized and sold)	Annual Amount	
<u>Serviced by School Operating Fund:</u>						
School share of Refunding \$42,075,000		11/15/93				
School Improvements	<u>\$10,573,454</u>		4.60	506,370	506,370	06/01/05
			4.70	500,087	500,087	06/01/06
			4.80	492,548	492,548	06/01/07
			4.75	1,705,071	1,705,071	06/01/08
			5.00	1,678,684	1,678,684	06/01/09
			6.00	1,212,523	1,212,523	06/01/10
			6.00	1,207,497	1,207,497	06/01/11
			6.00	1,202,471	1,202,471	06/01/12
				<u>\$8,505,251</u>		
School share of \$41,700,000		06/01/95				
School Improvements	<u>\$30,000,000</u>		5.00	1,570,000	1,570,000	06/01/05
			5.00	1,575,000	1,575,000	06/01/06
				<u>\$3,145,000</u>		
School share of \$25,955,000		10/15/96				
School Improvements	<u>\$6,100,000</u>		5.00	634,560	317,280	12/01/04-05
			5.00	318,455	318,455	12/01/06
			5.00	319,630	319,630	12/01/07
			5.15	319,630	319,630	12/01/08
			5.25	320,805	320,805	12/01/09
			5.25	643,960	321,980	12/01/10-11
			5.375	323,154	323,154	12/01/12
			5.375	324,330	324,330	12/01/13
			5.375	325,506	325,506	12/01/14
			5.375	326,681	326,681	12/01/15
			5.375	327,858	327,858	12/01/16
				<u>\$4,184,569</u>		
School share of \$34,200,000		06/01/97				
School Improvements	<u>\$10,000,000</u>		5.00	5,277,780	527,778	06/01/05-14
			5.10	1,583,334	527,778	06/01/15-17
				<u>\$6,861,114</u>		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
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Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)		Maturity Date
		Interest Rate- %	Principal	Annual Amount		
School share of \$87,740,000 Refunding bonds	05/01/98					
School Improvements	<u>\$13,560,000</u>	4.25	1,754,483	1,754,483	10/01/04	
		4.75	1,731,263	1,731,263	10/01/05	
		4.75	1,935,704	1,935,704	10/01/06	
		4.75	914,114	914,114	10/01/07	
		5.00	908,428	908,428	10/01/08	
		5.00	907,303	907,303	10/01/09	
		5.00	904,017	904,017	10/01/10	
		5.00	712,767	712,767	10/01/11	
		5.00	712,767	712,767	10/01/12	
		5.00	712,767	712,767	10/01/13	
		5.00	712,767	712,767	10/01/14	
		5.00	2,138,301	712,767	10/01/15-17	
			<u>\$14,044,681</u>			
School share of Refunding \$79,750,000	06/17/99					
School Improvements	<u>\$39,360,000</u>	4.50	2,060,000	2,060,000	06/01/05	
		5.00	8,240,000	2,060,000	06/01/06-09	
		5.125	4,120,000	2,060,000	06/01/10-11	
		5.25	14,420,000	2,060,000	06/01/12-18	
		5.25	2,040,000	2,040,000	06/01/19	
			<u>\$30,880,000</u>			
School share of \$90,325,000	06/18/01					
School Improvements	<u>\$39,605,000</u>	4.50	8,409,897	2,102,474	02/01/05-08	
		4.50	10,501,409	2,100,282	02/01/09-13	
		4.70	2,100,282	2,100,282	02/01/14	
		4.75	2,100,282	2,100,282	02/01/15	
		4.875	2,098,089	2,098,089	02/01/16	
		5.00	8,392,358	2,098,089	02/01/17-20	
		5.00	1,521,497	1,521,497	02/01/21	
			<u>\$35,123,814</u>			
School share of \$39,545,000	06/11/02					
School Improvements	<u>\$19,912,500</u>	3.00	2,079,622	1,039,811	02/01/05-06	
		3.20	1,039,811	1,039,811	02/01/07	
		3.40	1,039,811	1,039,811	02/01/08	
		3.60	1,039,811	1,039,811	02/01/09	
		3.80	1,039,811	1,039,811	02/01/10	
		4.00	2,079,622	1,039,811	02/01/11-12	
		4.10	1,039,811	1,039,811	02/01/13	
		4.25	1,039,811	1,039,811	02/01/14	
		5.25	3,119,433	1,039,811	02/01/15-17	
		4.70	1,039,811	1,039,811	02/01/18	
		4.75	1,039,811	1,039,811	02/01/19	
		5.00	2,079,622	1,039,811	02/01/20-21	
		5.00	1,037,287	1,037,287	02/01/22	
			<u>\$18,714,074</u>			

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	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
School share of \$75,000,000		05/01/03				
School Improvements	<u>\$41,400,000</u>		3.00	1,660,000	1,660,000	01/15/05
			4.00	1,660,000	1,660,000	01/15/06
			5.00	1,655,000	1,655,000	01/15/07
			4.00	3,320,000	1,660,000	01/15/08-09
			5.00	1,660,000	1,660,000	01/15/10
			5.00	6,620,000	1,655,000	01/15/11-14
			4.00	8,275,000	1,655,000	01/15/15-19
			4.125	1,655,000	1,655,000	01/15/20
			4.20	1,655,000	1,655,000	01/15/21
			4.30	1,655,000	1,655,000	01/15/22
			4.375	1,655,000	1,655,000	01/15/23
			4.50	8,275,000	1,655,000	01/15/24-28
				<u>\$39,745,000</u>		
School share of Refunding \$65,775.00		05/01/03				
School Improvements	<u>\$28,877,529</u>		3.00	1,889,860	1,889,860	01/15/05
			4.00	1,862,479	1,862,479	01/15/06
			5.00	3,174,357	3,174,357	01/15/07
			4.00	2,907,843	2,907,843	01/15/08
			4.00	2,897,025	2,897,025	01/15/09
			5.00	2,860,054	2,860,054	01/15/10
			5.00	2,854,466	2,854,466	01/15/11
			5.00	2,845,483	2,845,483	01/15/12
			5.00	2,834,914	2,834,914	01/15/13
			5.00	2,824,535	2,824,535	01/15/14
			4.00	1,384,892	1,384,892	01/15/15
				<u>\$28,335,908</u>		
School share of \$60,070,000		05/12/04				
School Improvements	<u>\$28,000,000</u>		5.00	19,040,000	1,120,000	06/30/05-21
			5.00	2,240,000	1,120,000	06/30/22-23
			4.75	1,120,000	1,120,000	06/30/24
			5.00	2,240,000	1,120,000	06/30/25-26
			4.75	3,360,000	1,120,000	06/30/27-29
				<u>\$28,000,000</u>		
FY2003 deferred cost/premium of bond refunding				<u>(\$537,983)</u>		
FY 2004 bond premium to be amortized				<u>\$1,452,371</u>		
Total Serial Bonds Serviced by School Operating Fund:				<u>\$218,453,799</u>		
Compensated Absences				<u>\$21,232,259</u>		
Capital Leases Serviced by Schools				<u>\$0</u>		
Total General Obligation Debt Serviced by School Operating Fund:				<u>\$239,686,058</u>		
Total General Obligation Debt Serviced by General Fund and School Operating Fund:				<u>\$567,872,673</u>		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2004

EXHIBIT S-3
Page 8 of 9

			Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
	Amount Authorized and Sold	Date of Bonds	Interest Rate- %	Principal	Annual Amount	Maturity Date
<u>Serviced by Utilities Fund:</u>						
Sewer share of \$36,585,000 G.O. Refunding Bonds	<u>\$2,035,589</u>	04/15/92	6.00	69,828	69,828	06/01/05
				<u>\$69,828</u>		
Sewer share of Refunding \$42,075,000 Sewage	<u>\$3,354,635</u>	11/15/93	4.70	160,656	160,656	06/01/05
			4.80	158,663	158,663	06/01/06
			4.75	156,271	156,271	06/01/07
			5.00	540,968	540,968	06/01/08
			6.00	532,596	532,596	06/01/09
			6.00	384,697	384,697	06/01/10
			6.00	383,102	383,102	06/01/11
			6.00	381,508	381,508	06/01/12
				<u>\$2,698,461</u>		
Water share of \$36,585,000 GO Refunding Bonds	<u>\$1,705,227</u>	04/15/92	6.00	58,497	58,497	06/01/05
				<u>\$58,497</u>		
Water share of \$34,200,000 Public Improvement Bonds	<u>\$1,400,000</u>	06/01/97	5.00	738,890	73,889	06/01/05-14
			5.10	221,667	73,889	06/01/15-17
				<u>\$960,557</u>		
Refunding bonds		05/01/98				
Water share	1,800,000		4.25	406,151	406,151	10/01/04
Advanced Water Treatment	5,000,000		4.75	405,566	405,566	10/01/05
	<u>\$6,800,000</u>		4.75	596,006	596,006	10/01/06
			4.75	575,156	575,156	10/01/07
			5.00	573,656	573,656	10/01/08
			5.00	568,126	568,126	10/01/09
			5.00	565,685	565,685	10/01/10
			5.00	357,435	357,435	10/01/11
			5.00	357,435	357,435	10/01/12
			5.00	357,435	357,435	10/01/13
			5.00	357,435	357,435	10/01/14
			5.00	1,072,304	357,435	10/01/15-17
				<u>\$6,192,390</u>		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2004

EXHIBIT S-3
Page 9 of 9

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
Water/Sewer share of \$79,750,000		06/15/99				
Water share	500,000		4.50	205,000	205,000	06/01/05
Advanced Water Treatment	3,500,000		5.00	820,000	205,000	06/01/06-09
	<u>\$4,000,000</u>		5.125	410,000	205,000	06/01/10-11
			5.25	1,435,000	205,000	06/01/12-18
			5.25	215,000	215,000	06/01/19
				<u>\$3,085,000</u>		
Water share of \$99,815,000		06/18/01				
Water share	<u>\$2,504,000</u>		4.50	531,710	132,928	02/01/05-08
			4.50	663,945	132,789	02/01/09-13
			4.70	132,789	132,789	02/01/14
			4.75	132,789	132,789	02/01/15
			4.875	132,650	132,650	02/01/16
			5.00	530,601	132,650	02/01/17-20
			5.00	96,196	96,196	02/01/21
				<u>\$2,220,680</u>		
Water/Sewer share of Refunding \$65,775,000		05/01/03				
Water/Sewer share	<u>\$19,415,825</u>		3.00	2,024,003	2,024,003	01/15/05
			4.00	1,977,219	1,977,219	01/15/06
			5.00	2,081,872	2,081,872	01/15/07
			4.00	1,902,125	1,902,125	01/15/08
			4.00	1,897,760	1,897,760	01/15/09
			5.00	1,868,204	1,868,204	01/15/10
			5.00	1,857,448	1,857,448	01/15/11
			5.00	1,846,445	1,846,445	01/15/12
			5.00	1,832,982	1,832,982	01/15/13
			5.00	1,819,288	1,819,288	01/15/14
Deferred amount on refunding				912,366		
Less amortization				(91,237)		
				<u>\$19,928,475</u>		
VRA Loans payable				<u>\$8,749,767</u>		
Total Long Term Obligations serviced by Utilities Fund:				<u>\$43,963,655</u>		
Serviced by Printing Fund-Capital Leases				<u>\$15,519</u>		
Serviced by Auto Equipment Fund-Capital Leases				<u>\$1,606,046</u>		
SUBTOTAL:				<u>\$613,457,893</u>		
Revenue Bonds-Serviced by Ballston Public Garage Fund				<u>\$15,300,000</u>		
Mortgage Payable-Ballston Public Garage Fund				<u>\$3,429,679</u>		
SUBTOTAL:				<u>\$632,187,572</u>		
Less: Current Portion of Long-Term Obligations- Proprietary Fund Types				<u>(\$3,130,951)</u>		
TOTAL LONG TERM OBLIGATIONS:				<u>\$629,056,621</u>		

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE
 June 30, 2004

FISCAL YEAR	REAL ESTATE	PERSONAL PROPERTY	TOTAL
2004	\$126,567	\$1,707,352	\$1,833,919
2003	77,889	1,087,160	1,165,049
2002	25,348	1,030,934	1,056,282
2001	7,011	852,932	859,943
2000	2,756	740,067	742,823
1999	1,509	-	1,509
1998	1,421	-	1,421
1997	1,177	-	1,177
1996	1,134	-	1,134
1995	599	-	599
1994	97	-	97
1993	93	-	93
TOTAL	<u>\$245,601</u>	<u>\$5,418,445</u>	<u>\$5,664,046</u>

NOTES:

The amounts of delinquent real and personal property taxes receivable at June 30, 2003, are presented on the basis of the County's fiscal years during which such taxes became due.

The delinquent real estate taxes for the fiscal year consist of all taxes which were levied for the prior calendar year, and for the nineteen years preceding, which remain uncollected as of the close of the fiscal year.

The delinquent personal property taxes for the fiscal year consist of all taxes which were levied for the prior calendar year, and for the four years preceding, which remain uncollected as of the close of the fiscal year.

The amounts of delinquent taxes include the original levy and subsequent adjustment for penalties. The penalty balances for real and personal property taxes totaled \$20,671 and \$871,591.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
June 30, 2004

PER GASB 34
Primary Government

General Capital Assets:

Land	83,761,542
Infrastructure	336,410,748
Buildings	142,410,701
Furniture, fixtures and equipment	37,593,627
	<hr/>
Total General Capital Assets	600,176,618
	<hr/> <hr/>

Investment in General Capital Assets by Source:

General obligation bonds/ leases	551,437,189
Federal grants	14,907,105
State literary loans	1,664,496
Donated assets	5,795,926
General fund revenues	26,371,902
	<hr/>
Total Investment in General Capital Assets	600,176,618
	<hr/> <hr/>

Internal Services Fund	
Auto Equipment Fund	\$38,667,885
Printing Fund	\$276,061
	<hr/>
Total Internal Services Fund	\$38,943,946
	<hr/> <hr/>

Investment in Internal Services Fund by Source:

General Fund revenues	\$38,943,946
	<hr/> <hr/>

Component Unit: School Board

School Capital Assets:

Land	4,697,946
Buildings	281,684,501
Furniture, fixtures and equipment	64,249,992
	<hr/>
Total school capital assets	\$350,632,439
	<hr/> <hr/>

Investment in School Capital Assets by Source:

General obligation bonds	\$261,052,222
Federal grants	6,960,893
State literary loans	484,498
General fund revenues	82,134,826
	<hr/>
Total investment in school capital assets	\$350,632,439
	<hr/> <hr/>

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS- BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2004

Primary Government

FUNCTION AND ACTIVITY:	General Capital Assets			
	FY2004 Beginning Balance	Additions	Deletions	FY2004 Ending Balance
Primary Government:				
General Government	\$124,629,819	\$2,367,855	\$0	\$126,997,674
Public Safety	16,029,155	4,288,770	-	20,317,925
Public Works	363,113,395	10,174,565	(1,419,871)	371,868,089
Health and Public Welfare	6,863,370	130,964	-	6,994,334
Libraries	3,261,137	33,396	-	3,294,533
Parks and Recreation	52,376,645	5,137,992	-	57,514,637
Planning and Community Development	12,236,195	953,231	-	13,189,426
Total primary government	578,509,716	23,086,773	(1,419,871)	600,176,618
Internal Services Fund				
Auto Equipment Fund	36,326,251	4,110,127	(1,768,493)	38,667,885
Printing Fund	276,061	-	-	276,061
Total Internal Services Fund	36,602,312	4,110,127	(1,768,493)	38,943,946
Component Unit - Schools	317,082,914	33,549,525	-	350,632,439
Total Capital Assets	\$932,194,942	\$60,746,425	(\$3,188,364)	\$989,753,003

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF GENERAL CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
June 30, 2004

Per GASB 34
Primary Government

FUNCTION AND ACTIVITY:	Total	Land	Infrastructure	Buildings	Equipment
General Government:					
Control-					
Legislative	\$51,208	\$-	\$-	\$-	\$51,208
Executive	214,926	-	-	-	214,926
Judicial	818,794	-	-	-	818,794
Total Control	1,084,928	-	-	-	1,084,928
Staff Agencies-					
Elections	120,906	-	-	-	120,906
Management and Finance	209,227	-	-	-	209,227
Office of Support Services	97,061,258	11,780,043	-	77,426,632	7,854,583
Real Estate Assessment	45,717	-	-	-	45,717
Civil Service	704	-	-	-	704
Personnel Department	146,253	-	-	-	146,253
Office of County Attorney	7,354	-	-	-	7,354
Commissioner of the Revenue	42,503	-	-	-	42,503
Treasurer	696,245	-	-	-	696,245
Department of Technology Services	8,900,145	-	-	-	8,900,145
General government buildings	15,845,252	3,997,113	-	10,936,103	912,036
Other	2,842,639	2,818,480	-	-	24,159
Total Staff Agencies	125,918,203	18,595,636	-	88,362,735	18,959,832
Total General Government	127,003,131	18,595,636	-	88,362,735	20,044,760
Public Safety:					
Police protection	13,829,120	-	-	6,196,552	7,632,568
Fire protection	6,451,228	429,296	-	4,207,331	1,814,601
Emergency communication	37,578	-	-	-	37,578
Total Public Safety	20,317,926	429,296	-	10,403,883	9,484,747
Public Works	371,570,671	17,255,861	336,410,748	14,789,489	3,114,573
Environmental Services	297,417	-	-	-	297,417
Health	6,528,279	43,862	-	4,370,969	2,113,448
Public Welfare	466,056	200,000	-	130,415	135,641
Libraries	3,294,533	133,552	-	2,493,153	667,828
Recreation	57,509,179	47,100,703	-	8,834,611	1,573,865
Community Development	13,189,426	2,632	-	13,025,446	161,348
Total General Capital Assets	600,176,618	83,761,542	336,410,748	142,410,701	37,593,627
Internal Services Fund					
Auto Equipment Fund	38,667,885	-	-	-	38,667,885
Printing Fund	276,061	-	-	-	276,061
Total Internal Services Fund	38,943,946	-	-	-	38,943,946
Component Unit: School Board					
Schools	350,632,439	4,697,946	-	281,684,501	64,249,992
GRAND TOTALS	989,753,003	\$88,459,488	\$336,410,748	\$424,095,202	\$179,731,511

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

EXHIBIT S-8
Page 1 of 2

	2004		VARIANCE POSITIVE (NEGATIVE)	2003 ACTUALS
	BUDGET	ACTUAL		
GENERAL FUND				
General Property taxes:				
Real estate	\$314,330,086	\$325,543,791	\$11,213,705	\$289,837,433
Personal	82,526,305	79,602,097	(2,924,208)	81,661,867
Total General Property Taxes	396,856,391	405,145,888	8,289,497	371,499,300
Other Local Taxes	79,705,250	85,107,196	5,401,946	80,119,261
Total taxes	476,561,641	490,253,084	13,691,443	451,618,561
License, permits and fees	53,927,349	56,334,983	2,407,634	54,319,921
Fines and forfeitures	9,261,920	9,357,346	95,426	8,882,272
Charges for Services	26,742,956	26,906,703	163,747	25,648,106
Grants:				
State grants	56,283,763	58,693,884	2,410,121	53,615,793
Federal grants	38,595,103	25,859,325	(12,735,778)	29,073,752
Total grants	94,878,866	84,553,209	(10,325,657)	82,689,545
Use of money and property	10,053,767	8,012,783	(2,040,984)	7,598,664
Miscellaneous revenue	1,815,342	6,028,505	4,213,163	23,354,111
GRAND TOTALS FOR GENERAL FUND	\$673,241,841	\$681,446,613	\$8,204,772	\$654,111,180
GENERAL FUND TRANSFERS FROM OTHER FUNDS:				
Automotive Equipment Fund	-	-	-	130,000
General Capital Projects Fund	-	-	-	5,618,402
Street & Highway Bond Fund	-	228,907	228,907	335,841
Neighborhood Conservation Bond Fund	-	221,323	221,323	333,165
Higher Education Bond Fund	-	2,797	2,797	934
Public Recreation Bond Fund	-	274,847	274,847	265,423
Fire Facilities Bond Fund	-	58,668	58,668	66,618
Library Bond Fund	-	85,569	85,569	104,373
Transit Facilities Bond Fund	-	71,244	71,244	179,989
School Capital Improvement Bond Fund	-	357,253	357,253	130,260
Trust & Agency Fund	229,500	511,805	282,305	809,376
Total transfers	\$229,500	\$1,812,413	\$1,582,913	\$7,974,381
GRAND TOTALS	\$673,471,341	\$683,259,026	\$9,787,685	\$662,085,561

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

EXHIBIT S-8
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SPECIAL REVENUE FUNDS:

Travel & Tourism Fund	<u>1,061,800</u>	<u>1,015,177</u>	<u>(46,623)</u>	<u>1,045,726</u>
Special Assessment District	<u>970,010</u>	<u>981,915</u>	<u>11,905</u>	<u>-</u>
Community Development Block Grant Fund	<u>4,073,328</u>	<u>2,951,298</u>	<u>(1,122,030)</u>	<u>2,555,763</u>
Section 8 Housing	<u>13,962,652</u>	<u>13,902,273</u>	<u>(60,379)</u>	<u>14,072,361</u>
Total Special Revenue Funds	<u>\$20,067,790</u>	<u>\$18,850,663</u>	<u>(\$1,217,127)</u>	<u>\$17,673,850</u>

BREAKDOWN OF REVENUE BY FUNCTION:

	Charges for service	Operating grants/Contributions		Capital Grants
	Includes licenses & fee:	State	Federal	Contributions
General government	\$64,844,873	\$35,975,165	\$2,922,163	\$1,807,884
Public safety	6,495,849	501,231	1,228,483	-
Public works	1,882,116	4,134,880	202,047	-
Environmental services	7,915,520	65,630	220,492	-
Health & welfare	2,379,890	15,837,102	20,946,051	-
Libraries	459,590	216,239	-	-
Planning & community development	4,478,145	-	143,503	-
Parks & recreation	<u>4,143,049</u>	<u>155,754</u>	<u>196,586</u>	<u>-</u>
Total General Fund	<u>\$92,599,032</u>	<u>\$56,886,001</u>	<u>\$25,859,325</u>	<u>\$1,807,884</u>

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	2004			
	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	2003 ACTUALS
General Government Administration:				
County Board	\$699,671	\$710,493	(\$10,822)	\$587,181
County Manager	3,128,831	3,356,409	(227,578)	2,816,148
Financial Management	4,324,563	4,320,037	4,526	4,118,305
Civil Service	17,329	13,099	4,230	12,688
Human Resources	4,691,198	4,762,755	(71,557)	4,365,011
Technology Services	13,361,153	12,183,583	1,177,570	11,782,916
County Attorney	1,424,232	1,464,543	(40,311)	1,287,476
DES- General Services	9,468,056	9,466,048	2,008	12,991,224
Commissioner of Revenue	3,641,292	3,625,294	15,998	3,300,418
Treasurer	4,866,035	4,913,547	(47,512)	4,738,871
Electoral Board	568,236	608,731	(40,495)	652,523
Total General Government	46,190,596	45,424,539	766,057	46,652,761
Judicial Administration:				
Circuit Court	2,490,641	2,323,538	167,103	2,320,485
District Court	268,454	228,353	40,101	259,105
Juvenile & Domestic Relations Court	4,724,320	4,524,502	199,818	3,994,728
Commonwealth Attorney	3,184,262	2,984,055	200,207	2,888,730
Sheriff & Jail	23,521,243	24,276,721	(755,478)	22,708,030
Total Judicial Administration	34,188,920	34,337,169	(148,249)	32,171,078
Public Safety:				
Police	42,974,736	40,623,125	2,351,611	37,596,932
Emergency Communications Center	4,764,054	4,779,799	(15,745)	5,374,985
Fire	31,458,074	31,012,030	446,044	27,767,027
Total Public Safety	79,196,864	76,414,954	2,781,910	70,738,944
Department of Environmental Services				
DES-Public works	29,749,383	28,257,443	1,491,940	24,887,647
DES-Environmental Services	10,891,364	10,734,107	157,257	10,375,379
Total Public Works	40,640,747	38,991,550	1,649,197	35,263,026
Health & Welfare:				
Human Services	99,990,060	88,197,009	11,793,051	85,636,626
Libraries:	11,605,173	11,290,850	314,323	10,531,858
Planning & Community Development:				
Economic Development	3,078,508	2,693,229	385,279	3,033,535
Community Planning Housing & Development	11,027,906	9,961,264	1,066,642	8,615,190
Total Planning & Community Development	14,106,414	12,654,493	1,451,921	11,648,725
Parks & Recreation:	27,520,051	27,450,241	69,810	25,537,947
Non-Departmental:				
Non-Departmental	30,043,225	25,299,164	4,744,061	38,196,161
Debt Service				
Principal payment	22,403,858	22,728,755	(324,897)	22,080,315
Interest payment	12,469,154	11,971,729	497,425	12,142,238
Other costs	100,000	115,756	(15,756)	84,541
Regionals/Contributions	6,262,608	6,342,024	(79,416)	5,996,099
METRO	11,050,500	11,050,500	-	10,010,200
Total Non-Departmental	82,329,345	77,507,928	4,821,417	88,509,554
Total Expenditures before transfers-out	435,768,170	412,268,733	23,499,437	406,690,519

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	2004		VARIANCE POSITIVE (NEGATIVE)	2003 ACTUALS
	BUDGET	ACTUAL		
Transfers -Out				
Travel & Tourism	247,000	247,000	-	247,000
Auto Equipment Fund	221,004	244,384	(23,380)	219,390
Printing Fund	125,156	125,156	-	105,822
General Capital Projects Fund	9,205,000	9,205,000	-	14,335,759
Trust & Agency	-	-	-	5,163,524
Schools:				
General Operating	220,122,628	218,592,534	1,530,094	207,392,206
Community Activities/Cable TV	8,231,038	8,012,630	218,408	7,199,138
Special Grants Fund	-	1,023,302	(1,023,302)	825,253
Pay-As-You-Go	12,214,277	6,781,545	5,432,732	4,232,768
Debt Service	22,223,542	22,104,233	119,309	18,213,390
Comprehensive Services Act	1,750,000	1,680,252	69,748	1,961,309
Total Transfers-Out	274,339,645	268,016,036	6,323,609	259,895,559
GRAND TOTALS EXPENDITURES	\$710,107,815	\$680,284,769	\$29,823,046	\$666,586,078
SPECIAL REVENUE FUNDS:				
Travel & Tourism Promotion	1,106,082	1,071,965	34,117	1,006,934
Special Assessment District	970,010	890,793	79,217	-
Community Development Block Grant	4,071,043	2,951,298	1,119,745	2,555,763
Section 8 Housing	13,962,652	13,845,952	116,700	13,637,611
Total Special Revenue Funds	20,109,787	18,760,008	1,349,779	17,200,308
TOTAL GENERAL AND SPECIAL REVENUE FUNDS	\$730,217,602	\$699,044,777	\$31,172,825	\$683,786,386

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CAPITAL OUTLAYS AND CAPITAL PROJECTS
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2004

EXHIBIT S-10

FUND AND FUNCTION	AMOUNT
GENERAL FUND:	
Capital Outlays:	
General Government	\$2,367,855
Public Safety	4,288,770
Public Works	10,174,565
Health & Public Welfare	130,964
Libraries	33,396
Parks & Recreation	5,137,992
Planning & Community development	953,231
Total General Fund	<u>\$23,086,773</u>
CAPITAL PROJECTS FUNDS:	
General Capital Projects Fund:	
Public Works:	
Transportation Projects	4,390,284
Government Facilities	6,886,379
Cultural & Recreation - Community Affairs:	
Government Facilities	1,052,145
Parks	383,982
Public Safety	2,864,425
Contributions to Regional Agencies	1,074,956
Total General Capital Projects Funds	<u>16,652,171</u>
Street & Highway Bond Fund:	
Capital Projects - Public Works/Transportation/ Street & Highway Improvements	6,848,482
Neighborhood Conservation Bond Fund:	
Neighborhood Capital Projects	6,730,757
Higher Education Bond Fund:	
University Capital Projects	-
Public Recreation Bond Fund:	
Capital Projects Parks & Recreation facilities	7,838,037
Fire Station Bond Fund:	
Fire Station Facilities	1,697,059
Library Bond Fund:	
Public Library Facilities	565,990
Transit Facilities Bond Fund:	
Capital Projects - Transit Facilities	6,400,678
SCHOOL BOARD:	
School Capital Projects Bond Fund	30,053,343
Capital Projects - Education Facilities	<u>7,051,416</u>
TOTAL CAPITAL PROJECTS FUNDS	<u><u>83,837,933</u></u>
GRAND TOTAL	<u><u>\$106,924,706</u></u>



STATISTICAL (Unaudited)

TABLE I

ARLINGTON COUNTY, VIRGINIA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTIONS (1)
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works/ Environmental Services	Health & Welfare	Culture/ Recreation (2)	Education	Non- Depart- mental	Debt Service(3)	Contributions to Regional Agencies		Total
									Transit	Other	
1995	49,604,703	53,994,269	24,537,461	59,774,295	52,008,169	160,246,190	18,158,578	27,955,949	8,801,103	7,142,466	462,223,183
1996	49,850,265	53,801,668	24,753,204	60,947,297	48,768,959	165,953,881	21,514,090	33,325,025	8,499,999	10,946,601	478,360,989
1997	52,295,069	56,264,061	24,295,803	62,353,877	52,778,277	175,477,281	16,534,672	34,312,104	6,800,000	10,435,437	491,546,581
1998	52,507,401	55,803,956	24,741,982	58,758,808	58,283,472	185,114,708	16,915,459	36,696,621	8,925,000	3,968,888	501,716,295
1999	55,582,978	59,558,807	26,345,066	61,248,081	60,501,139	198,435,631	21,126,245	38,127,637	6,667,076	4,741,372	532,334,032
2000	54,228,208	59,726,299	26,470,488	63,957,515	62,628,500	212,818,415	22,582,602	43,977,853	7,020,365	4,738,554	558,148,799
2001	65,602,564	58,605,311	28,956,294	66,893,055	64,609,246	225,705,274	24,125,346	46,015,005	9,331,780	5,031,548	594,875,423
2002	77,764,679	64,110,185	32,244,012	78,421,925	70,343,780	239,520,885	26,888,560	49,181,927	9,669,124	5,514,061	653,659,138
2003	78,823,839	70,738,944	35,263,026	85,636,626	75,834,775	260,566,240	38,196,161	52,520,484	10,010,200	5,996,099	713,586,394
2004	79,761,708	76,414,954	38,991,550	88,197,009	82,167,460	280,654,517	25,299,164	56,920,473	11,050,500	6,342,024	745,799,359

NOTES:

- (1) Includes expenditures of the General and Special Revenue Funds of the County and School Board
- (2) Includes the specific functions of Libraries, Parks and Recreation, Planning and Development, Community Grants, Housing Grants, and Travel & Tourism Promotion and School Community Activities.
- (3) Includes all debt service for the General and Special Revenue Funds of the County and School Board
- (4) Reflects budgeting and expensing of a portion of the Comprehensive Services Act Funds within the Education Category.

TABLE II

ARLINGTON COUNTY, VIRGINIA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Inter Governmental Revenue	Charges for Services	Fines and Forfeitures	Miscellaneous Revenues	Total
1995	292,045,127	38,579,603	92,148,882	19,256,773	7,133,621	9,502,084	458,666,090
1996	302,040,849	38,320,489	99,232,946	22,235,236	7,071,879	9,363,927	478,265,326
1997	319,453,873	39,125,537	105,780,935	23,622,491	8,447,673	6,770,717	503,201,226
1998	331,868,850	40,362,470	99,433,931	25,051,214	8,522,820	8,737,739	513,977,024
1999	346,548,301	41,242,844	108,118,048	26,199,338	8,716,479	11,119,497	541,944,507
2000	369,262,476	48,065,489	113,747,563	29,761,955	8,264,814	13,199,742	582,302,039
2001	401,300,500	52,458,599	118,445,842	31,390,069	8,687,912	14,358,977	626,641,899
2002	427,671,852	57,199,326	131,178,526	33,374,694	9,199,674	18,782,613	677,406,685
2003	465,032,899	54,319,921	136,280,607	36,163,036	8,882,272	21,083,036	721,761,771
2004	505,225,405	56,334,983	139,452,624	38,314,445	9,357,346	12,186,207	760,871,010

NOTES:

(1) Includes revenues of the General, Special Revenue Funds, and School Board.

TABLE III

ARLINGTON COUNTY, VIRGINIA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	General Property (1)	Local Sales	Local Cigarette	Transient (2)	Bank Stock	Recordation	Car Rental	Commercial Utility	Short Term		Estate Taxes	Total
									Meals	Rental		
1995	222,353,795	21,784,558	712,745	10,952,615	1,106,336	874,412	3,739,632	6,557,000	13,473,420	58,656	49,090	281,662,259
1996	229,667,033	22,438,640	680,626	11,216,628	1,264,134	957,272	3,788,483	7,079,091	14,120,686	56,781	52,753	291,322,127
1997	243,077,055	23,928,258	667,810	12,531,316	1,244,670	1,108,127	4,591,434	6,921,431	14,731,340	56,867	59,726	308,918,034
1998	253,253,825	24,758,041	637,912	13,355,887	1,166,413	1,273,248	4,134,543	7,349,992	15,566,447	54,838	69,441	321,620,587
1999	265,296,810	25,835,931	613,199	13,998,663	1,421,760	1,847,738	4,571,080	6,359,817	15,546,488	56,356	59,978	335,607,820
2000	283,488,904	26,747,767	594,342	15,035,762	1,208,122	1,444,117	4,642,029	6,930,552	16,919,947	60,311	65,471	357,137,324
2001	308,487,574	29,398,278	662,578	15,954,344	1,165,841	1,781,317	5,102,470	7,249,558	17,995,106	65,278	69,243	387,931,587
2002	338,979,390	26,993,321	554,424	13,328,856	1,196,542	2,298,390	4,268,185	7,159,253	19,102,649	48,064	68,101	413,997,175
2003	371,634,386	27,752,102	642,660	14,615,818	1,049,928	3,781,826	4,285,596	7,609,033	20,045,524	56,520	69,917	451,543,310
2004	405,226,269	34,058,784	691,269	15,745,665	1,269,547	3,619,361	4,687,693	7,632,495	21,928,701	38,885	68,152	494,966,821

NOTES:

(1) Includes Sidewalk Assessments

(2) Includes transient occupancy tax in Travel and Tourism Fund.

TABLE IV

ARLINGTON COUNTY, VIRGINIA
REAL ESTATE AND PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Total Current Tax Levy	Current Taxes Not Collected	Current Taxes Collected	Percent of Levy Collected	Collection of Prior Year's Taxes In Current Year	Total Taxes Collected	Total Collections AS % of Current Levy	Write-Offs and Adjustments	Deferred Taxes	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as % of Total Levy
1995	220,824,238	1,411,697	219,412,541	99.36%	773,661	220,186,202	99.71%	581,954	612,321	3,733,959	1.69%
1996	231,105,324	1,850,816	229,254,508	99.20%	816,226	230,070,734	99.55%	703,309	674,783	3,716,673	1.61%
1997	242,045,913	2,076,421	239,969,492	99.14%	1,472,963	241,442,455	99.75%	1,278,402	755,524	3,991,193	1.65%
1998	256,629,325	1,973,283	254,656,042	99.23%	1,781,706	256,437,748	99.93%	709,475	765,452	4,275,180	1.67%
1999	263,965,348	1,999,162	261,966,186	99.24%	1,876,592	263,842,778	99.95%	663,641	813,860	4,321,567	1.64%
2000	283,767,875	2,968,825	280,799,050	98.95%	2,420,898	283,219,948	99.81%	820,752	797,274	4,753,609	1.68%
2001	309,676,367	2,962,538	306,713,829	99.04%	2,756,158	309,469,987	99.93%	568,475	798,198	5,002,218	1.62%
2002	335,968,016	3,624,563	332,343,453	98.92%	3,151,222	335,494,675	99.86%	1,149,446	839,328	5,409,628	1.61%
2003	373,883,498	3,443,379	370,440,119	99.08%	3,193,196	373,633,315	99.93%	1,712,034	688,928	5,569,351	1.49%
2004	406,389,307	3,305,311	403,083,996	99.19%	3,172,229	406,256,225	99.97%	1,194,439	750,170	5,664,046	1.39%

NOTES:

"Total Current Tax Levy" reflects current and delinquent taxes assessed in the current period less changes in the amount of deferred Real Estate taxes, plus penalties assessed for the current and prior years.

"Current Taxes Not Collected" consists of delinquent taxes plus first installment real estate taxes receivable.

"Current Taxes Collected" reflects the amount of a fiscal year's tax levy collected during each fiscal year.

"Total Taxes Collected" reflects "Current Taxes Collected" plus collection of prior year's taxes and penalties in the current year.

Delinquent personal property taxes are collectible for 5 years, delinquent real estate taxes for 20 years.

TABLE V

ARLINGTON COUNTY, VIRGINIA
 ASSESSED AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY (1)
 Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Public Property		Total		Ratio of Total Assessed to Total Estimated Actual
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1995	17,808,388,000	17,808,388,000	1,110,204,490	1,110,204,490	858,131,766	858,131,766	19,776,724,256	19,776,724,256	100%
1996	18,150,077,200	18,150,077,200	1,227,189,540	1,227,189,540	828,010,705	828,010,705	20,205,277,445	20,205,277,445	100%
1997	18,545,587,900	18,545,587,900	1,359,844,756	1,359,844,756	826,704,180	826,704,180	20,732,136,836	20,732,136,836	100%
1998	19,049,629,300	19,049,629,300	1,362,069,818	1,362,069,818	878,118,532	878,118,532	21,289,817,650	21,289,817,650	100%
1999	19,987,442,600	19,987,442,600	1,444,383,443	1,444,383,443	927,234,534	927,234,534	22,359,060,577	22,359,060,577	100%
2000	21,366,860,900	21,366,860,900	1,562,454,963	1,562,454,963	914,769,846	914,769,846	23,844,085,709	23,844,085,709	100%
2001	23,509,214,100	23,509,214,100	1,701,074,975	1,701,074,975	865,677,147	865,677,147	26,075,966,222	26,075,966,222	100%
2002	27,188,419,400	27,188,419,400	1,825,845,935	1,825,845,935	849,211,626	849,211,626	29,863,476,961	29,863,476,961	100%
2003	31,680,369,900	31,680,369,900	1,848,433,415	1,848,433,415	908,256,294	908,256,294	34,437,059,609	34,437,059,609	100%
2004	35,563,288,500	35,563,288,500	1,732,447,799	1,732,447,799	766,769,589	766,769,589	38,062,505,888	38,062,505,888	100%

NOTE:

(1) The amounts shown for assessed and estimated actual value of taxable property represent valuations for County tax years which end December 31st.

TABLE VI

ARLINGTON COUNTY, VIRGINIA
PROPERTY TAX RATES (1)
Last Ten Fiscal Years

Tax Rates (2)

Public Service Corporations

Fiscal Year	Real Property	Personal Property	Real Property	Personal Property Vehicles	Other
1995	.897/.94	4.40	.897/.94	4.40	1
1996	.94/.96	4.40	.94/.96	4.40	0.940
1997	.96/.986	4.40	.96/.986	4.40	0.960
1998	.986/.998	4.40	.986/.998	4.40	1
1999	.998/.998	4.40	.998/.998	4.40	1
2000	.998/1.023	4.40	.998/1.023	4.40	1
2001	1.023/1.023	4.40	1.023/1.023	4.40	1
2002	1.023/.993	4.40	1.023/.993	4.40	1
2003	.993/.978	4.40	.993/.978	4.40	1
2004	.978/.958	4.40	.978/.958	4.40	1

NOTES:

(1) Tax rates applicable to each \$100.00 of assessed value. There are no overlapping governments with regard to the taxation of property.

(2) Tax rates shown for each fiscal year reflect the rates applicable to those taxes which became due during the fiscal year i.e. Real Property rates apply to amounts due in May of the current calendar (tax) year and October of the prior calendar (tax) year. Personal property rates in any fiscal year reflect the rate applicable to amounts which became due in September of the prior calendar (tax) year.

TABLE VII

ARLINGTON COUNTY, VIRGINIA
 PERCENTAGE OF NET GENERAL OBLIGATION BONDED DEBT
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Net Bonded Debt (3)	Percentage of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	184,000	19,776,724,256	300,546,595	1.52%	1,633
1996	185,500	20,205,277,445	283,303,309	1.40%	1,527
1997	186,400	20,732,136,836	323,712,875	1.56%	1,737
1998	187,100	21,289,817,650	334,926,746	1.57%	1,790
1999	188,100	22,359,060,577	388,737,364	1.74%	2,067
2000	189,000	23,844,085,709	387,860,653	1.73%	2,052
2001	190,848	26,075,966,222	425,075,792	1.63%	2,227
2002	193,639	29,863,476,961	435,059,318	1.35%	2,285
2003	196,837	34,437,059,609	441,873,629	1.28%	2,245
2004	198,739	38,062,505,888	505,321,162	1.33%	2,543

NOTES:

- (1) Population estimates are from Arlington County Planning Division estimates.
- (2) The assessed value figures are based on County tax years which end December 31st.
- (3) The value of the general obligation serial bonds for the General Fund and the School Fund equals the Net Bonded Debt. The value of the general obligation serial bonds for the Utilities Funds are excluded due to the self supporting nature of these funds.

TABLE VIII

ARLINGTON COUNTY, VIRGINIA
 PERCENTAGE OF ANNUAL DEBT SERVICE EXPENDITURES
 FOR GENERAL OBLIGATION BONDED DEBT TO
 TOTAL GENERAL GOVERNMENTAL EXPENDITURES
 Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service (1)	Total General Expenditures (2)	Percentage of Debt Service to Total General Expenditures
1995	13,970,267	13,985,681	27,955,948	463,432,245	6.03%
1996	17,243,286	16,081,739	33,325,025	478,360,989	6.97%
1997	18,345,435	15,966,669	34,312,104	491,546,581	6.98%
1998	20,258,251	16,188,256	36,446,507	500,546,672	7.28%
1999	21,939,381	16,188,256	38,127,637	532,334,032	7.16%
2000	24,661,711	19,316,142	43,977,853	558,148,799	7.88%
2001	26,820,862	19,194,143	46,015,005	594,875,423	7.74%
2002	29,561,475	19,620,452	49,181,927	653,659,138	7.52%
2003	32,622,059	19,898,425	52,520,484	713,586,394	7.36%
2004	36,142,375	20,778,098	56,920,473	745,799,359	7.63%

NOTES:

(1) Excludes debt service on general obligation bonds payable from the Enterprises Fund and all paying agent charges.

(2) Includes all categories of expenditures as presented in Table I

TABLE IX

ARLINGTON COUNTY, VIRGINIA
REVENUE BOND COVERAGE
BALLSTON PUBLIC PARKING GARAGE
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	3,333,448	1,531,254	1,802,194	-	890,767	890,767	2.023
1996	3,571,375	1,716,978	1,854,397	1,000,000	926,931	1,926,931	0.962
1997	3,665,118	1,772,917	1,893,201	1,000,000	876,352	1,876,352	1.009
1998	3,771,522	1,793,090	1,978,432	1,000,000	921,358	1,921,358	1.030
1999	3,941,202	2,072,851	1,868,351	1,000,000	739,784	1,739,784	1.074
2000	4,509,638	1,952,953	2,556,685	1,000,000	810,400	1,810,400	1.412
2001	4,732,975	3,583,026	1,149,949	500,000	829,929	1,329,929	0.865
2002	4,407,342	2,186,610	2,220,732	500,000	514,255	1,014,255	2.190
2003	4,140,918	2,176,060	1,964,858	500,000	343,091	843,091	2.331
2004	4,080,739	2,543,137	1,537,602	500,000	290,122	790,122	1.946

NOTES:

(1) Includes operating and non-operating revenues

(2) Includes operating expenses, excluding depreciation.

TABLE X

ARLINGTON COUNTY, VIRGINIA
UTILITIES BOND COVERAGE
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirement			
				Principal	Interest	Total	Coverage
1995	40,134,807	28,703,119	11,431,688	3,750,983	3,839,842	7,590,825	1.51
1996	44,678,384	28,368,485	16,309,899	4,407,964	2,769,148	7,177,112	2.27
1997	39,590,983	27,187,448	12,403,535	3,575,815	2,586,177	6,161,992	2.01
1998	40,360,537	26,813,364	13,547,173	4,007,999	2,425,547	6,433,546	2.11
1999	43,152,479	27,759,811	15,392,668	2,941,870	2,629,714	5,571,584	2.76
2000	46,895,562	27,244,943	19,650,619	3,429,539	2,614,425	6,043,964	3.25
2001	47,233,296	30,192,015	17,041,281	3,797,788	2,588,040	6,385,828	2.67
2002	45,972,198	29,896,133	16,076,065	3,597,275	2,101,071	5,698,346	2.82
2003	45,309,573	37,404,255	7,905,318	3,636,691	2,095,078	5,731,769	1.38
2004	49,679,885	40,197,960	9,481,925	3,742,624	1,482,369	5,224,993	1.81

NOTES:

- (1) The bonds issued to finance construction of the County's water and sewer system are recorded as a liability of the County's Utilities Fund (Exhibit D-1). The debt service on these bonds is financed by the operation of the Utilities Fund while these bonds are also classified as a general obligation of the County.
- (2) Excludes depreciation.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2004

Type of Coverage & Insurance Comp	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
PROPERTY POLICIES					
(Primary Property) VACO Risk Pool	PTL 442882	7/10/2003	7/1/2004	All Risk Package Policy coverage on real and personal property, valuable papers and records Inland Marine equipments, extra expense and business interruptions, Theatrical Equipment Floater, Fine Arts, Property Floater, EDP, Voting Machines and off premises power failures \$50,000 deductible. Policy limits \$618 + million also include flood earthquakes & sewer backup & Primary garage keepers and auto physical damage covers for parked vehicles.	\$ 561,584 <i>Premium is based on total insured values (TIV)</i> <i>DES 46%</i> <i>DPWS%</i> <i>OSS/RM 49%</i>
1A					
Boiler & Machinery Hartford Steam Boiler				Jurisdictional inspection of required pressured vessels, including boilers, HVAC etc. Included in property premium policy 1A	
1B					
(Crime & Fidelity Bonds) Aon Hartford Fire Insurance Co./Aon	PEB AZ9446	7/1/2003	7/1/2004	Public Employee Dishonesty, Forgery or Alteration Theft, Disappearance and Destruction and Computer Fraud. Faithful performance of duty a covered cause of loss. Volunteer workers includes as employees. Limit: \$ 1 million Deductible :\$25,000	\$ 12,854 <i>Policy covers countywide operations</i> <i>OSS/RM will pay premium</i>
2					
(Fine Art Insurance) Aon CIGNA Fire Insurance Company	MPV I2 01 45 7	7/1/2003	7/1/2004	Exhibition property at scheduled locations and while in transit. Limits: \$150,000 at locations; \$2,500 in transit. Deductible \$1,000.	\$ 1,221 <i>PRCR</i>
3					
(Performing Arts Group) Hanover Insurance Company/ A&R Association	ZDR 541 60944	7/1/2003	7/1/2004	Tenants improvements limits \$850,000. Insured's business property limits \$100,000. Deductible \$250.	Package policy see liability <i>PRCR</i>
4					
Woodmont School Project: (Property/ Liability Policy) Aon	42 UUN BF6896	7/1/2003	7/1/2004	Business Personal Property at Fillmore St. location. Limits: \$7,300 Deductible \$250.	Package policy see liability <i>Split between DHS&PRCR</i>
5					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2004

Type of Coverage & Insurance Comp	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
{Wash/Balt HIDTA Task Force} Hartford/Aon	42 UUN BF6895	7/1/2003	7/1/2004	Business Personal Property - Replacement Cost. Agreed Value, Special Cause of Loss, Computer Equipment at Annandale, VA; Baltimore, MD; and Greenbelt, MD BPP total limits - \$1,566,900. Extra expenses \$100K per location. Computer Eq. Total limits - \$385K. Deductible \$250.	<i>Package policy</i> <i>see liability</i>
6					
{Const. Officers- Bus. Prop.} Hartford Insurance Company/ Aon	42 BE8483	7/1/2003	7/1/2004	Constitutional Officers Business Personal Property at 2100 Clarendon, 1425 & 1435 N. Courthouse. Limits: \$114,400 Deductible: \$250 Limits: \$114,400. Deductible \$250	<i>Package policy</i> <i>Policy covers property of</i> <i>Sheriff, Treasurer,</i> <i>Commonwealth Attorney</i> <i>and comm. Of Revenue.</i> <i>Equal distribution</i>
7					

AUTOMOBILE POLICIES

{Physical Damage except Collision} Royal/Aon	TBD	7/1/2003	7/1/2004	All Risk Physical Damage excluding collision, includes fire units & portable equipment. Limits: \$20 million Deductible: Varies by peril 25,000 per OCC 100,000 per Flood 2,500 per vehicle haul	\$52,608
8					
{Garage Keepers - Primary} Royal/Aon	PTL 422882	7/1/2003	7/1/2004	Primary coverage at Taylor Street location, and Glebe, Uhle, Quincy and Courthouse locations. Liability, Physical Damage, and Medical Payments. Limits \$1 mil/250K/\$2K Deductible \$500/\$250	<i>Policy canceled 8/30/02</i> <i>Coverage is now</i> <i>part of property policy</i> <i>with Genesis</i>
9					
{Ballston Excess Garage Keepers Legal Liability} Aon Federal Insurance Company /Aon	7971-26-51	7/1/2003	7/1/2004	Excess coverage for Ballston Garage over Royal Limits \$9 million over \$1 million.	<i>Policy canceled 6/30/02</i> <i>Coverage is now part</i> <i>of property policy</i> <i>with Genesis</i> <i>DPW</i>
10					
{Const. Officers - Auto Liability} Hartford/ Aon	42 UEN DE2638	7/1/2003	7/1/2004	For the Sheriff Department Covers liability, Uninsured Motorist and Medical Payments: \$1,000,000 each occurrence for Liability, \$1,000 for medical payments	\$ 36,827 <i>Sheriff</i>
11					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2004

Type of Coverage & Insurance Comp	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
LIABILITY POLICIES					
(Primary General Liability) Self-Insured Retention Program County Office of Risk Management	County Resolution	Continuous		County retains the first \$1 million exposure to risk incident to liability arising from the conduct of covered persons in the discharge of County duties	
12					
(Excess General Liability) Aon Gensis/Aon	TBD	7/1/2003	7/1/2004	Excess Liability Program for limits \$20 million AL, GL and LEL. Excess over \$1 million retention. Metro easements and Ballston Garage.	\$ 350,000 OSS/RM
13					
(Excess Pub. Off & Employee Liability)	TBD	7/1/2003	7/1/2004	Excess public officials and employments practices liability. Discrimination and EEO related practices included. Excess over \$1 million retention	Included OSS/RM
14					
(Prof. Liability-Medical Clinics) Evanston Insurance Company/Aon	SM-804111	7/1/2003	7/1/2004	Professional liability to \$2 million limit. Aggregate limit \$6 million. Deductible \$2,500 per claim	\$ 42,945 DHS
15					
(Prof. Liability-Employed Physicians) Evanston/Aon	SM 804113	7/1/2003	7/1/2004	Professional liability to \$2 million limit. Aggregate limit \$6 million. Deductible \$100,000	\$ 134,856 DHS
16					
(Prof. Liability-Emerg. Med. Services) Evanston/ Aon	MM 801464	7/1/2003	7/1/2004	Professional liability to \$2 million limit. Aggregate limit \$6 million. Deductible :\$5,000	\$ 87,849 Fire Dept/ EMS
17					
(Easement Liability - Primary)	PTL 442882	7/1/2002	7/1/2003	Primary \$1 million liability required by easements. Wilson, N. Quincy, 15th & Veitch, Fairfax, N. Adams	Included OSS/RM
18					
(Volunteer Liability) Insurance Company of N. America/ Aon	G09909655	7/1/2003	7/1/2004	Personal injury and property damage liability of volunteer doing County business. Coordinated with any personal coverage. Limits: \$1 million per occurrence. \$ 3 million annual aggregate.	\$ 2,399 JDRC
19					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2004

Type of Coverage & Insurance Comp	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
(Group Accident Coverage)					
Philadelphia Life Insurance Co./Aon	SR19869-XBYKA-04	7/1/2003	7/1/2004	Group Accident coordinated with personal coverage.	OSS: 5,024
	SR19869-ZBQKA-04			Volunteers and association members.	PRCR: 12,750
	SR19869-YBQKA-04			Camping program participants.	PRCR: 6,500
	SR19869-XBQKA-04			Recreational sports activities.	JDRC: 500
	SR19869-LBKTG-04			Community service program.	OSS: 500
				Auxiliary Police.	
20					
(Performing Arts Group)					
Hanover Insurance Company/ A&R Assoc.	ZDR5416094-03	7/1/2003	7/1/2004	General liability and medical expense.	\$ 4,651
				Limits: \$1 million/ \$ 3 million	
					PRCR
21					
(Personal Services Contractors)					
The Hartford Insurance Group/Aon	42 UEN BE1845	7/1/2003	7/1/2004	Contract cook and printer. CGL mimits \$1 million	\$ 407
				Fire Damage \$300,000; Medical Expense \$10,000	
				General Aggregate: \$2 million	OSS/RM
22					
(Woodmont School Project)					
The Hartford Ins. Group/ Aon	42 UUN BF6896	7/1/2003	7/1/2004	General liability limit \$1 million. Aggregate \$2 million.	\$ 350
				Fire damage limit \$300,000.	
					50% split PRCR & DHS
23					
(Wash/Balt HIDTA Task Force)					
Hartford Insurance Grp/ Aon	42UUN BF6895	7/1/2003	7/1/2004	Personal and advertising injury limit \$1 million.	\$ 15,144
				Fire damage limit \$300,000	
				Medical expense limit \$10,000.	
				General Aggregate \$2 million	Police
24					
(VDOT Permit Bond)					
Travelers - Aetna Casualty/Aon	53 S 101062299 B (Continuous)			Virginia highways permit bond for facilities located on the VDOT right-of-way.	\$ 150
				Limit \$100,000	OSS/RM
25					
(County Board Surety Bond)					
	P. Ferguson	continuous until cancell		Bond Limit \$2,500	\$ 100
	B. Favola				\$ 100
	J. Fisette				\$ 100
	C. Zimmerman				\$ 100
	W. Tejada				\$ 100
26					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2004

Type of Coverage & Insurance Comp	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
<u>{Fiduciary Liability Policy- Arlington Co.</u>					
<u>Employee's Suppl. Retirement Sys 2)</u>	8146-32-15/15A	3/8/2001	3/8/2001	Fiduciary liability to \$10 million	Prem- \$44,000
Chubb/Alton Ins. Agency	8146-32-15B	3/8/2000	3/8/2001	ERISA Fidelity Bond	Prem-750
	857-58-81	12/8/1998	3/8/2002	D&O Trustees Liab to \$3 million	Prem-30,010
				These policies are handled by the Retirement Board Risk Management is not involved with the purchase of these coverages.	
27					
<u>{Rocca Land Purchase}</u>					
PLS 2672194	6/23/2003	6/23/2008	Environmental pollution liability coverage provided by seller of property to County. Limits \$2 million/\$5 million. Deductible \$5,000	\$ 25,757	
AIG/Aon					
28					
<u>{DHS Volunteers Liability}</u>					
Info.Bull.#97-18	Continuous	Personal liability and excess auto liability coverage for services. Purchased by Commonwealth.			
INA/Common.of Virginia Social Services					
29					
<u>{Public Official Position Scheduled Bond}</u>					
Fidelity & Deposit Co.	30096304	Continuous	Bond is now Self-Insured by the State covers failure to discharge duties faithfully. Self Insurance Fund per loss		<i>State Self Insured</i>
	30096303				
30					
<u>{Const.Officers Liability}</u>					
42 UUN BE 8483	7/1/2003	7/1/2004	General & Employee Benefits liability limits \$1 million \$ Fire damage limit \$300,000 Medical expense limit \$10,000 Aggregate Limits: \$3 million.	13,428	
Hartford Insurance Company/Aon					
				<i>Constitutional Officers equal split</i>	
31					
<u>{Const. Officers Liability Plan Virginia Risk Coverage}</u>					
Commonwealth of Virginia (SIR)			Combined Program for CGL/POL & LEL covers Public Officials & Employees by reason of any wrongful Act, rendered in the discharge of the duties of the Public Entity		
Clerk of Court	Virginia Risk	Continuous	Limits: \$ 1 million per loss, \$1 million aggregate		
Sheriff	Virginia Risk	Continuous	Limits: \$ 1 million per loss, \$1 million aggregate		
Commissioner of Revenue	Virginia Risk	Continuous	Limits: \$ 1 million per loss, \$1 million aggregate		
Commonwealth's Attorney	Virginia Risk	Continuous	Limits: \$ 1 million per loss, \$1 million aggregate		
Registrar of Voters	Commonwealth of Virginia (SIR)		Limits: \$ 1 million per loss, \$1 million aggregate		
Arlington County Treasurer	Virginia Risk	Continuous	Limits: \$ 1 million per loss, \$1 million aggregate		
32					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2004

Type of Coverage & Insurance Comp	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
WORKER'S COMPENSATION POLICIES					
(Primary Workers' Compensation)		Continuous		County self-insures its workers' compensation exposure to statutory limits.	
33					
(Woodmont School Project)	42 WE IE6844	7/1/2003	7/1/2004	Virginia Statutory Benefits for Remunerated Non-County Employees of Project. Policy Indemnifies Clients of Project in the event of injury. <i>OSS/RM</i>	\$ 2,072
Hartford Underwriters Insurance Co./Aon Liability Policies					
34					
(Personal Services Contractors)	42 WE EF4632	7/1/2003	7/1/2004	Virginia Statutory Benefits for contracted cook for community services program and contracted printer <i>PRCR</i>	\$ 955
Hartford/ Aon					
35					
TOTAL PREMIUMS					\$ 1,371,831

TABLE XII

ARLINGTON COUNTY, VIRGINIA
SALARIES AND SURETY BONDS
OF PRINCIPAL OFFICIALS
June 30, 2004

Official Title	Annual Salary Range		Bond (1)
	Minimum	Maximum	
County Board:			
Chairman	-	30,730	2,500
Vice Chairman	-	27,937	2,500
Members	-	27,937	2,500
Clerk	49,227	79,566	20,000
County Manager	-	161,600	20,000
Commissioner of the Revenue	75,682	122,318	30,000
Commonwealth's Attorney	79,133	127,897	-
Sheriff	75,682	122,318	30,000
Treasurer	75,682	122,318	1,000,000
County Attorney		141,398	20,000
Director of Community Housing, Planning & Development	57,509	137,219	20,000
Director of Economic Development	57,509	137,219	20,000
Director of Environmental Services	57,509	137,219	20,000
Fire Chief	57,509	137,219	20,000
Director of Human Services	57,509	137,219	20,000
Director of Libraries	75,682	122,318	20,000
Director of Management and Finance	57,509	137,219	20,000
Director of Human Resources	57,509	137,219	20,000
Chief of Police	57,509	137,219	20,000
Director of Public Works	57,509	137,219	20,000
Director of Park, Recreation and Community Resources	57,509	137,219	20,000
Director, Office of Technology and Information Services	57,509	137,219	20,000
Director, Office of Support Services	57,509	137,219	20,000
Clerk of the Circuit Courts	75,682	122,318	25,000

NOTE:

- (1) Arlington County Employees and Constitutional Officers are covered under Blanket Crime and Fidelity Bond up to a limit of \$1,000,000. Constitutional Officers are also covered under a Blanket Faithful Performance Bond per limits set by the Commonwealth of Virginia.

TABLE XIII

ARLINGTON COUNTY, VIRGINIA
CONSTRUCTION ACTIVITY, BANK DEPOSITS
AND REAL PROPERTY VALUE
Last Ten Fiscal Years

Fiscal Year	Residential Construction (1)		Commercial Construction (1)		Miscellaneous Construction (1)		Bank Deposits (2) (thousands)	Real Property Value (3)		
	Permits	Valuation	Permits	Valuation	Permits	Valuation		Residential	Commercial	Non-Taxable
1995	346	36,858,322	8	39,851,050	7,302	93,712,560	2,891,305(4)	9,344,559,800	8,463,928,200	2,884,098,700
1996	284	25,490,180	19	52,857,849	6,821	145,544,517	N/A	9,381,092,300	8,768,984,900	2,898,939,000
1997	135	14,351,706	18	68,341,798	5,806	124,621,332	N/A	9,431,041,500	9,114,546,400	2,898,523,300
1998	139	16,751,130	20	128,865,279	5,796	245,736,406	N/A	9,432,953,000	9,616,676,300	3,051,485,400
1999	218	21,379,776	14	122,135,417	5,414	161,905,110	N/A	9,732,182,800	10,255,259,800	3,054,099,600
2000	165	61,047,327	48	254,556,487	9,245	489,227,649	N/A	10,351,328,800	11,015,532,100	3,063,878,000
2001	309	46,686,600	47	197,959,044	10,343	451,924,246	N/A	11,517,298,400	11,991,915,700	3,222,980,000
2002	195	28,942,000	74	216,085,000	11,102	314,256,000	N/A	14,036,270,900	13,152,148,500	3,595,700,600
2003	206	45,190,520	63	245,828,500	10,813	342,302,448	N/A	16,904,168,300	14,776,201,600	4,177,897,400
2004	251	62,734,000	33	269,927,000	12,069	552,693,906	N/A	19,819,949,800	15,743,338,700	4,611,780,600

NOTES:

- (1) Department of Community Planning, Housing and Development, Planning Division-- Inspection Services
(2) Source -- Colgate-Darden School of Business, University of Virginia
(3) Estimated actual value. Excludes public service corporations
(4) Includes Credit Union balances in addition to Commercial Banks and Savings and Loans.

TABLE XIV

ARLINGTON COUNTY, VIRGINIA
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
1995	181,741	37,505	17,164	3.5%
1996	182,801	39,073	17,546	3.2%
1997	184,768	40,830	17,589	2.5%
1998	186,693	43,554	18,126	1.7%
1999	183,716	45,703	18,265	1.6%
2000	189,453	49,536	18,334	1.1%
2001	189,983	53,830	18,484	2.1%
2002	193,754	55,148	18,469	2.7%
2003	196,925	56,344	18,411	2.3%
2004	198,739	57,505	18,377	1.6%

NOTES:

- (1) Population figures for 1993-1999 are estimates from the U.S. Census Bureau. The 2000 population figure is from the 2000 census. The 2001, 2002, 2003 and 2004 population figures are estimates from the Arlington County Planning Division.
- (2) Source - U.S. Department of Commerce, Bureau of Economic Analysis, Regional Accounts Data. (<http://www.bea.doc.gov/bea/regional/reis>) . Figures for 2001, 2002, 2003 and 2004 are estimates from the Arlington County Planning Division.
- (3) Source - Arlington County School Board, Office of Planning, Management and Budget K-12 only. The figure for 2004 is preliminary only.
- (4) Source - Virginia Employment Commission-- Figures for 1995-2002 are annual averages. The 2004 figure is for July. Due to revised VEC methodology, figures are not comparable to figures from previous years (<http://www.velma.vec.state.va.us>)

TABLE XV

ARLINGTON COUNTY, VIRGINIA
PRINCIPAL TAXPAYERS (1)
June 30, 2004

Taxpayer/ Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
Charles E. Smith Interests Office buildings, apartment, hotel, land	\$3,408,360,200	9.58%
Cafritz Interests Apartments, warehouses, land	610,622,900	1.72%
Arland Towers Company Office buildings, land	564,763,800	1.59%
Albrittain Interests Apartments, general commercial	471,431,900	1.33%
Crystal holdings Office buildings	469,445,100	1.32%
Fashion Centre Associates Mixed use retail, hotel	438,679,100	1.23%
Paradigm Managed Properties Apartments , general commercial	339,248,500	0.95%
Avalon Properties Apartments, land	274,844,700	0.77%
Caruthers Interests Retail,office buildings, apartments, hotel	210,783,300	0.59%
2111 & 2039 Wilson Blvd. Inc. Office buildings, land	180,681,200	0.51%
Total	<u>\$6,968,860,700</u>	<u>19.59%</u>

NOTE:

(1) Source - County Department of Management & Finance - Real Estate Assessments

TABLE XVI

ARLINGTON COUNTY, VIRGINIA
MISCELLANEOUS STATISTICS
June 30, 2004

Form of Government	County Manager Plan
Date of Adoption	January 1, 1932
Area (square miles)	26
Miles of Street	480
Number of Street Lights	15,185
<u>Fire Protection:</u>	
Number of Stations	10
Training Academy	1
Number of Employees	307
<u>Police Protection:</u>	
Number of Employees: Police Department	472
Number of Employees: Sheriff/ Jail and Courts	270
<u>Education:</u>	
Attendance Centers	34
Number of Classrooms	1,719
Number of Teachers	1,965
Number of Students	18,786
<u>County Water System:</u>	
Number of consumer service locations	36,531
Average daily consumption (gallons)	26,900,000
Miles of water mains	525
<u>County Sewer System:</u>	
Miles of sanitary sewers	470
Average gallons per day treated	31,600,000
System capacity under construction (gallons per day)	10,000,000
<u>Building Permits:</u>	
Construction Permits	3,891
Plumbing, Electrical & Mechanical Permits	7,454
Fire Permits	943
Elevator Permits	64
<u>Recreation and Culture:</u>	
Number of Parks and Mini-Parks	115
Number of Libraries	8
Number of Items (Print and Audiovisual)	545,776
Number of Recreation Centers	14
Number of Nature Centers	3
<u>Employees:</u>	
General Government	3,711
School System	3,567

TABLE XVII

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND BALANCE
Fiscal Year 1996 - 2004

	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Fund Balance:									
Reserved for									
Encumbrances	\$ 2,614,224	\$ 1,501,400	\$ 2,267,661	\$ 3,832,468	\$ 6,424,347	\$ 4,649,576	\$ 4,237,700	\$ 3,517,687	\$ 4,037,272
Woodbury Park	200,000	200,000	200,000	(1)	(1)	(1)	(1)	(1)	(1)
Four Mile Run	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Unreserved									
Designated for Self Insurance	2,600,000	2,600,000	2,600,000	2,600,000	3,000,000	3,500,000	3,500,000	3,500,000	3,500,000
Designated for Operating Reserve	6,500,000	7,600,000	8,600,000	10,100,000	11,500,000	12,500,000	12,600,000	13,400,000	14,400,000
Designated for Subsequent Years Budget	8,088,784	7,315,694	4,496,233	1,534,371	6,683,515	15,746,738	15,839,137	17,041,997	24,240,645
Designated for Incomplete Projects	7,144,384	11,500,298	14,816,480	9,829,119	14,641,370	29,149,242	27,024,978	21,241,614	15,497,638
Total General Fund Balance	\$ 27,647,392	\$ 31,217,392	\$ 33,480,374	\$ 28,395,958	\$ 42,749,232	\$ 66,045,556	\$ 63,701,815	\$ 59,201,298	\$ 62,175,555
General Fund Balance as Percent of General Fund Expenditures and Other Financing Sources	6.42%	7.04%	7.37%	5.61%	9.64%	12.21%	17.11%	14.56%	15.08%

(1) Woodbury Park obligation satisfied in FY 1999.

TABLE XVIII

ARLINGTON COUNTY, VIRGINIA
BUSINESS AND PROFESSIONAL LICENSE TAX REVENUES
Fiscal Years 1995 - 2004

Fiscal Year	Revenues	Percent Change
1995	34,841,487	1.90%
1996	34,572,393	-0.77%
1997	35,145,120	1.66%
1998	35,879,079	2.09%
1999	35,883,073	0.01%
2000	41,018,179	14.31%
2001	41,749,809	1.78%
2002	45,661,097	9.37%
2003	43,206,157	-5.38%
2004	45,090,463	-5.38%



FEDERALLY ASSISTED PROGRAMS

In June 1996, the U.S. Office of Management and Budget revised OMB Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations." The underlying concept of this circular is to establish uniform audit requirements for state, local government, and non-profit organizations that receive federal awards.

Contained in this section are the following independent Auditor's Reports on:

- Schedule of Expenditures of Federal Awards;
- Compliance and on Internal Control over Financial Reporting; and
- Compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133



Independent Auditor's Report

The Honorable Members of the County Board
Arlington County, Virginia

We have audited the basic financial statements of Arlington County, Virginia (County) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 13, 2004. These financial statements are the responsibility of the County. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Calverton, Maryland
October 13, 2004

**Independent Auditor's Report on Internal Control Over Financial Reporting and On
Compliance and Other Matters Based on Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards***

The Honorable Members of the County Board
Arlington County, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Arlington County, Virginia (the County) as of and for the year ended June 30, 2004, which collectively comprise Arlington County, Virginia's basic financial statements, and have issued our report thereon dated October 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications of Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the County in a separate letter dated October 13, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and *Specifications of Audits of Counties, Cities and Towns*.

This report is intended solely for the information and use of the Honorable Members of the County Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Calverton, Maryland
October 13, 2004

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and On Internal Control Over
Compliance in Accordance with OMB Circular A-133**

The Honorable Members of the County Board
Arlington County, Virginia

Compliance

We have audited the compliance of Arlington County, Virginia (County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Specifications for Audits of Counties, Cities, and Towns, issued by the *Auditor of Public Accounts of the Commonwealth of Virginia*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Honorable Members of the County Board and management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Calverton, Maryland
October 13, 2004

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

DEPARTMENT OR FEDERAL PROGRAM	Federal Catalogue Number	Expenditures
Department of Health and Human Services		
Pass Through Payments:		
Department of Social Services:		
Refugee Programs - Indo-Chinese Refugee Relief (765/452-04)	93.566	\$38,095
Refugee School Impact	93.576	18,729
Social Services Block Grant		
(Purchased Services) (765/453-01)	93.667	1,437,176
(Medical Assistance)	93.778	632,172
(Child Care Purchased Services)	93.596	644,324
(View Purchased Services)	93.558	940,657
Child Care Development Block Grant (102-586)	93.575	1,915,823
FAMIS Outreach Grant	93.767	12,102
ILP Education & Training Vouchers	93.599	17,744
Family Preservation	93.556	61,683
Independent Living	93.674	15,972
Caring Education	93.995	357,005
Foster Care & Adoptions (765/453-01)		
Foster Care	93.658	2,034,155
Adoption	93.659	407,859
Fuel Assistance Program(765/452-06)	93.568	3,440
Total Department of Social Services		<u>\$8,536,936</u>
Department of Health Services:		
AIDS Outreach to Minorities Grant	93.216	20,961
Medical Reserve Group	93.008	23,287
Immunization Grant	93.268	55,667
Refugee Grant	93.576	34,331
TB Outreach Grant	93.116	115,542
Rape Grant (Victims of Violence)	16.582	28,263
Rape Prevention and Education	93.136	31,518
Total Department of Health Services		<u>309,569</u>
Department of Mental Health and Mental Retardation		
Alcohol and Drug Abuse and Mental Health Services Block Grant(790/445-01/455-02)		
Homeless-Mental Path	93.150	42,625
Mental Health -Seriously mentally ill	93.958	34,610
SA HIV Aids FBG	93.959	58,628
SA Treatment FBG	93.959	405,138
SA SARPOS FBG	93.959	94,197
SA Primary Prevention	93.959	184,600
HHS Mental Health (Schools)	93.243	329,740
MH FEMA Regular Services Crisis Counseling	93.982	1,078,818
Total Mental Health Mental Retardation and Substance Abuse		<u>2,228,356</u>
Department for the Aging		
Older Americans Act		
Title III-B-Area Plan	93.044	154,841
Title III-C-Nutrition	93.045	123,131
Title III-D-Disease Prevention	93.046	2,000
Title III-E- National Family Caregiver Support	93.052	48,151
Title VII-Elder Abuse Prevention	93.041	1,802
Senior Medicare Patrol Project	93.048	9,553
Health Insurance Counseling & Assistance	93.779	13,600
Total Department for the Aging - OAA		353,078
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u><u>\$11,427,939</u></u>

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

	Federal Catalogue Number	Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Federal Payments		
Community Development Grants		
Nineteenth Entitlement(B93UC51002)	14.218	\$56
Twentieth Entitlement(B94UC51002)	14.218	36,707
Twenty-first Entitlement(B95UC51002)	14.218	2,310
Twenty-second Entitlement(B96UC51002)	14.218	8,156
Twenty-third Entitlement(B97UC51002)	14.218	21,434
Twenty-fourth Entitlement(B98UC51002)	14.218	172,018
Twenty-fifth Entitlement(B99UC51002)	14.218	270,451
Twenty-sixth Entitlement(B00UC51002)	14.218	45,033
Twenty-seventh Entitlement(B00UC51002)	14.218	55,462
Twenty-eighth Entitlement(B01UC51002)	14.218	1,939,670
Total Community Development Grants		<u>\$2,551,297</u>
Section 8 Housing Assistance-		
New Construction(VAO28NCOO04)	14.182	123,399
Substantial Rehab(VAO28SBOO3)	14.182	635,510
Moderate Rehab(VAO28MROO1-OO5)	14.856	1,226,768
Voucher Program(VAO28VO015-023)	14.871	11,741,403
Total Section 8 Housing Assistance		<u>13,727,080</u>
HUD-Federal Emergency Shelter Grant	14.231	76,000
HUD-Transitional Housing Grant	14.235	101,363
HUD-Supportive Housing Grant	14.235	212,073
HUD-HOPWA	14.240	164,713
Total HUD Grant		<u>554,149</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u><u>\$16,832,526</u></u>

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

	Federal Catalogue Number	Expenditures
DEPARTMENT OF EDUCATION		
Pass Through Payments:		
Department of Education		
Title V- Delinquent Children	84.013	\$122,924
Elementary and Secondary Education Act- Title I (197/171/01)	84.010	2,148,679
Public Law 94-142 Handicapped Program (197/171-02)	84.027	3,424,757
Adult Basic Education(197/192-02)	84.002	310,250
Learning and Library Resources- Title VI (Elementary & Secondary Education Act) (197/171/01)	82.298	132,338
Pre-School Incentive	84.173	115,387
Title III, Part A (NCLB) Emergency Immigration (197/171-06)	84.365	593,545
Title IIEESA, Teacher Education (197/560-11)	84.281	99,255
Title IV Drug-Free Schools (NCLB) (197/171-05)	84.186	144,874
Vocational Education Act - Carl D Perkins PL-101-392	84.048	296,348
Education for Homeless Children & Youth (Stuart B McKinney)	84.196	77,943
Reading Excellence	84.338	3,225
ESL/Civics Grant	84.002	118,377
Assist Technology	84.027	1,909
Title II, Part A Class Size Reduction (NCLB)	83.367	495,725
Title II, Part A Add-on (NCLB)	84.367	360,052
Title II, Part D Ed Tech (NCLB)	84.318	71,209
Even Start	84.213	177,498
Physical Educators for Progress	84.215F	21,834
21st Century Community Learning Center	84.287A	47,788
PASS Partner School Grant	84.281	202
Urban Institute Career Center Grant	84.341A	21,459
Title 1 Reading First	84.357	170,069
Total State Pass Through Payments		<u>8,955,647</u>
Total Department of Education		<u><u>\$8,955,647</u></u>

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

	Federal Catalogue Number	<u>Expenditures</u>
DEPARTMENT OF LABOR		
Pass Through Payments:		
Governor's Employment and Training Department		
Job Training Partnership Act-		
Title III(916/462-01)METROTECH	17.250	<u>\$20,544</u>
Total JTPA Grant Programs		<u>20,544</u>
Department of Social Services		
Work Investment Act		
WIA-Admin. Fund	17.258	66,501
WIA-Adult	17.258	184,917
WIA-Youth	17.259	189,545
WIA-Dislocated	17.260	244,012
WIA-Rapid Response	17.260	105,377
WIA-Earmark (Disability Program)	17.261	<u>272,251</u>
Sub total		<u>1,062,603</u>
H-1B Technical Skills Training	17.249	110,481
National Emergency Grant	17.260	962,546
Welfare-to-Work	17.253	13,417
Education for Independence	17.255	<u>5,393</u>
Total Department of Social Services		<u>2,154,440</u>
Department for the Aging		
Senior Community Services Employment		
Program-Title V, OAA(163/455-04)	17.235	<u>89,025</u>
Total Department of Labor		<u><u>\$2,264,009</u></u>

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE		
Pass Through Payments:		
Department of Education-		
National School Lunch Program		
(197/457-02)	10.555	\$2,177,413
National School Breakfast Program	10.553	514,986
Parent/Teen Infant	10.555	19,130
Sub total		<u>2,711,529</u>
Dept. Agriculture and Consumer Services		
USDA Donated Commodities	10.555	230,914
WIC Grant	10.557	412,323
Administrative Matching Grants for Food Stamps	10.561	1,485,564
Department for the Aging		
Older Americans Act Title III USDA		
(163/457-02)	10.570	<u>39,817</u>
Total Pass Through Payments		<u>4,880,147</u>
Total Department of Agriculture		<u><u>4,880,147</u></u>
DEPARTMENT OF JUSTICE		
Direct Federal Payments:		
Seized Assets	16.000	\$506,804
Metropolitan Area Task Force (MATF)	16.000	1,937,520
High Intensity Drug Trafficking Area (HIDTA)	16.000	5,367,797
High Intensity Drug Residential Treatment	16.000	151,983
2001 Local Law Enforcement Block Grant	16.529	131,720
2002 Local Law Enforcement Block Grant	16.529	41,488
2003 Local Law Enforcement Block Grant	16.529	42,610
COPS More 2001 Grant	16.710	625,600
COPS More 2003 Grant	16.710	126,581
State & Local Law Emergency Preparedness Grant	16.580	<u>2,864,425</u>
Total Department of Justice		<u><u>\$11,796,528</u></u>

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

	Federal Catalogue Number	Expenditures
OTHER FEDERAL ASSISTANCE		
Direct Federal Payments:		
Air Force Junior Reserve Officer Training	12.000	\$50,848
PL103-382 Bilingual Education Act	84.288	85,192
Gear up Program	84.334	1,064,247
Early Intervention Plan (ICEE)	84.181	363,206
Adventure of the American Mind	84.244	128,039
Total Direct Federal Payments		<u>1,691,532</u>
Pass Through Payments:		
Department of Fire Programs		
Emergency Management Assistance (127/701-04 & 960/728-07)	83.503	<u>21,882</u>
Total State Pass Through Payments		<u>21,882</u>
Total Other Federal Assistance		<u>1,713,414</u>
TOTAL FEDERALLY ASSISTED PROGRAMS		<u><u>\$57,870,210</u></u>

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

NOTE 1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting in all material respects and includes all expenditures of federal awards administered by the County. Several programs are funded jointly by the Commonwealth of Virginia and the County in accordance with matching requirements of the various federal grants. Costs incurred for such programs are applied to Federal grant funds in accordance with the terms of the related Federal grants with the remainder applied to funds provided by the Commonwealth of Virginia and the County.

All costs charged to Federal Awards are determined based on the applicable Federal grants and OMB Circular A-87, Costs Principles Applicable to Grants and Contracts with State and Local Governments. The County's Federal grants are also managed in accordance with the requirements of OMB Circular A-102, Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments.

NOTE 2. FEDERAL COGNIZANT AGENCY

The Federal cognizant agency for the County is the U.S. Department of Health and Human Services.

**ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

I. Summary of Auditor's Results:

The type of report issued on the financial statements: Unqualified opinion

Reportable conditions and/ or material weaknesses in internal control disclosed by the audit of the financial statements: None reported

Non-compliance which is material to the financial statements: None

Reportable conditions in internal control over major programs: None reported

Material weaknesses in internal control over major programs: None

Type of report issued on compliance for major programs: Unqualified opinion

Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133 None

Major programs: DOA – Department of
Education – National School
Lunch Program
(197/457-02)
(CFDA #10.555)

HHS – Child Care
Development Block Grant
(102-586)
(CFDA # 93.575)

HUD-Moderate
Rehab(VAO28MR001-005)
(CFDA # 14.856)

HUD –Voucher
Program(VAO28V0015-023)
(CFDA # 14.871)

Dollar threshold used to distinguish between Type A and Type B programs: 1,736,106

Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133 Yes

II. Findings relating to the Financial Statement Reported in Accordance with *Government Auditing Standards*: None

III. Findings and Questioned Costs relating to Federal Awards: None