

ARLINGTON COUNTY, VIRGINIA

Comprehensive Annual Financial Report

FISCAL YEAR 2003

(July 1, 2002 - June 30, 2003)



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, 2003

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INTRODUCTION



BARBARA M. DONNELLAN
DIRECTOR

October 17, 2003

ARLINGTON COUNTY, VIRGINIA DEPARTMENT OF MANAGEMENT AND FINANCE

#1 COURTHOUSE PLAZA, SUITE 501
2100 CLARENDON BOULEVARD
ARLINGTON, VIRGINIA 22201
(703) 228-3415 • FAX (703) 228-3401
E-MAIL: DMF@CO.ARLINGTON.VA.US



Chairman Paul Ferguson 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, 2003.

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, 2003, 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, 2003, 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.

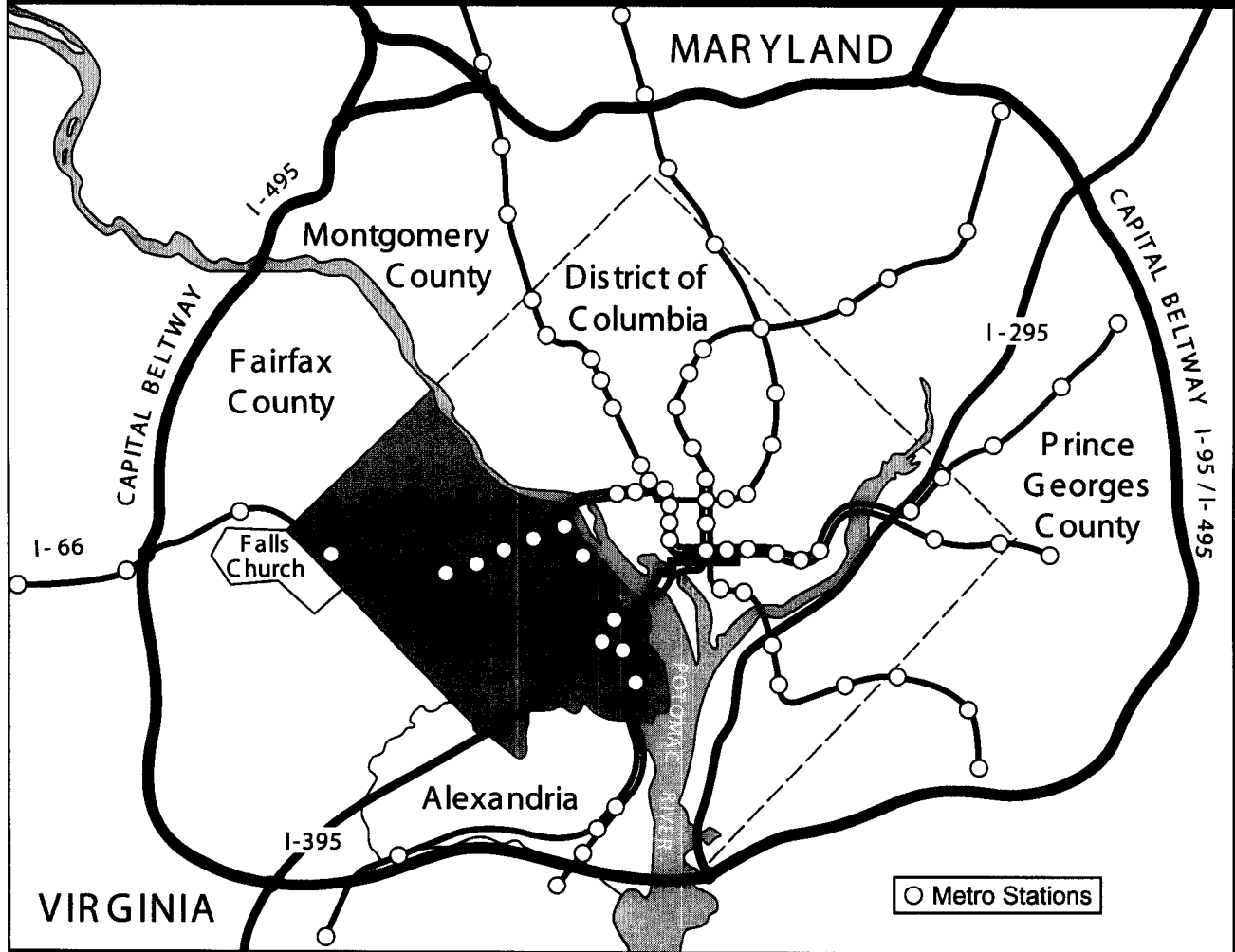
GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter or transmittal is designed to complement the MD&A and should be read in conjunction with it. Arlington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

WASHINGTON METRO AREA MAP



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.

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, 2003 was \$31.7 billion. The County government's budget for all funds for Fiscal Year 2003 totaled \$754.5 million, which included \$296.0 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.

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 39 million square feet in FY 2003. The statistic excludes federally owned office buildings such as the Pentagon, which is the headquarters of the U.S. Department of Defense. In July 2003, the County's office vacancy rate was 10.8%. The 2003 census estimates show Arlington to have a residential population of 193,847 persons while its daytime population is estimated at 278,369.

In May 2003, 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, 2003, as only one of approximately 20 counties in the United States with top bond ratings from all three major bond-rating agencies.

Long-Term Financial Planning

Revenues

The County Board unanimously adopted a budget for Fiscal Year 2004 which reflects the vision and values of the community. The budget was developed in partnership with residents, boards and commissions after a lengthy public review process.

The FY 2004 budget process was challenging due to external forces that have put the past and present fiscal policies to the test. Prudent fiscal management is a high priority of the Board, and it believes this budget reflects responsible stewardship of the County's resources. While other local and state governments in Virginia and across the nation are experiencing severe deficits, the County has been able to approve a balanced budget that maintains the same level of high quality services its residents have grown to expect.

The budget was prepared in accordance with sound financial practices, avoiding the use of one-time funds or other quick fixes to support ongoing operations. At a time when some jurisdictions are drawing on their rainy-day funds to balance their budgets, Arlington's proposed budget added \$0.8 million to its General Fund Reserve—consistent with the County's policy to maintain a two percent balance. The maintenance of current service levels and policy commitments within existing tax rates is made possible by the following factors:

- An extremely strong real estate market. The County's real estate values grew 15.2 percent over the past year, reflecting Arlington's highly desirable location in the Washington area. Increases were not consistent across all sectors, however, with residential single family values surpassing commercial values at 17.3 percent versus 8.6 percent.
- Recovery of the hospitality industry. The transient occupancy tax (hotel tax) and meals tax have recovered strongly since the closure of Reagan National Airport in the aftermath of the attack on the Pentagon. Transient occupancy taxes are expected to increase by 12.5 percent; meals taxes are expected to grow 7.2 percent. Together, these two taxes make up 7.7 percent of the County's tax revenues.
- Access to additional federal funding to support critical human services needs. Arlington's historically strong commitment to human services and its unique integrated system have enabled the County to access federal funds through the state. This revenue source has enabled Arlington to avoid major service reductions in the human services area from recent state budget cuts and to consider meeting critical needs in the strategic initiatives outlined below.
- Prudent decisions during the growth years of the past decade to limit both service expansion and tax reduction.
- Maximizing revenue diversity to the extent permitted by law.

For the second consecutive year, the County has been able to reduce Arlington's real estate tax rate. Despite tough economic times, and the fact that Arlington residents already have one of the lowest real estate property tax rates in the region, the Board approved a 1.5¢ reduction for calendar year 2003, reducing the tax rate from 99.3¢ per \$100 of assessed value to 97.8¢. Sensitive to the needs of residents who are on fixed incomes it will continue to provide real estate tax relief to qualifying elderly and disabled homeowners.

The adopted budget reflects a number of community priorities.

- Full funding of the revenue sharing agreement with Arlington County Public Schools, providing an increase to the schools of nine percent.
- Fulfillment of all multi-year subject-to-appropriation contracts.

- Full year funding for strategic options approved in FY 2003 for affordable housing, fire services, local transit, and the environment.
- Commitment to Arlington as an Employer of Choice, with sufficient funding to maintain employee step increases, healthcare, retirement benefits, and a competitive pay plan.
- Funding for the re-opening of the Langston-Brown Recreation Center and the opening of the new Powhatan Springs skate park.
- Investment in the County's infrastructure through the allocation of \$8.8 million in non-recurring funds for the Pay-As-You-Go Capital Program.

In an ongoing effort to demonstrate prudent use of County resources, the County has implemented Arlington Counts!—a three-year initiative that will enhance Arlington's performance measurement system. Phase one of Arlington Counts! was initiated this year by engaging in a rigorous review of all departmental and program mission statements to ensure that they reflect the societal and customer needs they were created to address. Departments have revisited their performance measures to ensure that they have identified outcome measures and provided results that will demonstrate the degree to which they are achieving their mission. When historical data was not available on some of the newly-identified measures, data collection commenced in FY 2003. This first phase will enable the County to ensure that it has clear alignment with resource allocation and the County Board's priorities. Phase 2 will focus on customer responsiveness and employer of choice factors.

Expenditures

Education

Unchanged and unwavering is the County's commitment to the Arlington County Public Schools and the revenue-sharing agreement that will provide for quality public education. The agreement apportions 48.6% of County tax revenues to the public school system. The FY 2004 funding will provide for reduction in class sizes, opening of Claremont Elementary School, and provision of advanced classes in high schools. Funding at this level will enable the Schools to fulfill their strategic goals of ensuring all students experience rising achievements and eliminating achievement gaps.

Strategic Initiatives

In addition to funding continuing services, the County has approved a number of strategic initiatives that will enhance its ability to respond to the needs of the community. These strategic initiatives include economic sustainability, transportation, human services, and neighborhood conservation. These initiatives were specifically identified as actions that will help fulfill the County's vision.

- **Economic Sustainability**
- The Economic Sustainability strategic initiative supports the Rosslyn Business Improvement District which will result in self-supporting enhanced services to that district.
- **Transportation**
- The transportation strategic initiative addresses the transportation needs of Arlington's urban environment related to pedestrian, transit and parking issues. These will include expanded transit services including Columbia Pike shuttles and north/south routes. The pedestrian initiatives will include new traffic signals and traffic calming projects. Parking will be addressed through a concerted, coordinated effort to evaluate and improve parking conditions in the County. In addition, subsidized taxi fares and enhanced transportation services to the senior centers will enhance the quality of life for our senior citizens.
- **Human Services**
- The Human Services Grant Allocation strategic initiative includes federal funding for critical human services needs. This funding will provide supportive housing initiatives; prevention and early intervention, language access, behavioral health services programs; and technology improvements.
- **Neighborhood Conservation**
- The Neighborhood Conservation strategic initiative provides the addition of staffing necessary to support the increased number of projects generated from the November 2002 Neighborhood Conservation Bond, and complete existing projects in a more expeditious manner.

Living Wage

The Board also approved the County's first living wage policy for County employees, home health care workers and certain service contracts. The living wage was based on a regional study that established the amount of income necessary to support basic needs (food, housing, health care, transportation, etc.) for a single adult without relying on public or private subsidies.

Employer of Choice

Essential to providing high quality services is our ability to attract and retain a high quality work force. To this end, we continue to support sufficient funding to maintain employee step increases, healthcare, retirement benefits, and a competitive pay plan. While healthcare costs continue to escalate, the County will continue to pay 80% of health insurance costs for its employees. Other employee benefits include a one percent reduction in employee contributions to retirement, a one percent cost of living adjustment, and a one percent lump-sum adjustment. Funding has also been approved to increase pay scales for firefighters that will make their compensation more regionally competitive.

Capital Investments

Capital investments for General Fund supported pay-as-you-go funding has been approved in the amount of \$8.8 million. This will support continuing commitments for technology investments, neighborhood conservation, neighborhood traffic calming, street paving and traffic signal installation, and the new Emergency Communications Center and Emergency Operations Center.

In a recent article published in "The Bond Buyer" dated April 17, 2003, Arlington was profiled for once again garnering triple-A ratings from all three major rating agencies. An analyst from Moody's wrote in his credit report: "The county's favorable financial performance during a period of unexpected costs associated with the Sept. 11, 2001, terrorist attack on the Pentagon demonstrates the county's strong financial flexibility, which has enabled it to absorb state cuts in the current year while maintaining target reserve levels." According to Joseph D. Mason, a director at Fitch based in McLean, Virginia, "I would say Arlington County, with a triple-A rating—even among the universe of triple-A's—it really stands out as one of the strongest credits that we rate. Economically, financially — just an extremely well-run government."

The Fiscal Year 2004 approved budget represents a balance between responsible taxation and strategic investment in the community. Its fiscal policies and prudent financial decisions are intended to consider not only the pressing immediate needs, but the needs of our future generations.

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 2003, 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 or P-1 by Moody's Commercial Paper Record, 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. During FY 2003, the fund experienced a tremendous increase in medical cost, mainly driven by medical cost inflation. The Risk Management section commissioned an actuarial study and is currently reviewing the draft report to determine the impact on future funding. 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 self-insurance of reserve of \$3.5 million as of June 30, 2003. Finally, the County maintained and increased the General Fund operating reserve that totaled \$13.4 million as of June 30, 2003. 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, 2002. For the year ended June 30, 2003, the County's annual pension cost of \$6.4 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, 2003, 1,211 and 1,280 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 2003

The County is proud of the accomplishment of its various departments and offices in FY 2003. Some of the unique contributions of these units in alphabetical order follow:

HUMAN RESOURCES DEPARTMENT

During FY 2003, the department continued its role as an advocate for the County as an employer of choice through the design and implementation of innovative programs in all areas of human resource management. These innovations include:

- Implementation of four new pay system pilots specifically tailored to meet varying business needs within the County. These new systems cover employees in the Executive Management System, the Fire Department, Arlington Economic Development and the mechanics at the Water Pollution Control Plant.
- Establishment of a new Alternative Work Schedule policy that provides greater flexibility for employees and managers in scheduling staff coverage for County programs.
- Establishment of an Administrative Professional Certificate Program to provide administrative staff with opportunities to increase their capacity for leadership, enhance their skills, and build cross-departmental relationships. The first 20 participants began the 18-month program in January 2003.
- Sponsorship of a Leadership and Learning Fair in November 2002 where more than 500 employees attended mini-training sessions and discussed educational opportunities with local colleges and universities.
- Enhancements to benefit programs to include long term care insurance, Live-Where-You-Work grants, changes to line of duty disability and death benefits for public safety employees, and addition of the "Rule of 80" for retirement.

To ensure we remain in compliance with the Immigration and Naturalization Service requirements, the department conducted a comprehensive audit of verification process and documentation.

DEPARTMENT OF HUMAN SERVICES

Community Planning Initiative to Allocate LPACAP Revenue

During FY 2003 the Department of Human Services (DHS) undertook a major community planning process to prioritize and allocate a new source of funding to meet human services needs. These funds, called Local Public Assistance Cost Allocation Plan (LPACAP), were secured with the cooperation of the Virginia Department of Social Services as part of revenue maximization efforts to drawdown federal funds associated with a range of federal social service entitlement grants. Under LPACAP, DHS has received \$15,448,000 of one-time funds and will receive approximately \$4-5 million annually for human services.

DHS staff engaged in a public input process through sponsoring a day-long community planning workshop attended by over 100 people discussing a wide range of human service needs. Additional feedback was obtained through discussions with advisory commissions, partner agencies, staff, and proposals. From this community input, DHS staff developed a LPACAP Allocation Plan with eight thematic areas for allocating funds: information technology, human service facilities, supportive housing, behavioral healthcare, emergency preparedness, prevention and intervention, language access, and monitoring, performance measurement, and evaluation.

New Supportive Housing Initiative

The community planning process identified affordable housing for low and moderate-income persons with mental and/or physical disabilities or other special needs as one of the critical unmet needs. In response to this, the County Board allocated \$7.5 million, or more than one-half of the available LPACAP one-time funds to a supportive housing fund.

The first major project under this initiative was the acquisition of a property, called Oak Springs, that will provide assisted living for older persons with disabilities who cannot live independently, require residential and assisted living services, and who cannot be served in existing group homes or assisted living facilities because of needs for day services or specialized services such as psychiatric or mental health services.

Emergency Preparedness

As a result of the federal bioterrorism funding to the Virginia Department of Health, the Public Health Division obtained two new positions, a public health planner and an epidemiologist for a range of planning activities and community education related to bioterrorism, "all hazards" preparedness for public health emergencies, and response to new and emerging diseases. The staff has participated in more than 20 emergency planning projects for Arlington, the region, and the state. These included implementation of a smallpox vaccination program, as well as response to actual and possible SARS cases, investigation of a bacterial meningitis exposure to a large number of students and staff in the public schools, and education of the medical and veterinary community about monkeypox.

In conjunction with the U.S. Department of Human Services, the Public Health Division piloted a model for mass pre-event smallpox vaccination by conducting a mock smallpox vaccination clinic. The major purpose of the test was to validate and refine the Centers for Disease Control's Smallpox Vaccination Guide. The mock clinic, which occurred in January, took place at Washington-Lee High School. The exercise involved over 100 County employees from the Public Health Division,

other DHS Divisions, the Fire Department, the Police Department, and Arlington School District. The mock clinic ran for 4 ½ hours and served 438 pretend patients.

As part of participation in the development of the Arlington Metropolitan Medical Response System, public health staff have developed a Medical Advisory Group as a liaison with the private medical community for emergency planning and response. DHS mental health and substance abuse staff have developed a community mental health response plan in the event of a disaster.

Program Enhancements

Following are some of the highlights of other accomplishments during the past year:

- Arlington received an incentive fund for achieving permanent foster care placements. The County was one of 45 local departments of social services that significantly increased the number of children from temporary foster families to permanent adoptive families.
- Section 8 achieved a 100% lease-up rate in an exceptional tight rental market with escalating rents. In addition, following a targeted marketing effort using multiple strategies, landlord participation has increased by 5.2%, for a total of 65 new landlords as of the end of the calendar year. These efforts have put Arlington on the map as a well-managed and efficient Section 8 Program.
- DHS implemented a project to provide employment services to persons with disabilities, made possible through a \$300,000 award from the Department of Labor. Through ongoing consultation and training, employment center staff are increasing their knowledge and understanding of the issues persons with disabilities face and building its array of assistive technology devices that include four complete workstations to serve persons with sight, hearing and physical impairments.
- Obtained new funding for adaptive technology grant, created traveling "gizmos and gadgets" suitcase, and developed successful partnership with assisted living facilities for the creation of a demo apartment.
- Participation in the Real Estate Tax Relief Program for home owners increased from 482 households in FY 2002 to 650 households in FY 2003. This program enables low and moderate homeowners to maintain their homes in Arlington in spite of the increased value of their home and resulting increases in property tax.
- Following the lead of the Commonwealth, the Department began the process of including day care cases in the Program Integrity Initiative. The first two-day care cases referred for prosecution involved \$7,100 in day care funds that were fraudulently received. Over all programs, the Department has recovered approximately \$114,500 in County funds.

Departmental Awards

- The Communicable Disease Bureau received the 2003 Virginia Department of Health Traveling Spittoon Award, a competitive award presented to best regional local health TB Control Program.
- The Laboratory received a score of 100% from the College of American Pathologists Proficiency Testing Program (CLIA certification requires a minimum average score of 80% for CAP proficiency tests).
- Project Family/Proyecto Familia received the National Healthy Mothers, Healthy Babies Coalition's 2003 Community Impact Award for providing parent education to families in Arlington. Since 1989, it has provided support to Arlington parents and their children from pre-birth to age five. Weekly pre-natal, infant and early childhood classes are interactive and easily accessible at sites throughout the County. Project Family enhances parenting skills of participants and prepares children for school.

DEPARTMENT OF LIBRARIES

Using Library materials Arlingtonians read, listen and watch more every year. Circulation of materials increased 5% overall with a significant increase in non print of 11%. There is a continuing strong audience for programs and for public access computers and related classes. Programs for children and adults experienced a 6% increase in attendance. The CyberCenters at Columbia Pike and Central had more than 42,000 users, an increase of 20%. 250 classes at the Centers on such topics as office applications, work skills and Internet searching attracted more than 2,300 students. More than 18,000 hours of service were volunteered to assist library staff, and planning for new libraries at Shirlington and Westover continue to progress as construction documents are completed.

Use of the virtual public library is increasingly popular with almost 550,000 remote library website user sessions and more than 2 million page views. The library has more than 15,000 e-books that may be checked out, read and returned – all electronically. They were accessed more than 9,000 times in the past year. This was the first year of free holds and the service experienced an increase of 161% to over 100,000 reserved materials. More than 75,000 automated phone calls notified customers when their holds were available for pick up.

Libraries continue to contribute to e-government through management of the County website, the County cable channel and the information and referral service at Courthouse Plaza. More than 3 million County website user sessions took place, a 75% increase over the previous year. The 4 million dynamic page views represented a 36% increase in e government transactions. The County cable channel broadcasts the Board meetings live. This year the Board meetings as well as other cable programs were streamed through the County website. And people still contacted the County's main phone number at information and referral more than 70,000 times.

Departmental Awards

Arlington County Government was recognized by the American Library Association for *Significant Contribution to Public Access to Government Information* on Freedom of Information Day, March 14, 2003.

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, 2002. 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 2003 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 17 fiscal years.

The GFOA presented the Award for Distinguished Budget Presentation to Arlington County, Virginia for its FY 2003 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 17 fiscal years.

In addition, in FY 2003 the Department:

- Successfully sold nearly \$141 million in General Obligation Bonds at a true interest cost of 3.66 percent, the lowest rate on record for county bond issues.
- 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.
- Assisted in the development of the Rosslyn Business Improvement District which is supported by the creation of a special taxing district.
- Completed implementation of Phase I (Customer Focus) of the *Arlington Counts!*, the County's performance measurement system and began rollout of Phase II (Employee Focus).

DEPARTMENT OF PARKS, RECREATION, AND COMMUNITY RESOURCES

The department implemented the following projects in FY 2003:

Rosslyn BID – First in Northern Virginia

Steps to transform Rosslyn into a world-class commercial center were taken with the approval of the proposed budget and assessment for the creation of the Rosslyn Business Improvement District (BID) -- the first in Arlington and all of Northern Virginia.

Bikeway System Expanded

Currently, the County's bikeway system includes 36 miles of paved, shared-use trails, 12 miles of bicycle lanes and 38 miles of signed, shared roadways. The County Board approved expansion of an additional 5 miles of paved, shared-use trails and 10 miles of bicycle lanes.

Joint Four Mile Run Restoration Efforts

Arlington and Alexandria began a collaboration to restore and redevelop the Four-Mile Run Watershed. The joint effort will plan for future flood control, enhance environmental conditions, aesthetics and wildlife habitats along Four-Mile Run, protect the Potomac River and Chesapeake Bay, and integrate the design of the channel with surrounding communities and adjacent urban development.

Tree Preservation Ordinance in Effect

The County Board designated the first three trees to be protected under the County's new Tree Preservation ordinance - two public trees (one specimen tree and one heritage tree) and one private tree (a specimen tree). Under the provisions of the ordinance, passed in November, trees designated by the Board as "Heritage," "Memorial," "Specimen" or "Street" trees are protected from damage or destruction.

Activities in Motion (AIM)

Activities in Motion (AIM) is a year round program designed for and with teens to enable them to find out about, and to be involved in, recreation activities, community service, and other growth and learning opportunities. AIM was featured as a best practice in the National Recreation and Park Association publication of Best Practices in Youth Development in Public Park and Recreation Settings researched by Texas A&M University. A major program highlight was a partnership with the Commuter Assistance Program to encourage young people to use public transportation to navigate in and around the Arlington area by offering discounted fares for AIM members to be used on Metrobus, Metrorail, and ART.

POLICE DEPARTMENT

New Police Chief

Doug Scott, former chief of the Fairfax County and Fairfax City police departments, became Arlington's sixth chief of police. Chief Scott assumed his duties April 21, replacing Chief Edward Flynn who left the Department in December to become Massachusetts' Secretary of Public Safety.

Emergency Communications Center (ECC)

In FY 2003, ECC processed a total of 544,548 calls. Of these calls, 119,067 were emergency 911 calls. Fifty-three percent of the 911 calls received during FY 2003 were made from wireless phones.

As wireless phone usage surpasses that of traditional "wireline" phones, ECC evolved to meet the challenges posed by wireless communications. Specifically, after launching a new 911 system that upgraded their call intake capabilities in FY 2002, ECC integrated the new system with the Computer Aided Dispatch (CAD) system in FY 2003. The new system, VESTA, provides ECC operators with complete wireless caller information, including the cell site utilized by the wireless phone. This helps ECC determine the caller's location. By integrating the systems, ECC can now graphically depict the location using a mapping program in CAD.

One lesson learned in the aftermath of the attack on the Pentagon was that inter-agency communication must be improved. As such, in December, ECC distributed new radios to police officers that provide access to surrounding police radio frequencies for use in an emergency.

Crime Statistics

In June, the Department released crime statistics for calendar year 2002. The numbers showed a 6.4 percent decrease in serious crime from 2001 to 2002. The decrease was primarily due to significant reductions in burglaries, larcenies and vehicle thefts. Arlington's crime rate for 2002 (the number of serious crimes per 100,000 population) is the second-lowest of the past 20 years. Arlington's steadily decreasing serious crime rate during the past decade mirrors a similar national trend.

Citizen's Police Academy

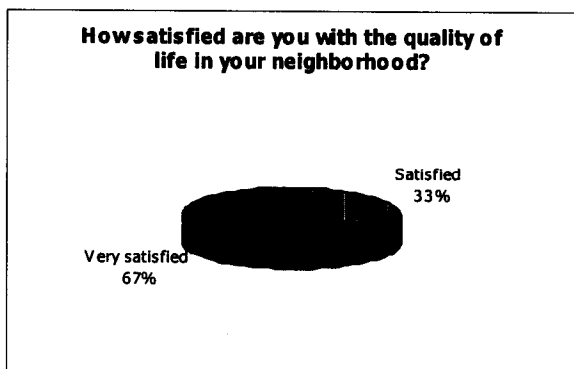
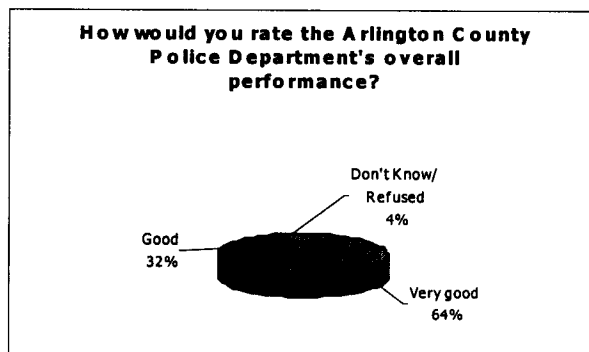
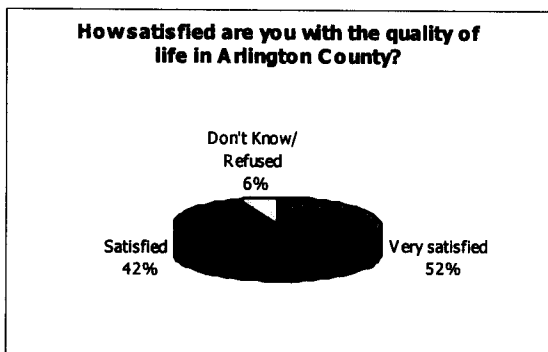
In FY 2003, the Department celebrated the graduation of Sessions IX and X of its Citizens' Police Academy. Every Wednesday evening while the academy was in session, students attended classes taught by police personnel on all aspects of the department.

The Academy is designed to create better understanding and communication between citizens and police through education. It is an opportunity for Arlington's citizens to learn more about the men and women who protect their community, and why police make the decisions they do.

The participants come to class with a variety of backgrounds, questions and philosophies about police officers. They are presented with frank and candid explanations of how the Department functions. They learn about the Department's challenges as well as successes, and what is being done to meet these challenges. Thirty-six citizens graduated from the Academy during FY 2003.

2002 Community Survey

ACPD conducted its annual community survey in November. The survey results provide police and Arlington County government with valuable information regarding residents' sentiment about their community and their police department. Specifically, respondents were asked to provide input on their neighborhoods, Arlington County and the Police Department. Using a list generated by the Reverse 911 system, police recruits randomly called 1,815 Arlington County residents, and completed 217 surveys. Samples of the results are as follows:



Teen Police Academy

The annual Teen Police Academy, which fosters better communication, understanding and respect between police officers and Arlington youths, was held in July and August. The academy provides an educational experience regarding the various roles and responsibilities of law enforcement officers including SWAT, K-9 Officers, criminal investigations and emergency communications. The teens tour the police station, the courthouse and the Arlington County Detention Facility. After completing the Academy, participants had a better understanding and appreciation of the rewards and difficulties of public safety service.

National Capital Area Crime Solvers

Beginning in March, Department personnel began an effort to organize nine area Crime Solvers programs into a regional umbrella organization. This new group, dubbed the National Capital Area Crime Solvers, will strive to increase the number of tips received from the public by improving the visibility of the individual member programs.

Bait Vehicle Program

Arlington's bait vehicle program is the Auto Theft Unit's latest high-tech weapon in the fight against car thefts and thefts from autos. The bait cars, camouflaged to look like "normal" vehicles, send a signal to the ECC when entered or started. ECC personnel can then track the vehicle via Global Positioning Satellite technology and remotely control several of the vehicle's functions, including the engine. This remote control significantly reduces the possibility of a stolen bait car being involved in a high speed pursuit and decreases the risk to officers when apprehending a suspect in a bait car.

First implemented in February 2002, the Bait Vehicle Program continued to wage its successful battle against automobile thefts and thefts from autos in FY 2003. From February 2002 through the end of FY 2003, the program resulted in 11 arrests and 24 bait car-related felony and misdemeanor charges. And although the total number of bait vehicles in use in the County can't be released, the Auto Theft Unit significantly expanded the bait vehicle fleet during FY 2003.

Beltway Sniper Incident

In October, ACPD officers went to twelve-hour shifts in response to the "Beltway Sniper" shootings in Montgomery County, Washington, D.C. and Fairfax County. Although Arlington did not experience a shooting within its borders, the Department, along with all D.C.-area law enforcement agencies, was on heightened alert. In addition to responding to innumerable lookout calls—especially after the shooting in Falls Church—the Department utilized mapping and pictometry technology to identify 11 likely target locations in Arlington. Officers were then assigned to counter-surveillance duty in these areas. In addition, officers regularly monitored highway interchanges and schools throughout the County.

Narcotics Enforcement/Metropolitan Area Task Force

The Department is a member of the Metropolitan Area Narcotics Task Force. The Department assigned several investigators to this multi-jurisdictional task force that addresses narcotics trafficking in the Washington, DC metropolitan area. The task force identified and prosecuted high-level traffickers who operate across jurisdictional boundaries. These cases are then prosecuted in federal court where penalties are more severe. The assets of subjects arrested for drug trafficking are often subject to forfeiture.

In July, ACPD narcotics detectives seized approximately 50 kilograms of cocaine discovered in a trailer parked in Crystal City. The cocaine, valued at approximately \$1.25 million, is the largest drug seizure in the department's history. In September, U.S. Attorney Paul J. McNulty and DEA Special Agent-in-Charge R.C. Gamble presented the Department with a \$134,470 check representing ACPD's share of seized assets from a major drug supplier.

"Smooth Operator" traffic enforcement

In FY 2003, the Department again participated in the Metropolitan Washington Council of Governments' annual "Smooth Operator" traffic enforcement program. Smooth Operator is designed to enhance enforcement efforts against aggressive driving behaviors that often lead to serious motor vehicle accidents. The program was conducted in four phases throughout FY 2003, resulting in 5,323 citations and 851 written warnings.

Departmental Awards

CALEA Accreditation

ACPD received national accreditation in March from the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA) for a record fifth straight time. With this most recent successful accreditation effort, Arlington remains the longest continuously accredited law enforcement agency in the nation. Deputy Chief M. Jay Farr, Sergeant Jim Daly and Kerry Day received the official award on behalf of the department at CALEA's spring conference in Orlando, Fla. National accreditation is a highly prized recognition of law enforcement excellence and means that the department meets all 444 of CALEA's state-of-the-art standards. In 1984, Arlington became the second law enforcement agency in the nation to gain CALEA accreditation. Since then, the department has maintained its national accreditation by successfully passing the re-accreditation assessment process.

The rigorous assessment process, conducted every three years, includes standards compliance checks, a three-day on-site visit, and an opportunity for the community to comment on the department's operations. During the on-site visit, the three-person assessment team examines all aspects of the department's policies, procedures, management, operations and support services. Once the review is completed, the assessors report back to the full Commission, which then decides if the

department retains accredited status. In addition to the full assessment process conducted every three years, the department is also required to submit annual reports that illustrate continued compliance with CALEA standards.

DEPARTMENT OF PUBLIC WORKS

The department implemented the following projects in FY 2003:

Traffic Safety and Pedestrian Friendly Projects

The County Board approved recommendations for six new traffic calming projects bringing the total number of traffic calming projects completed or planned to more than 100. 36 projects have been approved since 2001. Additionally 4-way stops have been installed at five intersections in the County this year. Based on recently revised standard, an additional 11 intersections are eligible for 4-way stops, pending civic association approval. LED signals were installed at 19 intersections, and new countdown pedestrian signals are being installed at 15 intersections.

Safe Routes to Schools

Design is underway for all Safe Routes to School projects funded for FY2003. Curb nubs on Walter Reed Drive near Patrick Henry Elementary School were completed in April, and a sidewalk on North Albemarle Street, adjacent to Jamestown Elementary School, was completed in June.

Parking Enhancements

The County Board amended the County code to restrict parking of certain vehicles -- commercial vehicles, motor homes, camping trailers, boats and boat trailers and vehicles carrying hazardous materials -- in areas zoned for residential use. Additionally, the County Board approved residential zoned parking programs for the Douglas Park and Columbia Forest neighborhoods to help alleviate chronic parking problems.

Bikeway System Expanded

Currently, the County's bikeway system includes 36 miles of paved, shared-use trails, 12 miles of bicycle lanes and 38 miles of signed, shared roadways. The County Board approved expansion of an additional 5 miles of paved, shared-use trails and 10 miles of bicycle lanes.

Clarendon-Court House Free Lunchtime Shuttle Service - ART 66

Arlington kicked-off a new free lunchtime shuttle bus service for residents and workers in the Clarendon-Court House area - ART 66 Clarendon-Court House Lunch Loop. It makes about 15 trips a day, providing an easy and fast access to restaurants and shops in the area.

Columbia Pike and Court House Route - ART 41

Arlington launched the Arlington Transit (ART) 41 bus route between Columbia Pike, Ballston and Court House areas.

Rosslyn and Court House Shuttle Service – ART 61

Arlington began offering a new transit option for County residents living in the Rosslyn-Courthouse areas. Residents in the Ft. Myer Heights, Radnor Heights, Colonial Terrace, Colonial Village, and North Highland neighborhoods can now take advantage of a new shuttle service in the Rosslyn and Court House areas known as the ART 61 Rosslyn-Court House Metro Shuttle.

ARLINGTON COUNTY SHERIFF'S OFFICE

The Arlington County Sheriff's Office is charged with the management and operation of the County Detention Facility and all related correctional responsibilities; providing Courthouse/Courtroom security and court support services; service/execution of civil and criminal warrants, court orders, and providing administrative support for the Operations and Corrections Divisions of the Arlington County Sheriff's Office.

Judicial Services Division

The Sheriff's Office provides Courthouse and Courtroom security as well as other judicial support services to Arlington's Courts. Included in the Division is the service of process for civil and criminal warrants, and transport services of inmates for court in other jurisdictions, to state facilities, and for medical and other appointments outside of the Detention Facility.

The Sheriff's Office continued the Aggressive Traffic Enforcement and Radar Program to reduce aggressive driving particularly in school zones. During the Sheriff's Office four week "Smooth Operator Campaign" in 2003, over 910 traffic violation notices were issued.

Administrative Division

The Administrative Division provides leadership, policy guidance, and direction for the entire Sheriff's Office as well as providing support services to the two operational divisions. These activities/responsibilities include personnel functions; computer operations; training programs; budget preparation as well as budget preparation as well as budget/financial oversight and management activities; safety program; and applicant background investigations.

During the FY 2003 the Administrative Division accomplished the following:

- Maintained an average vacancy rate of less than 2%.
- Of the 222 backgrounds conducted, 55 or 25% were recommended for hire.
- Began the process of upgrading the records management system to provide more complete information to assist staff in their decision making.

Corrections Division

The Corrections Division provides security and supervision of persons remanded to the Sheriff's custody, meets the basic daily needs of those individuals, and provides programs that will promote a positive attitude and encourage behavioral changes. The Detention Facility housed an average daily population of 612 inmates in FY 2003.

During FY 2003 the Corrections Division accomplished the following:

- Facility received Unconditional certification from the Virginia Department of Corrections Audit of Standards for Jails.
- Represented Sheriff's Association and Arlington on Senate Sub-Committee on Mental Health and Substance Abuse.
- Co-hosted with The National Institute of Corrections National Symposium on Direct Supervision.
- Successfully continued the Incarcerated Mothers and Read Me a Story Mom Programs.

New Programs

- Implemented Pretrial release and supervision at the Magistrates Hearing.
- Created First Step Substance Abuse Program.
- Partnered with Department of Human Services and *Arlington Streets Assisting People Network* as emergency shelter site.

Alcohol Safety Action Program (ASAP)

The Sheriff's Office Alcohol Safety Action Program is a court mandated program for DUI and first time drug offenders respectively. The goal of ASAP is to improve highway safety by reducing alcohol/drug-related arrests/accidents through the achievement of two general objectives: to create general deterrence to drinking and driving by the public at large, and to produce a specific deterrence to prevent recidivism by those arrested for driving while under the influence (DUI) of alcohol and/or drugs.

- Marymount Alcohol Awareness Program – on November 4, 2002, ASAP developed the second offender program for Marymount University to provide an intervention alternative for underage violators of campus alcohol and drug policies.

Law Enforcement Training and Sobriety Check-point Operations

Arlington ASAP provides approved in-service training for motivating and sustaining positive attitudes in the enforcement of motor vehicle laws. This training is offered 3 to 4 times per year for the local Arlington Police Officers. Approximately 32 officers were trained in FY 2003.

Arlington ASAP actively participates in the Arlington Police Department DUI/Sobriety Checkpoint Operation, which is designed to apprehend intoxicated drivers who pass through the checkpoint. Arlington ASAP provides: Spanish translations for Hispanic motorists, record/statistical notes of the operation, guidance, answer questions on Restricted License and ASAP related matters, and food and refreshments for 60 plus law enforcement and paramedic personnel that are involved in the operation.

Departmental Awards

- Virginia Sheriff's Association Valor Award to Deputies Arthur Castellano and Charles Young.
- Arlington Chamber of Commerce Meritorious Service Award to Deputy Jonathan Looney. Deputy Jeremiah O'Keefe received the Chamber's Valor Award for safely pulling a man from a burning vehicle.
- The Optimist Club awarded its 2003 Respect for Law Award to CISM Team (Lt. Vicky Bandalo, Sgt. Delores Fischer-Jenkins, Sgt. Richard Daley, Deputies Tawana Brown, Lionel Bethea, Greg Boyle and Charles Silcox for their support of the Prince Georges County, Maryland Sheriffs' staff upon the loss of two of their deputies.
- Metropolitan Washington Council of Governments Wreath Laying Ceremony Honor Guard Competition 2nd place in overall performance.
- Smooth Operator Program award to Deputy Randy Hill.

DEPARTMENT OF TECHNOLOGY SERVICES

Program Management Office (PMO)

- County-wide compliance with the **HIPAA Privacy Rule** in advance of the compliance deadline of April 14, 2003.
- Implementation of **Citizen Alert System** to notify Arlington residents and employees via cell phones, pagers, and e-mail of emergency situations. This received favorable national news coverage in the Wall Street Journal.
- Implementation of a Storage Area Network (SAN) to eliminate computer down-time for enterprise-wide, mission critical systems (Revenue, Network Administration, Financials, Payroll) in the event of a disk failure.
- Implementation of the **Schools Payroll on Bottomline** check-printing software, significantly reducing the cost to print APS paychecks.
- Upgrade to the Treasurer's **Delinquency Collection System** to a new server and an architecture that is more consistent with the County's Technical Architecture, making it less costly to support and maintain.

Data Management Office

Production Database Administration

- No major database outage reported during FY 2003 due to regular monitoring, disk space management and backup of the production databases (90+) in the DTS/NOC
- No unauthorized database access and corruption reported during FY2003. All production databases were kept up-to-date with required security patches and service packs thus ensuring that County's data resources were available in a secure and reliable manner to the user in conducting business and decision making
- Successfully migrated the Telephone System (InfoTel) database and application to a new server and upgraded the software
- Implemented new database servers for Land Records, Portal/PlumTree, Enterprise ODS, eCommerce, Service Desk, Treasurer's Change Request System, DMF's Change Request System, On-Line Telephone Directory, Retirement/Pension Gold applications

Web-enabled Enterprise Reporting

- Established web-enabled decision support data environment (Operational Data Stores and Data Warehouse)
- Established Enterprise Reports Administration capabilities and procured decision support tools for reporting and analytical activities
- Completed production launch of 16 key financial management reports and 49 departmental reports in the web-enabled enterprise reporting environment
- Designed financial analysis datamart and tested data load process to load GL transaction level details into the datamart on a daily basis
- Developed sample analytical reports for data analysis and reporting from the financial analysis datamart

Enterprise Records Management System (ERMS)

- Completed business case development for procurement of an ERMS and obtained approval for project funding in FY04
- Published RFP for ERMS procurement
- Completed first stage of vendor RFP evaluation for ERMS procurement

Enterprise Data Integration

- Designed and implemented integrated database solutions to merge, clean and standardized Arlington County Address data from six sources - Real Estate Assessments, Permits, Utilities, Treasurer, GIS and Mainframe Address Master File
- Designed and implemented data load solutions to refresh the mainframe Address Master File from the integrated address database (named Enterprise Address Database) to improve the quality of address validation activities for mainframe applications in Treasurer, Commissioner of Revenue, DPW and DHS
- Documented requirements to manage "zoned parking" information in the enterprise address database
- Designed architecture for integration of Constituent, Address, Location, Real Estate and Personal Property data

Information Services Office

- Deployed first intranet portal for Department of Human Services.
- Completed prototype for ePay portal; production version released to Arlington County residents in September 2003.
- Completed business case for migrating Human Resources/Payroll and Financial systems to integrated business suite.

Telecom and Network Services Office

- Implemented INET Phase II at the WETA/LaPort Campus and the Columbia Pike Library
- Supplemental INET has been completed designed, approved by Comcast, tested
- Intrusion Detection Deployment of HIDS, NIDS, Centralized Security Reporting, DJJ connections through Firewall, IP Blocking filters ~800 Networks, Proxy Blocking filters ~900 Hosts, EMC security Logs, Intrusion Prevention Measures, Spam Blockage; SPAM reduced by 67%, Anti-Virus Enterprise configuration and Deployment
- Revamped cell phone policies and developed IFB package for long-term cable contract. Negotiated more favorable rates for cellular phone service. Negotiated further telecom support contract cost reduction and telecom outsourcing.
- Call Center
 - 10611 Phone requests for assistance; 92.6% of the calls are answered in 30 seconds or less
 - 4500 E-Mail requests for assistance

- Service Desk
 - Improved process and procedures for call tracking
 - Standardized Service Level Agreements (SLA)
 - Working on completion of Service Desk implementation and tie all Unicenter products together
 - Use of remote control features to facilitate quick turnaround and efficient use of staff to solve user problems
 - Streamlined communication process and procedure to provide rapid response of 2nd level providers
 - Goal of 70% resolution of all tickets on the first call
 - LAN coordinators are currently using Service Desk to track work specific to departmental applications

Other Organizational Units

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

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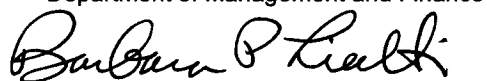
The GFOA presented the Award for Distinguished Budget Presentation to Arlington County, Virginia for its FY 2003 budget. This award is the highest form of recognition in governmental budgeting. To be given an Award for Distinguished Budget Presentation, a governmental unit's budget document must be judged 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 17 fiscal years.

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 provide, 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 the Revenue's Office, and the staff of the County's Retirement Office.

We would like to express our sincere thanks to these individuals; Aurea Esquivel, Americo Yabar, Dejene Negash, Ligaya Asuncion, Ngan Vo, Miekko French, Soralla Facey, Loi Thai, Charles Boateng-Addai, Abiodun Ijaola, Mary Stewart-Malcom, Vilma Pradier, and the other 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, 2002

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.



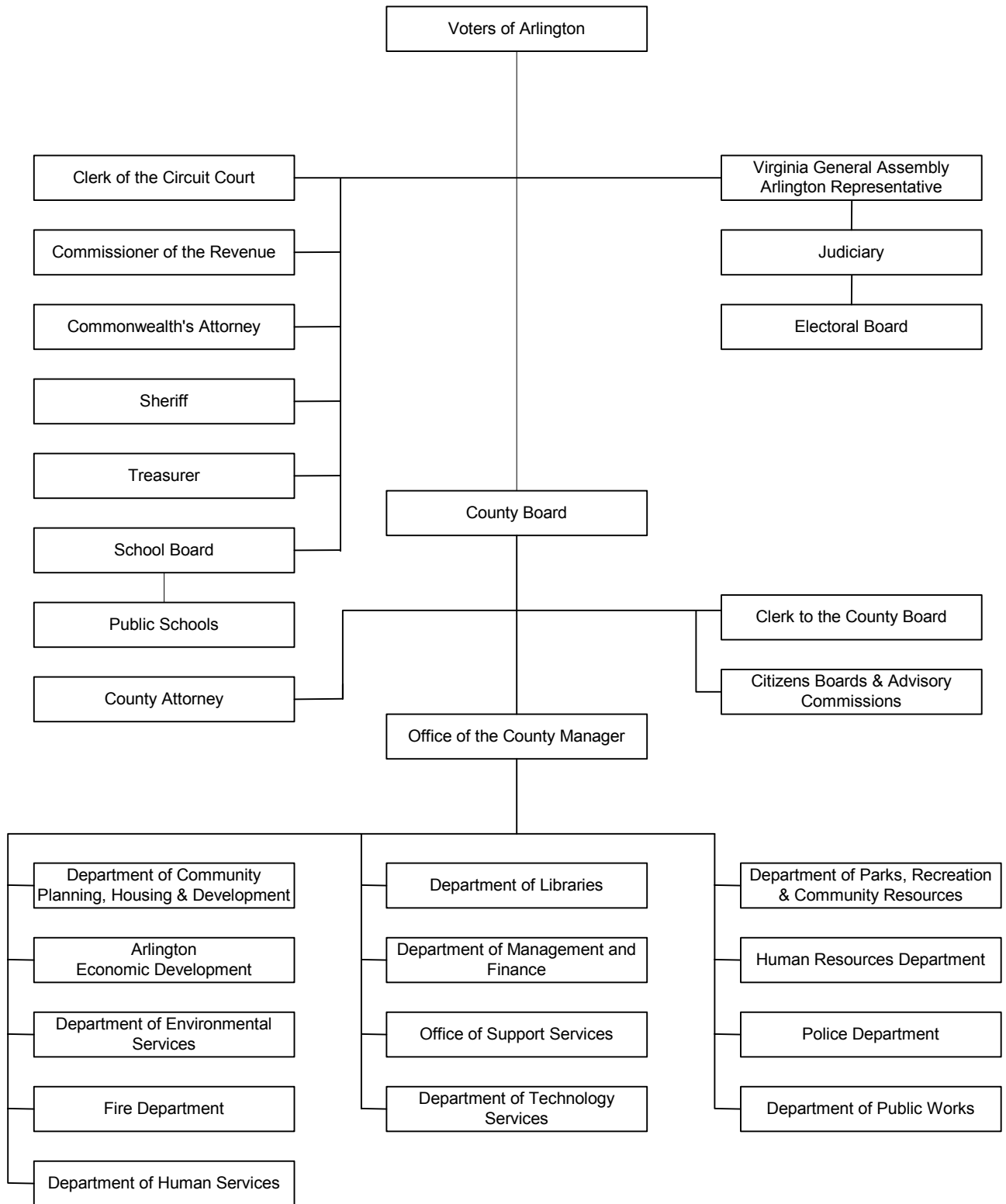
A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director

ORGANIZATION OF ARLINGTON COUNTY GOVERNMENT



ARLINGTON COUNTY, VIRGINIA

DIRECTORY OF OFFICIALS

June 30, 2003

COUNTY BOARD

Paul Ferguson, Chairman

Barbara A. Favola, Vice Chairman

Christopher E. Zimmerman

Jay Fisette

Walter Tejada

COUNTY SCHOOL BOARD

Frank K. Wilson, Chair

Libby Garvey, Vice Chair

David M. Foster

Elaine Furlow

Mary Hughes-Hynes

FINANCE BOARD

Paul Ferguson, Chairman

Francis X. O'Leary, Jr.

Marshall H. Brooks

Richard Trodden

JUDICIAL

Circuit Court Judges:

Paul F. Sheridan
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
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
Geraldine M. Whiting
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
Acting 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
Edward A. Flynn
John Mausert-Mooney
R.S. Kem
Jack Belcher
Adam Wasserman
Charlotte Cleary

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
Kathleen F. Grove
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, 2003, 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 did not audit the financial statements of the Alexandria/Arlington Waste Disposal Trust Fund, which represent 99 percent, 99 percent, and 98 percent, respectively, of the assets, net assets and additions of the private purpose trust fund. Those financial statements were audited by other auditors whose report thereon had been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned private purpose trust fund, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Arlington County, Virginia, as of June 30, 2003, 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 17, 2003 and our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provision of loss regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with these report in considering 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 and the other auditors 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 and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, 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 and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Henderson LLP

Calverton, Maryland
October 17, 2003



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, 2003. 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).

Both of the 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 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 spendable resources, as well as on balances of spendable 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, which is considered to be a major fund. Data from the 19 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 nonmajor 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 and Exhibit A-1 through Exhibit G-3 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

	Governmental Activities		Business Type Activities		Total		Component		Unit	
	2003	2002	2003	2002	2003	2002	Schools		Grand Total	
							2003	2002	2003	2002
Current and other assets	\$ 454.9	\$ 405.0	\$ 51.7	\$ 55.8	\$ 506.6	\$ 460.8	\$ 80.6	\$ 48.7	\$ 587.2	\$ 509.5
Capital assets	\$ 326.7	\$ 326.8	\$ 334.2	\$ 326.6	\$ 660.9	\$ 653.4	\$ 227.7	\$ 221.0	\$ 888.6	\$ 874.4
Total assets	\$ 781.6	\$ 731.8	\$ 385.9	\$ 382.4	\$ 1,167.5	\$ 1,114.2	\$ 308.3	\$ 269.7	\$ 1,475.8	\$ 1,383.9
Long-term debt outstanding	\$ 523.3	\$ 471.0	\$ 69.8	\$ 72.9	\$ 593.1	\$ 543.9	\$ 20.3	\$ 21.3	\$ 613.4	\$ 565.2
Other liabilities	\$ 105.4	\$ 77.8	\$ 7.0	\$ 8.9	\$ 112.4	\$ 86.7	\$ 28.2	\$ 25.5	\$ 140.6	\$ 112.2
Total liabilities	\$ 628.7	\$ 548.8	\$ 76.8	\$ 81.8	\$ 705.5	\$ 630.6	\$ 48.5	\$ 46.8	\$ 754.0	\$ 677.4
Net assets:										
Invested in capital assets net of related debt	\$ (162.7)	\$ (110.3)	\$ 264.4	\$ 253.8	\$ 101.7	\$ 143.5	\$ 227.2	\$ 219.3	\$ 328.9	\$ 362.8
Restricted	\$ 134.4	\$ 127.1	\$ -	\$ -	\$ 134.4	\$ 127.1	\$ 21.9	\$ 11.2	\$ 156.3	\$ 138.3
Unrestricted	\$ 181.2	\$ 166.2	\$ 44.7	\$ 46.8	\$ 225.9	\$ 213.0	\$ 10.7	\$ (7.6)	\$ 236.6	\$ 205.4
Total net assets	\$ 152.9	\$ 183.0	\$ 309.1	\$ 300.6	\$ 462.0	\$ 483.6	\$ 259.8	\$ 222.9	\$ 721.8	\$ 706.5

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 \$462.0 at the close of the most recent fiscal year. In the case of the Schools, assets exceeded liabilities by \$259.8 at the close of the most recent fiscal year.

By far the largest portion of the County's and Schools' net assets (45.7%) 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. The fact that the County governmental-activities column displays a negative number in the category "Invested in capital assets net of related debt" will be explained below.

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 allows 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 displays the "Invested in capital assets net of related debt" for the entire government that gives a more complete picture of debt-financed capital assets.

An additional portion of the County's and Schools' net assets, (21.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$236.6 may be used to meet the government's ongoing obligations to citizens and creditors.

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 2003 and FY 2002

Changes in Net Assets

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

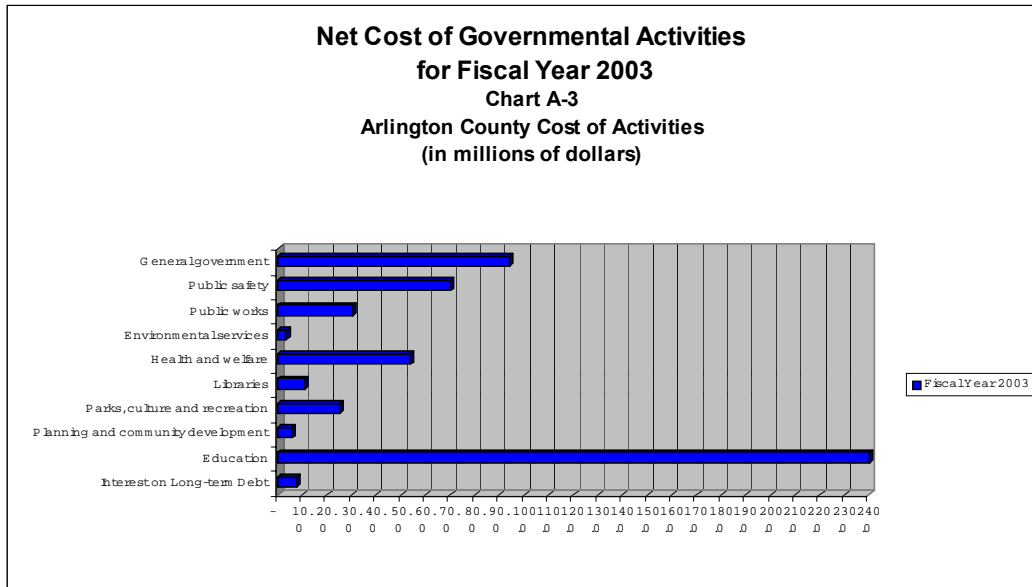
	Primary Government						Component	Unit		
	Governmental Activities		Business Type Activities		Total		Schools	Grand Total	2003	2002
	2003	2002	2003	2002	2003	2002				
Revenues										
Program revenue										
Charges to services	\$ 26.5	\$ 25.9	\$ 49.3	\$ 48.8	\$ 75.8	\$ 74.7	\$ 10.5	\$ 9.1	\$ 86.3	\$ 83.8
Operating grants and contributions	\$ 104.6	\$ 94.7	\$ 0.2	\$ 2.3	\$ 104.8	\$ 97.0	\$ 36.9	\$ 35.0	\$ 141.7	\$ 132.0
Capital grants and contributions	\$ 1.8	\$ 1.8	\$ 1.0	\$ 0.6	\$ 2.8	\$ 2.4	\$ -	\$ -	\$ 2.8	\$ 2.4
General revenue										
Property taxes	\$ 390.9	\$ 353.2	\$ -	\$ -	\$ 390.9	\$ 353.2	\$ -	\$ -	\$ 390.9	\$ 353.2
Other local taxes	\$ 80.8	\$ 76.0	\$ -	\$ -	\$ 80.8	\$ 76.0	\$ 12.7	\$ 13.0	\$ 93.5	\$ 89.0
Fine and forfeitures	\$ 8.9	\$ 9.2	\$ -	\$ -	\$ 8.9	\$ 9.2	\$ -	\$ -	\$ 8.9	\$ 9.2
Licenses, permits and fees	\$ 54.3	\$ 57.2	\$ -	\$ -	\$ 54.3	\$ 57.2	\$ -	\$ -	\$ 54.3	\$ 57.2
Investment and interest earnings	\$ 8.9	\$ 11.6	\$ 1.0	\$ 1.5	\$ 9.9	\$ 13.1	\$ 0.1	\$ 0.6	\$ 10.0	\$ 13.7
Miscellaneous	\$ 8.4	\$ 7.0	\$ -	\$ -	\$ 8.4	\$ 7.0	\$ -	\$ -	\$ 8.4	\$ 7.0
Total revenues	\$ 685.1	\$ 636.6	\$ 51.5	\$ 53.2	\$ 736.6	\$ 689.8	\$ 60.2	\$ 57.7	\$ 796.8	\$ 747.5
Expenditures										
General government	\$ 147.4	\$ 132.3	\$ -	\$ -	\$ 147.4	\$ 132.3	\$ -	\$ -	\$ 147.4	\$ 132.3
Public safety	\$ 77.4	\$ 69.7	\$ -	\$ -	\$ 77.4	\$ 69.7	\$ -	\$ -	\$ 77.4	\$ 69.7
Public works	\$ 35.7	\$ 32.7	\$ -	\$ -	\$ 35.7	\$ 32.7	\$ -	\$ -	\$ 35.7	\$ 32.7
Environmental services	\$ 11.3	\$ 10.6	\$ -	\$ -	\$ 11.3	\$ 10.6	\$ -	\$ -	\$ 11.3	\$ 10.6
Health and welfare	\$ 92.9	\$ 84.5	\$ -	\$ -	\$ 92.9	\$ 84.5	\$ -	\$ -	\$ 92.9	\$ 84.5
Libraries	\$ 11.5	\$ 11.1	\$ -	\$ -	\$ 11.5	\$ 11.1	\$ -	\$ -	\$ 11.5	\$ 11.1
Parks, culture and recreation	\$ 28.9	\$ 27.0	\$ -	\$ -	\$ 28.9	\$ 27.0	\$ -	\$ -	\$ 28.9	\$ 27.0
Planning and community development	\$ 30.4	\$ 27.1	\$ -	\$ -	\$ 30.4	\$ 27.1	\$ -	\$ -	\$ 30.4	\$ 27.1
Education	\$ 239.8	\$ 212.8	\$ -	\$ -	\$ 239.8	\$ 212.8	\$ 287.4	\$ 262.3	\$ 527.2	\$ 475.1
School bond proceeds/repayment of refunding	\$ 30.9	\$ -	\$ -	\$ -	\$ 30.9	\$ -	\$ -	\$ -	\$ 30.9	\$ -
Debt service:										
Interest and other charges	\$ 7.8	\$ 12.3	\$ -	\$ -	\$ 7.8	\$ 12.3	\$ 7.7	\$ 7.3	\$ 15.5	\$ 19.6
Water and sewer	\$ -	\$ -	\$ 39.0	\$ 36.2	\$ 39.0	\$ 36.2	\$ -	\$ -	\$ 39.0	\$ 36.2
Parking garage	\$ -	\$ -	\$ 4.0	\$ 4.0	\$ 4.0	\$ 4.0	\$ -	\$ -	\$ 4.0	\$ 4.0
Total expenditures	\$ 714.0	\$ 620.1	\$ 43.0	\$ 40.2	\$ 757.0	\$ 660.3	\$ 295.1	\$ 269.6	\$ 1,052.1	\$ 929.9
Increase in net assets before sale of property and transfers:	\$ (29.0)	\$ 16.5	\$ 8.6	\$ 13.0	\$ (20.4)	\$ 29.5	\$ (234.9)	\$ (211.9)	\$ (255.3)	\$ (182.4)
Sale of property	\$ 3.0	\$ 0.2	\$ -	\$ -	\$ 3.0	\$ 0.2	\$ -	\$ -	\$ 3.0	\$ 0.2
Transfers	\$ (4.2)	\$ 2.4	\$ -	\$ -	\$ (4.2)	\$ 2.4	\$ 239.7	\$ 212.2	\$ 235.5	\$ 214.6
School bond proceeds/repayment of principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32.1	\$ -	\$ 32.1	\$ -
Increase (decrease) in net assets	\$ (30.2)	\$ 19.1	\$ 8.6	\$ 13.0	\$ (21.6)	\$ 32.1	\$ 36.9	\$ 0.3	\$ 15.3	\$ 32.4

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

• Governmental activities	\$ (30.2)	*	4.6%
• Business type activities	\$ 8.6		56.2%
• Component-unit Schools	\$ 36.9	*	39.2%
TOTAL	\$ 15.3		100.0%

* The decrease was due to the issuance \$30.9 of component unit School debt displayed in the governmental column and \$0.7 increase (4.6%) in governmental net assets.

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 spendable 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 \$193.8, an increase of \$2.9 comparison with the prior year. Approximately, 26.7% of this total amount (\$51.8) 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 (\$24.1), to build facilities from general obligation bond proceeds and PAYGO monies (\$116.8) for a variety of other restricted purposes (\$1.1).

The general fund is the major governmental fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$51.7 while total fund balance reached \$59.2. 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 8.0% of total general fund expenditures, while total fund balance represents 9.2% of that same amount.

The fund balance of the County general fund decreased by (\$4.5) during the current fiscal year. Key factors in this decrease are as follows:

- Revenue from the Commonwealth of Virginia did not meet expected levels since lowered state revenues due to the slowing economy reduced state aid to localities.
- Business and professional license revenues were lower due to the slowing economy.
- Interest revenues on County investments decreased due to lowered interest rates.

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 \$36.6 and those for the Ballston Public Parking Garage amounted to \$8.1. The total growth in net assets for both funds was \$8.4 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

Differences between the original budget and the final budget were an \$65.9 increase in appropriations and can be briefly summarized as follows:

- \$1.5 in increases in general government activities
- \$4.5 in increases in public safety
- \$2.9 in increases allocated to the departments of public works and environmental services
- \$20.1 in increases allocated to the department of human services
- \$0.4 in increases allocated to the department of libraries
- \$0.6 in increases in planning and community development
- \$0.9 in increases allocated to the department of parks, recreation, and community resources
- \$0.5 in increases in expenditures for economic development.
- \$17.4 in increases allocated for affordable housing contingent funding and employee benefits.
- \$17.1 increases in transfers for general capital projects, schools, and other funds

Of this increase, most was to be funded out of increases in tax revenue receipts. Any remaining amount was to be budgeted from available fund balance.

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, 2003 amounts to \$888.6 (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 included the following:

- Parks and recreation center improvements - \$0.2
- Paving and neighborhood traffic calming - \$3.0
- Community conservation - \$1.0
- Facility renovation - \$1.9
- Technical assets investments - \$1.6
- Contribution to regional authorities - \$1.0
- Schools improvements - \$5.4
- Utilities improvements - \$12.5

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		Grand Total	
	Governmental Activities		Business Activities		Total		Schools		Grand Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Land	\$ 83.1	\$ 78.0	\$ 1.8	\$ 1.8	\$ 84.9	\$ 79.8	\$ 4.7	\$ 4.7	\$ 89.6	\$ 84.5
Buildings	\$ 95.4	\$ 95.6	\$ 14.7	\$ 15.1	\$ 110.1	\$ 110.7	\$ 193.1	\$ 183.4	\$ 303.2	\$ 294.1
Equipment	\$ 13.2	\$ 14.7	\$ 0.9	\$ 0.9	\$ 14.1	\$ 15.6	\$ 29.9	\$ 32.9	\$ 44.0	\$ 48.5
Infrastructure	\$ 117.7	\$ 122.0	\$ -	\$ -	\$ 117.7	\$ 122.0	\$ -	\$ -	\$ 117.7	\$ 122.0
Plant -sewer system	\$ -	\$ -	\$ 201.0	\$ 156.7	\$ 201.0	\$ 156.7	\$ -	\$ -	\$ 201.0	\$ 156.7
Plant - water system	\$ -	\$ -	\$ 81.4	\$ 76.8	\$ 81.4	\$ 76.8	\$ -	\$ -	\$ 81.4	\$ 76.8
Construction in progress	\$ -	\$ -	\$ 34.4	\$ 75.2	\$ 34.4	\$ 75.2	\$ -	\$ -	\$ 34.4	\$ 75.2
Internal service funds	\$ 17.3	\$ 16.5	\$ -	\$ -	\$ 17.3	\$ 16.5	\$ -	\$ -	\$ 17.3	\$ 16.5
Total	\$ 326.7	\$ 326.8	\$ 334.2	\$ 326.5	\$ 660.9	\$ 653.3	\$ 227.7	\$ 221.0	\$ 888.6	\$ 874.3

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 \$613.3. Of this amount, \$545.7 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 (\$67.6) represents bonds secured solely by specified revenue sources (i.e., revenue bonds) (\$19.2), workers compensation reserves (\$4.0) and accrued compensated absences (\$44.4).

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		Grand Total	
	Governmental Activities		Business-type Activities		Total		Schools		Grand Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
General obligation bonds**	\$ 477.4	\$ 435.1	\$ 39.0	\$ 42.7	\$ 516.4	\$ 477.8	\$ -	\$ -	\$ 516.4	\$ 477.8
Revenue bonds	\$ -	\$ -	\$ 15.8	\$ 16.3	\$ 15.8	\$ 16.3	\$ -	\$ -	\$ 15.8	\$ 16.3
Mortgage payable	\$ -	\$ -	\$ 3.4	\$ 3.4	\$ 3.4	\$ 3.4	\$ -	\$ -	\$ 3.4	\$ 3.4
Note payable	\$ 9.4	\$ -	\$ -	\$ -	\$ 9.4	\$ -	\$ -	\$ -	\$ 9.4	\$ -
Obligations under capital lease	\$ 9.1	\$ 10.6	\$ -	\$ -	\$ 9.1	\$ 10.6	\$ 0.5	\$ 1.7	\$ 9.6	\$ 12.3
Worker's compensation claims	\$ 4.0	\$ 3.3	\$ -	\$ -	\$ 4.0	\$ 3.3	\$ -	\$ -	\$ 4.0	\$ 3.3
Accrued compensated absences	\$ 23.4	\$ 22.1	\$ 1.2	\$ -	\$ 24.6	\$ 22.1	\$ 19.8	\$ 19.6	\$ 44.4	\$ 41.7
Mortgage and bond interest payable	\$ -	\$ -	\$ 10.3	\$ 10.4	\$ 10.3	\$ 10.4	\$ -	\$ -	\$ 10.3	\$ 10.4
Total	\$ 523.3	\$ 471.1	\$ 69.7	\$ 72.8	\$ 593.0	\$ 543.9	\$ 20.3	\$ 21.3	\$ 613.3	\$ 565.2

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 \$140.7 during the current fiscal year. The key factor in this increase was a \$75.0 general obligation bond issuance for the County and the Schools and the issuance of \$65.7 refunding bonds to defease higher interest rate debt which saved the County \$5.0 over the life of the 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 2.1%, which is a small decrease from a rate of 2.5% percent a year ago. This compares favorably to the state's average unemployment rate of 2.1% percent and the national average rate of 5.9% percent.
- The vacancy rate of the County's office buildings marginally increased from 8.2% to 10.8%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2004 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.dmf.co.arlington.va.us.



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, 2003

	Primary Government			Component Unit Schools	Total Government
	Governmental Activities	Business-Type Activities	Total		
ASSETS:					
Cash and cash equivalents	\$216,468,104	\$38,058,323	\$254,526,427	\$49,118,927	\$303,645,354
Receivables, net	195,599,152	10,065,120	205,664,272	4,429,868	210,094,140
Receivable from primary government	-	878,093	878,093	26,751,056	27,629,149
Receivable from other governments	21,091,401	-	21,091,401	-	21,091,401
Inventory, at cost	-	854,430	854,430	284,249	1,138,679
Other assets	21,797,880	1,828,316	23,626,196	-	23,626,196
Capital assets:					
Non-depreciable	83,087,919	1,792,817	84,880,736	4,697,946	89,578,682
Depreciable, net	243,574,174	297,995,468	541,569,642	223,036,305	764,605,947
Construction in progress	-	34,433,498	34,433,498	-	34,433,498
Total capital assets, net	<u>326,662,093</u>	<u>334,221,783</u>	<u>660,883,876</u>	<u>227,734,251</u>	<u>888,618,127</u>
Total Assets	<u>\$781,618,630</u>	<u>\$385,906,065</u>	<u>\$1,167,524,695</u>	<u>\$308,318,351</u>	<u>\$1,475,843,046</u>
LIABILITIES:					
Accounts payable	11,374,079	2,265,770	13,639,849	5,829,565	19,469,414
Deferred revenue	49,607,350	-	49,607,350	563,739	50,171,089
Due to/from component unit	26,751,055	-	26,751,055	-	26,751,055
Accrued liabilities	13,566,541	4,700,282	18,266,823	19,436,018	37,702,841
Other liabilities	4,184,063	-	4,184,063	2,354,237	6,538,300
Non-current liabilities:					
Due within one year	46,689,126	16,864,192	63,553,318	2,473,546	66,026,864
Due in more than one year	476,605,562	52,934,952	529,540,514	17,858,000	547,398,514
Total liabilities	<u>628,777,776</u>	<u>76,765,196</u>	<u>705,542,972</u>	<u>48,515,105</u>	<u>754,058,077</u>
NET ASSETS:					
Invested in capital assets, net of related debt	(162,736,522)	264,422,639	101,686,117	227,244,927	328,931,044
Restricted for:					
Capital projects	133,326,099	-	133,326,099	21,716,896	155,042,995
Other projects	1,089,800	-	1,089,800	112,233	1,202,033
Unrestricted	<u>181,161,477</u>	<u>44,718,230</u>	<u>225,879,707</u>	<u>10,729,190</u>	<u>236,608,897</u>
Total net assets	<u>\$152,840,854</u>	<u>\$309,140,869</u>	<u>\$461,981,723</u>	<u>\$259,803,246</u>	<u>\$721,784,969</u>

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

ARLINGTON COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003

ASSETS	General Fund	All Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$80,490,746	\$135,694,646	\$216,185,392
Receivables, net	174,102,688	21,406,181	195,508,869
Internal balances	5,578,448	(1,645,636)	3,932,812
Receivables from other governments	17,230,589	-	17,230,589
Other assets	21,198,241	-	21,198,241
Totals assets	\$298,600,712	\$155,455,191	\$454,055,903
LIABILITIES			
Accounts Payable	7,971,990	3,153,618	11,125,608
Deferred revenue	186,090,365	16,742,076	202,832,441
Due to component unit	29,077,567	-	29,077,567
Accrued liabilities	13,566,541	-	13,566,541
Other liabilities	2,692,951	947,618	3,640,569
Total liabilities	239,399,414	20,843,312	260,242,726
FUND BALANCES			
Reserved for:			
Encumbrances	3,517,687	20,574,252	24,091,939
Others	4,000,000	112,787,629	116,787,629
Unreserved:			
Designated	51,683,611	-	51,683,611
Operating reserve-Section 8	-	1,089,800	1,089,800
Undesignated - special revenue	-	160,198	160,198
Total Fund Balances	59,201,298	134,611,879	193,813,177
Total liabilities and fund balance	\$298,600,712	\$155,455,191	\$454,055,903

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, 2003

Total governmental fund balances	\$193,813,177
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	309,329,110
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	153,225,091
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(521,333,336)
Internal service funds	17,806,812
	\$152,840,854
Net assets of governmental activities	\$152,840,854

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, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions
Primary Government:				
Governmental Activities:				
General government	\$147,408,732	\$13,780,837	\$37,954,613	\$1,807,203
Public safety	77,402,722	5,513,827	1,715,945	
Public works	35,685,368	1,296,752	3,754,201	
Environmental services	11,253,034	7,741,443	20,223	
Health & welfare	92,920,778	1,918,037	37,046,941	
Libraries	11,509,378	429,331	223,653	
Parks, recreation & culture	28,934,506	3,792,471	57,367	
Planning & community development	30,429,261	934,446	23,762,390	
Education	239,824,064			
Interest and other charges	7,822,642			
Total governmental activities	683,190,485	35,407,144	104,535,333	1,807,203
Business-type activities				
Utilities	38,998,145	45,309,573	197,486	979,080
Ballston Public Parking Garage	3,951,112	4,005,282		
Total business-type activities	42,949,257	49,314,855	197,486	979,080
Total Primary government	726,139,742	84,721,999	104,732,819	2,786,283
Component unit:				
Schools				
Total component unit	287,426,236	10,514,930	36,874,290	

General Revenues:

Property Taxes:
Real estate property taxes
Personal property taxes
Other Local taxes:
Business, professional occupancy license taxes
Other local taxes
Licenses, permits and fees
Investment and interest earnings
Miscellaneous
School bonds proceeds/repayment of principal
Payments to/from primary government
Gain 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
(\$93,866,079)		(\$93,866,079)	
(70,172,950)		(70,172,950)	
(30,634,415)		(30,634,415)	
(3,491,368)		(3,491,368)	
(53,955,800)		(53,955,800)	
(10,856,394)		(10,856,394)	
(25,084,668)		(25,084,668)	
(5,732,425)		(5,732,425)	
(239,824,064)		(239,824,064)	
(7,822,642)		(7,822,642)	(7,671,646)
<u>(541,440,805)</u>		<u>(541,440,805)</u>	<u>(7,671,646)</u>
	7,487,994	7,487,994	
	54,170	54,170	
	<u>7,542,164</u>	<u>7,542,164</u>	
<u>(541,440,805)</u>	<u>7,542,164</u>	<u>(533,898,641)</u>	<u>(7,671,646)</u>
			<u>(240,037,016)</u>
309,209,186		309,209,186	
81,661,867		81,661,867	
43,206,157		43,206,157	
37,623,182		37,623,182	12,704,260
54,319,921		54,319,921	
8,885,008	1,046,233	9,931,241	130,261
8,429,677		8,429,677	
(30,858,256)		(30,858,256)	32,071,416
(4,223,888)		(4,223,888)	239,693,802
2,986,515		2,986,515	
<u>511,239,369</u>	<u>1,046,233</u>	<u>512,285,602</u>	<u>284,599,739</u>
<u>(30,201,436)</u>	<u>8,588,397</u>	<u>(21,613,039)</u>	<u>36,891,077</u>
<u>183,042,290</u>	<u>300,552,472</u>	<u>483,594,762</u>	<u>222,912,171</u>
<u>\$152,840,854</u>	<u>\$309,140,869</u>	<u>\$461,981,723</u>	<u>\$259,803,248</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, 2003

	General Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:			
General property taxes:			
Real Estate property taxes	\$289,837,433	-	\$289,837,433
Personal property taxes	81,661,867	-	81,661,867
Other Local taxes:			
BPOL	43,206,157	-	43,206,157
Other local taxes	36,913,104	710,078	37,623,182
Fines and forfeitures	8,882,272	-	8,882,272
Licenses, permits and fees	54,319,921	-	54,319,921
Intergovernmental	82,689,545	23,652,990	106,342,535
Charges for services	25,648,106	876,766	26,524,872
Interest and rent	7,598,664	1,286,344	8,885,008
Miscellaneous revenues	7,630,874	798,804	8,429,678
Total revenues	638,387,943	27,324,982	665,712,925
EXPENDITURES:			
Current operating:			
General government	133,026,299	-	133,026,299
Public safety	70,738,944	-	70,738,944
Public works	24,887,647	-	24,887,647
Environmental services	10,375,379	-	10,375,379
Health and welfare	85,636,626	-	85,636,626
Libraries	10,531,858	-	10,531,858
Parks, recreation and culture	25,537,947	1,006,934	26,544,881
Planning and community development	11,648,725	16,193,374	27,842,099
Education	239,824,064	-	239,824,064
Debt service			
Principal	22,080,315	-	22,080,315
Interest and other charges	12,226,779	-	12,226,779
Capital outlay	-	44,010,438	44,010,438
Total expenditures	646,514,583	61,210,746	707,725,329
Excess(deficiency) of revenues over expenditures	(8,126,640)	(33,885,764)	(42,012,404)
OTHER FINANCING SOURCES(USES)			
Transfers in	7,974,381	14,582,759	22,557,140
Transfers out	(20,071,495)	(6,904,745)	(26,976,240)
Sale of capital assets	3,355,926	-	3,355,926
Proceeds from capital lease	2,367,311	-	2,367,311
Proceeds from notes payable	10,000,000	-	10,000,000
Proceeds of refunding bonds	-	17,481,647	17,481,647
Bond premium paid to escrow agent	-	1,477,122	1,477,122
Payments to refunded bond escrow agent	-	(18,958,769)	(18,958,769)
Proceeds of sale of bonds	-	33,600,000	33,600,000
Total other financing sources and uses	3,626,123	41,278,014	44,904,137
Net change in fund balances	(4,500,517)	7,392,250	2,891,733
Fund balances, beginning	63,701,815	127,219,629	190,921,444
Fund balances, ending	<u>\$59,201,298</u>	<u>\$134,611,879</u>	<u>\$193,813,177</u>

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, 2003

Net change in fund balances - total governmental funds		\$2,891,733
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.</p>		
Add: Capital acquisitions	13,267,068	
Less: Depreciation expense	<u>(14,113,682)</u>	(846,614)
<p>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.</p>		
		(101,330)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		19,371,753
<p>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.</p>		
Add: Debt repayment-bonds principal	32,622,059	
Deferred amount on refunding	4,432,699	
Less: Proceeds from bonds and capital leases	(87,367,311)	
Other charges and bond issue costs	<u>(28,562)</u>	(50,341,115)
<p>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</p>		
		(1,892,227)
<p>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:</p>		
Additional revenue for internal service	(72,869)	
Net operating gain internal service funds	<u>789,233</u>	<u>716,364</u>
Change in net assets of governmental activities		<u><u>(\$30,201,436)</u></u>

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance over(under)
	Original	Final		
REVENUES:				
General Property taxes:				
Real estate	\$ 279,653,885	\$ 279,653,885	\$ 289,837,433	\$ 10,183,548
Personal	82,561,075	82,561,075	81,661,867	(899,208)
Other Local taxes	75,615,269	76,195,269	80,119,261	3,923,992
Licenses, permits and fees	52,145,897	52,220,897	54,319,921	2,099,024
Charges for services	28,658,527	24,898,627	25,648,106	749,479
Fines and forfeitures	9,564,649	9,564,649	8,882,272	(682,377)
Grants:				
State grants	51,323,004	53,239,025	53,615,793	376,768
Federal grants	20,603,455	44,608,293	29,073,752	(15,534,541)
Use of money and property	7,579,521	10,804,421	7,598,664	(3,205,757)
Miscellaneous revenue	4,016,827	3,385,120	7,630,874	4,245,754
Total Revenues	611,722,109	637,131,261	638,387,943	1,256,682
EXPENDITURES:				
General Government Administration				
County Board	586,967	588,865	587,181	1,684
County Manager	2,780,067	2,819,067	2,816,148	2,919
Financial Management	4,059,471	4,065,471	4,118,305	(52,834)
Civil Service	15,982	15,982	12,688	3,294
Human Resources	4,496,735	4,614,041	4,365,011	249,030
Technology Services	12,325,770	12,596,124	11,782,916	813,208
County Attorney	1,256,010	1,256,010	1,287,476	(31,466)
Office of Support Services	12,604,262	12,736,639	12,991,224	(254,585)
Commissioner of Revenue	3,524,172	3,526,629	3,300,418	226,211
Treasurer	4,722,656	4,722,656	4,738,871	(16,215)
Electoral Board	559,505	607,518	652,523	(45,005)
Total General Government	46,931,597	47,549,002	46,652,761	896,241
Judicial Administration				
Circuit Court	2,334,041	2,364,783	2,320,485	44,298
District Court	265,957	275,874	259,105	16,769
Juvenile & Domestic Relations Court	4,192,726	4,697,461	3,994,728	702,733
Commonwealth Attorney	2,993,332	3,135,795	2,888,730	247,065
Sheriff & Jail	22,162,748	22,352,317	22,708,030	(355,713)
Total Judicial Administration	31,948,804	32,826,230	32,171,078	655,152
Public Safety				
Police	37,449,954	40,394,515	37,596,932	2,797,583
Emergency Communications Center	4,596,316	5,373,561	5,374,985	(1,424)
Fire	27,118,415	27,939,668	27,767,027	172,641
Total Public Safety	69,164,685	73,707,744	70,738,944	2,968,800
Public Works				
Public Works	21,653,806	24,402,226	24,887,647	(485,421)
Environmental Services	10,433,315	10,630,470	10,375,379	255,091
Total Public Works	32,087,121	35,032,696	35,263,026	(230,330)
Health & Welfare	78,334,981	98,481,652	85,636,626	12,845,026
Libraries	10,870,647	11,227,378	10,531,858	695,520

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, 2002

	Budgeted Amounts		Actual	Variance over/(under)
	Original	Final		
Planning & Community Development				
Economic development	3,075,577	3,559,939	3,033,535	526,404
Community Planning, Housing & development	8,830,626	9,437,539	8,615,190	822,349
Total Planning & Community Development	11,906,203	12,997,478	11,648,725	1,348,753
Parks and Recreation	24,749,210	25,627,847	25,537,947	89,900
Non-Departmental				
Non-Departmental	24,249,650	41,019,044	38,196,161	2,822,883
Debt Service				
Principal payment	21,480,608	22,080,608	22,080,315	293
Interest payment	12,438,747	12,438,747	12,142,238	296,509
Other costs	100,000	100,000	84,541	15,459
Regionals/Contributions	5,955,687	5,974,087	5,996,099	(22,012)
METRO	10,200,000	10,200,000	10,010,200	189,800
Total Non-Departmental	74,424,692	91,812,486	88,509,554	3,302,932
Total Expenditures	380,417,940	429,262,513	406,690,519	22,571,994
Excess of revenues over expenditures	231,304,169	207,868,748	231,697,424	23,828,676
Other Financing Sources (Uses)				
Transfers-in	227,500	6,452,500	7,974,381	1,521,881
Transfers-out	(247,370,806)	(264,440,147)	(259,895,559)	4,544,588
Proceeds from notes payable	-	10,000,000	10,000,000	-
Proceeds from capital lease	-	-	2,367,311	2,367,311
Proceeds sale of asset	-	2,825,000	3,355,926	530,926
Total other financing sources/uses	(247,143,306)	(245,162,647)	(236,197,941)	8,964,706
Net change in fund balance	(15,839,137)	(37,293,899)	(4,500,517)	32,793,382
Fund Balance - beginning of year	63,701,815	63,701,815	63,701,815	-
Fund Balance - end of year	\$ 47,862,678	\$ 26,407,916	\$ 59,201,298	\$ 32,793,382

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2003

	Business-type activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Utilities	Ballston Public Parking Garage	Total	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$26,665,737	\$11,392,586	\$38,058,323	\$282,712
Receivables, net	10,065,120	-	10,065,120	90,283
Due from primary government Internal Balances	-	878,093	878,093	-
Inventory, at cost	854,430	-	854,430	599,639
Other current Assets	1,553,039	275,277	1,828,316	-
Total Current assets	<u>39,138,326</u>	<u>12,545,956</u>	<u>51,684,282</u>	<u>900,634</u>
Capital assets:				
Non-depreciable	1,792,817	-	1,792,817	-
Depreciable, net	283,351,660	14,643,808	297,995,468	17,332,983
Construction in progress	34,433,498	-	34,433,498	-
Total capital assets, net	<u>319,577,975</u>	<u>14,643,808</u>	<u>334,221,783</u>	<u>17,332,983</u>
Total Assets	<u>358,716,301</u>	<u>27,189,764</u>	<u>385,906,065</u>	<u>18,233,617</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	1,869,057	396,713	2,265,770	248,471
Due to/from component unit	-	-	-	(2,326,512)
Accrued liabilities	628,350	4,071,932	4,700,282	-
Other liabilities	-	-	-	543,494
Due within one year	5,389,240	11,474,952	16,864,192	339,788
Total Current liabilities	<u>7,886,647</u>	<u>15,943,597</u>	<u>23,830,244</u>	<u>(1,194,759)</u>
Non-current Liabilities:				
Due in more than one year	<u>35,350,449</u>	<u>17,584,503</u>	<u>52,934,952</u>	<u>1,621,564</u>
Total liabilities	<u>43,237,096</u>	<u>33,528,100</u>	<u>76,765,196</u>	<u>426,805</u>
NET ASSETS:				
Invested in capital assets, net of related debt	278,838,286	(14,415,647)	264,422,639	15,371,631
Unrestricted	<u>36,640,919</u>	<u>8,077,311</u>	<u>44,718,230</u>	<u>2,435,181</u>
Total net assets	<u>\$315,479,205</u>	<u>(\$6,338,336)</u>	<u>\$309,140,869</u>	<u>\$17,806,812</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, 2003

	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	\$ 34,574,773	\$-	\$ 34,574,773	\$-
Water-service hook-up charges	3,325,832	-	3,325,832	-
Water-service connection charges	450,838	-	450,838	-
Sewage treatment service charges	5,261,162	-	5,261,162	-
Other charges for services	1,696,968	-	1,696,968	14,026,608
Parking charges	-	4,005,282	4,005,282	-
Total Operating revenues	45,309,573	4,005,282	49,314,855	14,026,608
OPERATING EXPENSES:				
Personnel services	10,624,341	-	10,624,341	3,661,595
Fringe benefits	2,172,329	-	2,172,329	803,151
Cost of store issuances	-	-	-	3,133,084
Contractual services	7,907,495	1,371,604	9,279,099	-
Purchases of water	6,050,895	-	6,050,895	-
Materials and supplies	3,978,858	147,625	4,126,483	515,556
Utilities	-	-	-	102,633
Outside services	-	-	-	1,447,223
Depreciation	4,561,482	501,206	5,062,688	3,080,930
Deferred rent	-	405,000	405,000	-
Miscellaneous	2,108,855	251,831	2,360,686	493,203
Total Operating expenses	37,404,255	2,677,266	40,081,521	13,237,375
Operating income	7,905,318	1,328,016	9,233,334	789,233
NON-OPERATING REVENUES(EXPENSES)				
Interest income and other income	910,597	135,636	1,046,233	-
Interest expense and fiscal charges	(1,593,890)	(1,273,846)	(2,867,736)	-
Interest payment on capital lease	-	-	-	(71,524)
Contributions from developers and other sources	979,080	-	979,080	-
State grant	197,486	-	197,486	-
Loss on disposal of assets	-	-	-	(196,557)
Total non-operating revenues(expenses)	493,273	(1,138,210)	(644,937)	(268,081)
Net Income(loss) before operating transfers	8,398,591	189,806	8,588,397	521,152
OPERATING TRANSFERS:				
Transfers in	-	-	-	325,212
Transfers out	-	-	-	(130,000)
Total net transfers	-	-	-	195,212
Change in net assets	8,398,591	189,806	8,588,397	716,364
Net assets - beginning of year	307,080,614	(6,528,142)	300,552,472	17,090,448
Net assets - end of year	\$ 315,479,205	\$ (6,338,336)	\$ 309,140,869	\$ 17,806,812

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, 2003

	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	\$45,963,982	\$3,127,189	\$49,091,171	\$340,817
Cash received from interfund charges	-	-	-	12,575,590
Cash paid to suppliers	(21,291,863)	(1,734,762)	(23,026,625)	(5,952,395)
Cash paid to employees	(12,757,504)	-	(12,757,504)	(4,429,518)
Net cash flows from operating activities	11,914,615	1,392,427	13,307,042	2,534,494
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	695,529	135,636	831,165	-
Net cash flows from investing activities	695,529	135,636	831,165	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer out to other funds	-	-	-	(130,000)
State grant	197,485	-	197,485	-
Transfers in	-	-	-	325,212
Cash received temporary loan to schools	-	-	-	(39,525)
Net cash flows from non-capital financing activities	197,485	-	197,485	155,687
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments - bonds	(3,636,691)	(500,000)	(4,136,691)	-
Proceeds from refunding bonds	19,415,825	-	19,415,825	-
Payments to refunded bonds	(20,328,191)	-	(20,328,191)	-
Payment of principal on capital lease	-	-	-	(231,034)
Payment of interest on capital lease	-	-	-	(71,524)
Proceeds of capital lease	-	-	-	222,995
Contributions from other sources	979,080	-	979,080	-
Interest and other loan expenses paid	(2,095,078)	(343,091)	(2,438,169)	-
Purchases of property	(12,045,540)	-	(12,045,540)	(4,554,904)
Proceeds from sale of equipment	-	-	-	443,192
Net cash flows from capital and related financing activities	(17,710,595)	(843,091)	(18,553,686)	(4,191,275)
Net increase(decrease) in cash and cash equivalents	(4,902,966)	684,972	(4,217,994)	(1,501,094)
Cash and cash equivalents at beginning of year	31,568,703	10,707,614	42,276,317	1,783,806
Cash and cash equivalents at end of year	\$26,665,737	\$11,392,586	\$38,058,323	\$282,712
Reconciliation of operating income to net cash flow from operations:				
Operating Income	\$7,905,318	\$1,328,016	\$9,233,334	\$789,233
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	4,561,482	501,206	5,062,688	3,080,930
(Increase)Decrease in accounts receivable	654,409	-	654,409	(1,110,201)
(Increase)Decrease in due from primary government	-	(878,093)	(878,093)	-
(Increase)Decrease in inventories	76,606	-	76,606	8,102
Increase (Decrease) in prepaid expenses	-	-	-	80,000
Increase(Decrease) in vouchers payable	189,070	36,298	225,368	(348,798)
Increase(Decrease) in compensated absences	39,165	-	39,165	35,228
Increase(Decrease) in contract retainage	(1,723,535)	-	(1,723,535)	-
Increase(Decrease) in other accrued liabilities	212,100	405,000	617,100	-
Net cash flows from operations	\$11,914,615	\$1,392,427	\$13,307,042	\$2,534,494

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, 2003

	Trust and Agency Funds		
	Pension Trust	Private Purpose Trust	Agency Funds
ASSETS:			
Cash and cash equivalents	\$26,533,744	\$291,981	\$22,998,150
Accounts receivable	5,546,736	-	3,928,392
Other assets	-	20,540	
Investments at fair value	980,361,942	10,086,009	-
Total assets	<u>\$1,012,442,422</u>	<u>\$10,398,530</u>	<u>\$26,926,542</u>
LIABILITIES:			
Accounts payable and accrued liabilities	\$4,237,810	\$546,336	\$4,454,859
Deferred revenue	-	-	22,471,683
Total liabilities	<u>4,237,810</u>	<u>546,336</u>	<u>26,926,542</u>
NET ASSETS	<u><u>\$1,008,204,612</u></u>	<u><u>\$9,852,194</u></u>	<u><u>\$ -</u></u>

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the year ended June 30, 2003

	Pension Trust	Trust and Agency Funds Private Purpose Trust
ADDITIONS:		
Contributions and Revenues:		
Employer/Employee Contributions	\$15,858,248	\$ -
Shared revenues	-	1,458,718
Private donations	-	45,445
Total contributions	<u>15,858,248</u>	<u>1,504,163</u>
Investment earnings:		
Interest and other	29,380,923	329,076
Securities Lending & Commission	503,424	-
Net change in fair value of investments	<u>14,289,648</u>	<u>108,382</u>
Total investment earnings(losses)	<u>44,173,995</u>	<u>437,458</u>
Less investment expenses	3,683,327	-
Net investment earnings(losses)	<u>40,490,668</u>	<u>437,458</u>
Total additions	<u>56,348,916</u>	<u>1,941,621</u>
DEDUCTIONS:		
Administrative expenses	373,577	3,281,200
Private purpose program expenses	<u>46,304,615</u>	<u>57,242</u>
Total deductions	<u>46,678,192</u>	<u>3,338,442</u>
Change in net assets	<u>9,670,724</u>	<u>(1,396,821)</u>
Net assets - Beginning of the year	<u>998,533,888</u>	<u>11,249,015</u>
Net assets - End of the year	<u><u>\$1,008,204,612</u></u>	<u><u>\$9,852,194</u></u>

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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 does 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.

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

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

- *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.

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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, 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.

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.

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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.

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 2003, 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 Corporation or P-1 by Moody's Commercial Paper Record, 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.

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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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 other funds" (i.e., the current portion of interfund loans) 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 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 incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Property, plant, and equipment of the primary government, as well as 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, 2003, 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, 2003

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 2002 amounts have been reclassified to conform to the FY 2003 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 \$(521,333,336) difference as follows:

General obligation bonds - general government	\$(274,871,599)
General obligation bonds - Schools	(202,953,029)
Compensated absences - general government	(23,390,267)
Worker's compensation - general government	(3,967,461)
Capital leases - general government	(7,070,060)
Notes payable	(9,400,000)
Bond issue costs and deferred amount on refunding, net	319,080
	<u>\$(521,333,336)</u>

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 \$(846,614) difference are as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Capital acquisitions	\$13,267,068
Depreciation expense	<u>(14,113,682)</u>
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><u>\$(846,614)</u></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</i> – total governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$(101,330)</u></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 6/30/03	\$153,225,091
Deferred property tax revenue 6/30/02	<u>(133,853,338)</u>
Net adjustment to increase net changes in fund balances – total governmental funds arrive at changes in net assets of governmental activities	<u><u>\$19,371,753</u></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 \$(50,341,115) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds - County	\$(33,600,000)
Issuance of general obligation bonds – Schools	(41,400,000)
Issuance of notes payable	(10,000,000)
Capital lease financing – General Government	<u>(2,367,311)</u>
	<u><u>(87,367,311)</u></u>
Principal repayments:	
General obligation debt – County	21,480,315
General obligation debt – Schools	10,541,744
Notes payable	<u>600,000</u>
	<u><u>32,622,059</u></u>
Deferred amount on bonds refunding	4,432,699
Other charges and bond issuance costs	<u>(28,562)</u>

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>\$(50,341,115)</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 details of this \$(1,892,227) difference are as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Compensated absences	\$(1,263,669)
Worker's compensation	<u>(628,558)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of government activities	<u>\$(1,892,227)</u>
 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	\$(72,869)
Net operating loss – internal service funds	<u>789,233</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>\$716,364</u></u>

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 2003 such appropriation amendments totaled \$2,952,143 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 2003 for the following departments; the Office of Support Services, the Treasurer's Office, the Department of Management and Finance, the Electoral Board Office, the Department of Public Works, and the Office of the Sheriff. The County Board will re-appropriate funds to increase these budgets in the annual closeout package in November of FY 2003. 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 \$(8,840,761) at June 30, 2003. 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 \$732 in FY2003, resulting in an increased retained deficit of \$(58,668). User fees were raised in FY 2003 but still did not generate enough revenue to reduce this deficit. Management will evaluate additional measures to reduce the deficit in FY 2004.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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 (\$28,672,517) and the bank balance was \$29,818,387. Of the bank balance, \$715,080 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, 2003 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, 2003. The deposit balance in the Alexandria/ Arlington Waste Disposal Trust Fund at June 30, 2003 was \$287,088.

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 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 Corporation or P-1 by Moody's Commercial Paper Record, 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 bonds 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, formerly Crestar Bank, (the "Trustee 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, 2003, the Trustee Bank had \$11,332,495 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 \$10,086,009 in U.S. government securities and agency obligations at fair value were held by the Trustee Bank at June 30, 2003.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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, 2003, the County had \$136,764,982 in the SNAP short-term investment pool and \$9,094,497 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 Trusco investments are held in the County's name by the Trust Department of SunTrust 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.

	<u>Categories</u> <u>(in thousands)</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
County Pooled Investments:				
US government securities and agency obligations	\$12,515	\$-	\$-	\$12,515
Repurchase agreements	-	-	5,806	5,806
SunTrust Trusco:				
Banker's acceptances	299			299
Federal agency bond/ notes	6260			6,260
Commercial paper	1,048			1,048
US Treasury notes	100			100
Capital Reserve Fund:				
Federal agency bond/notes	20,225	-	-	20,225
Corporate notes	2,494	-	-	2,494
US Treasury notes	5,096	-	-	5,096
Total	<u>\$48,037</u>	<u>\$-</u>	<u>\$5,806</u>	<u>\$53,843</u>

Investments not subject to categorization:

State Treasurer's Local Government Investment Pool	\$77,762
State Non-Arbitrage Program (SNAP)	136,765
Commonwealth Cash Reserve (AIM)	9,094
Commonwealth Cash Reserve (Capital Reserve Fund)	3,619
SunTrust Trusco Money Market Fund	2,342
James Monroe Money Market	2,130
Asset T-Fund James Monroe Bank	82
Total County Investments	<u>\$285,637</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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	Categories (in thousands)			Carrying Amount (at fair value)
	1	2	3	
Pension Trust Fund				
Corporate obligations	\$161,603	\$-	\$-	\$161,603
Domestic & foreign equities	317,424	-	-	317,424
Foreign, municipal and U.S. government obligations	55,485	-	-	55,485
Cash	-	-	26,534	26,534
Total	<u>\$534,512</u>	<u>\$-</u>	<u>\$26,534</u>	<u>\$561,046</u>
Investments not subject to categorization:				
Real estate funds and notes				39,684
Pooled equity and fixed income				406,165
Total				<u>445,849</u>
Total Pension Trust Fund Investment				<u>\$1,006,895</u>

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, 2003, the System held derivative securities valued at \$2.6 million, less than 0.3% of the total value of the pension investments. During FY 2003, 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 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, 2003 are summarized below.

	Governmental Activities	Business-type Activities
Real estate taxes	\$154,575,640	\$-
Personal property taxes	5,354,149	-
Omitted business licenses tax	8,227,476	-
Omitted meals tax	991,319	-
Accounts receivable	29,885,036	10,128,753
Interest	286,020	56,367
Total	<u>\$199,319,640</u>	<u>\$10,185,120</u>
Less: Allowance for uncollectible accounts	<u>(3,720,488)</u>	<u>(120,000)</u>
Net receivables	<u>\$195,599,152</u>	<u>\$10,065,120</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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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 \$153,225,091, 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 October 5.

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

NOTE 5. Capital Assets

Primary Government

General Government and Component Unit - Schools

The following is a summary of the balances in the County and Schools General Capital assets during the year.

FUNCTION AND ACTIVITY	Balance June 30, 2003
General Fixed Assets:	
Land	\$83,087,919
Infrastructure	329,268,048
Buildings	133,178,038
Furniture, fixtures and equipment	<u>32,975,710</u>
Total General Fixed Assets	<u>578,509,715</u>
Internal service funds	<u>17,332,983</u>
Accumulated Depreciation – General Fixed Assets	
Infrastructure	(211,599,129)
Buildings	(37,799,094)
Furniture and Fixtures	<u>(19,782,382)</u>
Total Accumulated Depreciation – General Fixed Assets	<u>(269,180,605)</u>
Total Primary Government – Governmental Activities	<u>\$326,662,093</u>
School Fixed Assets:	
Land	4,697,946
Buildings	251,322,110
Furniture, fixtures and equipment	<u>61,062,858</u>
Total School Fixed Assets	317,082,914
Accumulated Depreciation	
Buildings	(58,243,409)
Furniture and Fixtures	<u>(31,105,254)</u>
Total Accumulated Depreciation	<u>(89,348,663)</u>
Total Component Unit – Schools	<u>\$227,734,251</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Enterprise Funds:

The following is a summary of Enterprise Fund type property, plant and equipment, at June 30, 2003

	Enterprises	Internal Service	Total
Land	\$1,792,817	\$-	\$1,792,817
Sewer system	252,616,914	-	252,616,914
Water system	103,300,059	-	103,300,059
Parking garage	22,315,887	-	22,315,887
Furniture and fixtures	4,820,351	-	4,820,351
Equipment	253,504	34,260,679	34,514,183
Construction in progress	34,433,498	-	34,433,498
	<u>419,533,030</u>	<u>34,260,679</u>	<u>453,793,709</u>
Accumulated depreciation			
Sewer System	(51,596,464)	-	(51,596,464)
Water Service	(21,884,360)	-	(21,884,360)
Furniture/ Fixture and Equipment	(3,904,840)	(16,927,696)	(20,832,536)
Parking Garage/ Building	(7,925,583)	-	(7,925,583)
	<u>(85,311,247)</u>	<u>(16,927,696)</u>	<u>(102,238,943)</u>
Total Enterprise Funds Capital Assets	<u>\$334,221,783</u>	<u>\$17,332,983</u>	<u>\$351,554,766</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, 2003, the Construction in Progress in the various enterprise funds of the County are:

Utilities Pay-as-You Go Projects	\$33,254,409
Utilities Water Bond Fund Projects	955,379
Utilities Waste Water Treatment Facilities	<u>223,710</u>
Total Construction in Progress	<u>\$34,433,498</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	\$3,508,252
Public safety	881,252
Public works, including depreciation of infrastructure assets	8,763,290
Environmental services	29,524
Health and welfare	283,821
Libraries	116,598
Parks, recreation and culture	219,724
Planning and community development	311,221
Internal Service	3,080,930
Total depreciation expense – governmental activities	<u>\$17,194,612</u>
Business-type activities	
Utilities	\$4,561,482
Ballston Public Parking Garage	501,206
Total depreciation expense – business-type activities	<u>\$5,062,688</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Component unit – Schools

Schools

\$12,297,606

Total depreciation expense – component unit – Schools

\$12,297,606

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. During FY 2003, the fund was experienced a tremendous increase in medical cost, mainly driven by medical cost inflation. The Risk Management section commissioned an actuarial study and is currently reviewing the draft report to determine the impact on future funding. 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, 2003 the current portion of these liabilities was \$2.349 million; the non-current portion was \$3.967 million. These liabilities are the County's best estimate based on available information.

Changes in the reported liabilities since July 1, 2001 resulted from the following:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year- End
2001 – 2002				
Current	\$1,908,000	\$22,988,097	\$23,319,297	\$1,576,800
Long Term	3,056,828	2,630,577	2,348,502	3,338,903
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

In addition, the County has designated a General Fund balance self-insurance reserve of \$3,500,000 as of June 30, 2003. The County maintains a General Fund operating reserve that totaled \$13,400,000 as of June 30, 2003. 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>
2004	\$11,736,022
2005	12,258,720
2006	12,554,498
2007	12,784,385
2008	13,077,357
	<u>\$62,410,982</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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, 2003 the County received \$1,161,294 under 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 \$4,071,932 and is accrued in the General Fund as of June 30, 2003. 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, 2003 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>
2004	\$963,659	\$196,134	\$819,194	\$257,187	\$447,517
2005	419,694	196,134	497,278	257,187	447,517
2006	-	196,134	497,277	257,188	447,517
2007	-	196,134	-	-	328,142
2008	-	196,139	-	-	194,675
2009	-	-	-	-	40,985
2010	-	-	-	-	40,985
Total Minimum Lease Payments	\$1,383,353	\$980,675	\$1,813,749	\$771,562	\$1,947,338
Less Imputed Interest	<u>(37,364)</u>	<u>(310,456)</u>	<u>(108,305)</u>	<u>(51,569)</u>	<u>(123,439)</u>
Present Value of Minimum Payments	<u>\$1,345,989</u>	<u>\$670,219</u>	<u>\$1,705,444</u>	<u>\$719,993</u>	<u>\$1,823,899</u>

<u>Year Ending June 30,</u>	<u>Electoral Board</u>	<u>Treasurer</u>	<u>Environmental Services</u>	<u>Total General Government</u>
2004	\$130,105	\$25,554	\$87,978	\$2,927,329
2005	130,105	-	87,978	2,035,893
2006	130,104	-	-	1,528,221
2007	130,104	-	-	654,381
2008	130,104	-	-	520,918
2009	-	-	-	40,985
2010	-	-	-	40,985
Total Minimum Lease Payments	\$650,522	\$25,554	\$175,956	\$7,748,712
Less Imputed Interest	<u>(36,547)</u>	<u>(682)</u>	<u>(10,288)</u>	<u>(678,652)</u>
Present Value of Minimum Payments	<u>\$613,975</u>	<u>\$24,873</u>	<u>\$165,668</u>	<u>\$7,070,060</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Internal Service Funds:

<u>Year Ending June 30</u>	<u>Printing Fund</u>	<u>Auto Equipment Fund</u>
2004	27,984	\$378,354
2005	15,821	378,354
2006		378,354
2007		378,354
2008		378,354
2009		206,689
2010		35,024
Total Minimum Lease Payments	42,805	2,133,482
Less Imputed Interest	(1,323)	(214,611)
Present Value of Minimum Lease Payments	<u>\$42,482</u>	<u>\$1,918,871</u>

COMPONENT UNIT: SCHOOL BOARD

<u>Year Ending June 30,</u>	
2004	502,747
2005	-
2006	-
2007	-
2008	-
2009	-
2010	-
Total Minimum Lease Payments	502,747
Less Imputed Interest	(13,423)
Present Value of Minimum Lease Payments	<u>\$489,324</u>

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

JUNE 30, 2003

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
2004	22,728,757	12,128,977	13,413,622	8,751,072	3,742,623	1,376,558	39,885,002	22,256,607
2005	22,165,996	11,843,481	13,428,056	8,784,062	3,130,948	1,773,122	38,725,000	22,400,665
2006	21,355,563	10,843,834	13,376,172	8,237,578	2,953,265	1,656,625	37,685,000	20,738,037
2007	20,937,908	10,145,900	13,306,127	7,660,914	3,245,965	1,250,269	37,490,000	19,057,083
2008	20,108,216	8,955,979	13,236,721	7,097,351	3,430,064	1,264,147	36,775,001	17,317,477
2009	20,007,673	8,029,368	13,191,638	6,512,031	3,415,690	1,114,963	36,615,001	15,656,362
2010	18,733,739	7,086,992	12,688,558	5,923,176	3,232,706	962,076	34,655,003	13,972,244
2011	18,691,258	6,164,813	12,670,829	5,284,691	3,217,913	782,597	34,580,000	12,232,101
2012	18,322,365	5,250,883	12,465,570	4,649,435	2,997,065	609,452	33,785,000	10,509,770
2013	15,084,201	4,318,627	11,253,704	4,029,241	2,602,095	455,450	28,940,000	8,803,318
2014	13,652,098	3,613,432	11,244,502	3,480,256	2,588,401	325,209	27,485,001	7,418,897
2015	12,819,853	2,942,250	9,806,034	2,944,851	769,113	172,307	23,395,000	6,059,408
2016	10,270,901	2,368,258	8,420,125	2,480,669	768,974	133,598	19,460,000	4,982,525
2017	10,274,723	1,862,850	8,421,302	2,069,301	768,974	94,729	19,464,999	4,026,880
2018	8,004,247	1,382,825	7,565,667	1,664,090	695,085	55,693	16,264,999	3,102,608
2019	7,224,450	1,017,733	6,832,900	1,318,146	347,650	29,362	14,405,000	2,365,241
2020	5,334,449	671,899	4,792,900	990,550	132,650	11,442	10,259,999	1,673,891
2021	4,632,495	420,533	4,216,308	765,386	96,198	4,810	8,945,001	1,190,729
2022	2,772,707	202,946	2,692,293	567,811			5,465,000	770,757
2023	1,750,000	76,562	1,655,000	444,781			3,405,000	521,343
2024			1,655,000	372,375			1,655,000	372,375
2025			1,655,000	297,900			1,655,000	297,900
2026			1,655,000	223,425			1,655,000	223,425
2027			1,655,000	148,950			1,655,000	148,950
2028	-	-	1,655,000	74,475			1,655,000	74,475
	274,871,599	99,328,142	202,953,028	84,772,517	38,135,379	12,072,409	515,960,006	196,173,068

B. Advance Refunding

On May 1, 2003, the County issued \$140.775 million in General Obligation Public Improvement and Refunding Bonds with an average interest rate of 3.66 percent. Of these bonds, \$75 million were issued to pay the cost of public improvements of the County and \$65.775 million were issued to advance refund \$66.9 million of outstanding 1992 Series, 1993 Series, 1994 Series and 1995 Series ("Old Bonds") with an average interest rate of 5.26 percent. The net proceeds of \$ 71.3 were used to purchase U.S. government securities. These Securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Old Bonds. As a result, the Old Bonds are considered to be defeased and the liability for those bonds have been removed from the Statement of Net Assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4.4 million. The difference reported in the accompanying financial statements as a deduction from bonds payable is being charged to operations through year 2013 using the effective interest method. The County completed the advance refunding to reduce its total debt service payments over the next 12 years by \$5.04 million and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$4.6 million. Since the Refunding Bonds were issued close to year-end, amortization of the economic gain will begin in FY 2004.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Refunding Bonds

	Total Refunding Bonds	Percent of Allocations	Savings from Refunding	Present Value of Savings from Refunding
General Government	\$17,481,646	26.58%	\$1,339,958	\$1,222,957
Schools	<u>28,877,529</u>	<u>43.90%</u>	<u>2,213,446</u>	<u>2,020,174</u>
Total	46,359,175	70.48%	3,553,404	3,243,131
Utilities	<u>19,415,825</u>	<u>29.52%</u>	<u>1,488,212</u>	<u>1,358,266</u>
Grand Total	<u>\$65,775,000</u>	<u>100%</u>	<u>\$5,041,616</u>	<u>\$4,601,397</u>

C. Revenue Bonds

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, 2003, \$15,800,000 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 initial interest rate was 6.9%, at no time can exceed 15%, and averaged approximately 1.29% in FY 2003. 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 2003. 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 2003, the County drew from the letter of credit \$211,163 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 \$65,924 in FY 2003. Also in FY 2003, \$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, 2003, all payments have been deferred. The long-term portion of this mortgage payable at June 30, 2003 was \$2,284,503.

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 \$600,000 was made on May 1, 2003 with the remaining balance of \$9,400,000 payable

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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. Changes in Long-Term Liabilities

During the year ended June 30, 2003, the following changes occurred in liabilities reported in the County and Schools General Long-term Obligations.

Governmental Type Activities

	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>
Compensated absences	\$22,126,598	\$21,476,034	\$(20,212,365)	\$23,390,267
Workers' compensation	3,338,903	3,411,885	(2,783,327)	3,967,461
General obligation bonds- County	263,566,407	51,081,646	(39,776,454)	274,871,599
General obligation bonds- Schools	171,492,911	70,277,529	(38,817,411)	202,953,029
Bond issue costs and deferred refunding, net	-	(319,080)	-	(319,080)
Long-term notes payable	-	10,000,000	(600,000)	9,400,000
Capital leases	8,575,175	2,367,311	(3,872,426)	7,070,060
	<u>\$469,099,994</u>	<u>\$155,511,998</u>	<u>\$(103,278,656)</u>	<u>\$521,333,336</u>

Component Unit: School Board

	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>
Compensated absences	\$19,612,090	\$19,842,222	\$ (19,612,090)	\$19,842,222
Capital lease	1,702,484	-	(1,213,160)	489,324
	<u>\$21,314,574</u>	<u>\$19,842,222</u>	<u>\$(20,825,250)</u>	<u>\$20,331,546</u>

Business Type Activities

	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>
Compensated absences	1,141,140	1,180,306	(1,141,140)	1,180,306
General obligation bonds	42,684,436	19,415,825	(23,964,882)	38,135,379
Bond and mortgage interest payable	10,418,734	1,397,069	(1,519,713)	10,296,090
Deferred refunding and other	48,290	912,366	(2,966)	957,690
Revenue bonds	16,300,000	-	(500,000)	15,800,000
Long-term notes payable	3,429,679	-	-	3,429,679
	<u>\$74,022,279</u>	<u>\$22,905,566</u>	<u>\$(27,128,701)</u>	<u>\$69,799,144</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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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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 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 \$171,492,912 for the Primary Government and the Schools. The effect on the Statement of Activities includes \$30.85 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) or “advances to /from other funds” (i.e., the non-current portion of the interfund loans). The amounts of such transactions not received or paid at June 30, 2003 are reflected in current due to/from accounts of each Fund/Component Unit, as summarized below:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$5,578,449	\$878,093
Special Revenue Funds		
CDBG	-	703,770
Section 8 Housing	-	941,866
Internal Service Funds		
Jail Industries	-	72,000
Enterprise Fund		
Ballston Public Parking Garage	878,093	
Commonwealth of Virginia	-	5,802
Trust & Agency Funds	-	-
Drug Task Force	-	3,855,011
	<u>\$6,456,542</u>	<u>\$6,456,542</u>
	<u>Primary Government/Component Unit</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$375,734	\$29,453,301
Auto Equipment Fund	2,326,512	-
School Funds		
Operating	29,006,604	2,357,713
School Cafeteria	3,957	109,856
Community Activities	1,606,406	1,072,690
Special Grants	28,518	453,526
Pay-as-you-go	481,810	6,721
Comprehensive Services Act	-	375,734
	<u>\$33,829,541</u>	<u>\$33,829,541</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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 - \$13,400,000 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 \$12,600,000 to \$13,400,000 during FY 2003.
- 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 2004 Budget - \$11,273,773 designated by the County Board at the time of the adoption of the FY 2004 budget to be one of the elements that financed the FY 2004 Adopted General Fund budget.
- e. **General Fund** – Designated for Incomplete Projects - \$8,692,680 designated by the County Board to fund in FY 2004 projects approved by the County Board in FY 2003 but not yet completed at the close of FY 2003.
- f. **General Fund** - Designated for Schools - \$12,530,934 designated by the County Board at the time of the reappropriation to the FY 2003 budget to be one of the elements which is planned to finance part of the FY 2004 Adopted School Fund budgets.
- g. **General Fund** - Designated for FY 2005 Budget - \$5,768,224 designated by the County Board at the time of the reappropriation to the FY 2004 budget to be one of the elements that financed the FY 2005 Adopted General Fund budget.
- h. **General Fund** – Designated for Human Services, LPACAP Revenue - \$18,000 designated by the County Board to invest and enhance human services in Arlington County.
- i. **School Funds** - Construction funds - \$1,724,973 reserved for project construction expenditures and encumbrances.
- j. **Special Revenue Funds** - Section 8 Housing - \$1,089,800 reserve equivalent to the net difference between earned Section 8 Housing administrative revenues and actual administrative expenditures since inception of the program.
- k. **Capital Projects Funds** - Construction funds - \$112,787,629 reserved for project construction expenditures and encumbrances. Of these funds, \$78,284,976 are reserved in construction bond funds and represent bond proceeds.
- l. **Trust Fund** - Reserved for Trusts - \$9,826,761 reserved to be held by the Alexandria/Arlington Waste Disposal Trust fund for future plant expenditures and cover any shortfalls should they occur.
- m. **Trust Fund** - Net Assets held in trust for Pension Benefits - \$1,008,349,813 reserved to fund the Arlington County Employee's Supplemental Retirement System.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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 is estimated to be \$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, 2003, the County has paid its share of \$48.2 million.

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 2003, the County paid \$10.0 million from its General Fund to subsidize WMATA's bus and rail operating costs.

B. Construction Commitments

As of June 30, 2003, contractual commitments were outstanding in the following funds for the amounts indicated:

Capital Projects Funds	\$8,630,412
Utilities Fund	<u>14,727,702</u>
	<u>\$23,358,114</u>

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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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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 2003 they have been recorded in the same manner, as is the rest of the plant.

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 \$1,895,951 were collected and project-related expenditures of \$3,281,200 were incurred in FY 2003.

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 2003 the Trust has been used to pay consulting fees to an engineering firm for operations and maintenance audits of the facility, for

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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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 2003, \$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 2003, the County paid \$455,489 for capital and operating costs. Financial statements for 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 2003, the County paid \$ 794,332 for capital and operating

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NOTES TO FINANCIAL STATEMENTS

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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 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, 2002, the date of the most recent actuarial valuation, System membership consisted of the following:

	General	Uniformed	School	Total
Current Employees:				
Vested	1,721	546	241	2,508
Non-Vested	982	237		1,219
Total	2,703	783	241	3,727
Retirees and Beneficiaries	1,391	531	1,374	3,296

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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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 \$15,858,248 (\$6,402,233 of Employer contributions, \$9,420,693 of Employee contributions, and \$35,322 other contributions) were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2002. Member contributions are established by Arlington County Code, and are deducted from the members' salaries. For FY 2003, the member contribution rates varied up to 6.62% of their salary depending on the chapter of the plan they were covered under.

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, 2003. Three-year trend information is presented below.

Schedule of Employer Contributions

Year Ended <u>June 30</u>	Annual Pension <u>Cost (APC) (in million)</u>	Percentage of <u>APC Contributed</u>
2001	6.4	111.3%
2002	6.1	100.0%
2003	6.4	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, 2002 actuarial valuation.

Actuarial Assumptions

The information presented below are the significant actuarial assumptions.

Valuation date	07/01/02
Actuarial cost method	Aggregate Entry Age (Interim)
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%

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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)

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]
7/1/00	1,068.7	828.2	(240.5)	129.0%	282.9	(85.0)%
7/1/01	1,129.6	832.5	(297.1)	135.7%	186.8	(159.07)%
7/1/02	1,167.7	969.1	(198.6)	120.5%	202.2	(98.2)%

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

obtained by writing the Virginia Retirement System, Attention: William Sullivan, P. O. Box 2500, Richmond, Virginia, 23218-2500.

Funding Policy

Plan members are required by State statute to contribute 5 percent of their annual covered salary to the VRS. If a plan member leaves covered employment, the accumulated contributions plus interest earned may be refunded. 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. From July 1, 2002 to December 31, 2002, the rate was 8.44% and from January 1, 2003 to June 30, 2003, the rate was 8.94%. The County's contributions to the VRS for the years ended June 30, 2003, 2002 and 2001 were \$13.8 million, \$9.9 million, and \$22.9 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, 2003 1,211 and 1,280 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 \$5,247,638 were recognized for post-employment health care benefits.

NOTE 18. Subsequent Events

On September 26, 2003, the Letter of Credit (LOC) issued by Citibank, N.A. to support the \$22.3 million Arlington County Variable Rate Demand Revenue Bonds for Ballston Public Parking Garage project was amended. The LOC supporting this financing has been extended from September 26, 2003 to September 26, 2004 with the same terms as the prior LOC amendment.



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.



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, 2003
 (WITH COMPARATIVE TOTALS FOR 2002)

	2003	2002
ASSETS		
Equity in pooled cash and investments	\$ 80,221,794	\$ 85,376,253
Petty cash	13,695	13,465
Cash with fiscal agents	255,257	255,257
Receivables(net, where applicable, of allowance for uncollectibles):		
Taxes	165,428,096	145,027,052
Accounts	8,388,572	7,830,818
Accrued interest	286,020	395,945
Due from other governments	17,230,589	12,114,625
Due from other funds	5,578,448	4,325,481
Due from component unit	375,734	547,091
Other assets	21,198,241	26,046
Total Assets	\$ 298,976,446	\$ 255,912,033
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accrued payroll liabilities	\$13,566,541	\$11,055,596
Vouchers payable	7,971,990	10,115,597
Current maturities of interest payable	425,593	267,305
Other current liabilities	2,267,358	1,527,326
Deferred revenue	186,090,365	145,491,388
Due to component unit	29,453,301	23,753,006
Total Liabilities	239,775,148	192,210,218
FUND BALANCE:		
Reserved -		
For Encumbrances	3,517,687	4,237,700
For Self Insurance	3,500,000	3,500,000
For Four Mile Run	500,000	500,000
Unreserved -		
Designated for operating reserve	13,400,000	12,600,000
Designated for incomplete projects	8,692,680	5,750,871
Designated for FY 2004 budget	11,273,773	15,839,137
Designated for FY2004 schools	12,530,934	11,110,583
Designated for FY2005 budget	5,768,224	-
Designated for capital projects	-	6,000,000
Designated for LPACAP Revenue	18,000	4,163,524
Total Fund Balance	59,201,298	63,701,815
Total Liabilities and Fund Balance	\$ 298,976,446	\$255,912,033

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, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

	2003		VARIANCE OVER (UNDER)	2002 ACTUALS
	BUDGET	ACTUAL		
REVENUES:				
Taxes	\$438,410,229	\$451,618,561	\$13,208,332	\$413,997,175
Licenses and permits	52,220,897	54,319,921	2,099,024	57,199,326
From the Commonwealth of Virginia	53,239,025	53,615,793	376,768	57,097,935
From the federal government	44,608,293	29,073,752	(15,534,541)	25,890,276
Charges for services	24,898,627	25,648,106	749,479	24,307,452
Fines and forfeitures	9,564,649	8,882,272	(682,377)	9,199,674
Use of money and property	10,804,421	7,598,664	(3,205,757)	9,555,858
Miscellaneous revenues	3,385,120	7,630,874	4,245,754	6,216,685
Total Revenues	637,131,261	638,387,943	1,256,682	603,464,381
EXPENDITURES:				
Current:				
General government	47,549,002	46,652,761	896,241	47,132,754
Judicial administration	32,826,230	32,171,078	655,152	30,631,925
Public safety	73,707,744	70,738,944	2,968,800	64,110,185
Environmental services	10,630,470	10,375,379	255,091	9,846,317
Public works	24,402,226	24,887,647	(485,421)	22,397,695
Health and welfare	98,481,652	85,636,626	12,845,026	78,421,925
Parks and recreation	25,627,847	25,537,947	89,900	23,591,106
Libraries	11,227,378	10,531,858	695,520	10,214,848
Planning and community development	12,997,478	11,648,725	1,348,753	11,493,753
Non-departmental	41,019,044	38,196,161	2,822,883	26,888,560
Contributions to regional agencies	16,174,087	16,006,299	167,788	15,183,185
Debt service:				
Principal	22,080,608	22,080,315	293	20,211,368
Interest on serial bonds	12,438,747	12,142,238	296,509	12,103,147
Other costs	100,000	84,541	15,459	189,075
Total Expenditures	429,262,513	406,690,519	22,571,994	372,415,843
Revenues over Expenditures	207,868,748	231,697,424	23,828,676	231,048,538
OTHER FINANCING SOURCES(USES):				
Operating transfers in	6,452,500	7,844,121	1,391,621	4,024,142
Operating transfers from component unit	-	130,260	130,260	543,750
Operating transfers out	(20,157,971)	(20,071,495)	86,476	(27,661,012)
Operating transfers to component unit	(244,282,176)	(239,824,064)	4,458,112	(212,765,479)
Proceeds from notes payable	10,000,000	10,000,000	-	-
Proceeds from capital lease	-	2,367,311	2,367,311	2,400,000
Proceeds from sale of land	2,825,000	3,355,926	530,926	66,320
Total Other Financing Sources(Uses)	(245,162,647)	(236,197,941)	8,964,706	(233,392,279)
Revenues Over (Under) Expenditures and Other Sources(Uses)	(37,293,899)	(4,500,517)	32,793,382	(2,343,741)
FUND BALANCE, beginning of year	63,701,815	63,701,815	-	66,045,556
FUND BALANCE, end of year	\$26,407,916	\$59,201,298	\$32,793,382	\$63,701,815



Special Revenue Funds

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

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, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

	Travel & Tourism Promotion	Community Dev. Grants	Section 8 Housing Program	Totals	
				June 30, 2003	June 30, 2002
ASSETS					
Equity in pooled cash and investments	\$213,874	\$-	\$-	\$213,874	\$289,897
Accounts receivable - other	8,307	17,591,970	2,192,669	19,792,946	18,554,712
Other assets	-	-	-	-	-
Total Assets	\$222,181	\$17,591,970	\$2,192,669	\$20,006,820	\$18,844,609
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Vouchers payable	26,201	146,124	161,003	333,328	135,582
Other current liabilities	-	-	-	-	246,453
Deferred revenue	-	16,742,076	-	16,742,076	16,470,795
Due to primary government	-	703,770	941,866	1,645,636	1,179,541
Total Liabilities	26,201	17,591,970	1,102,869	18,721,040	18,032,371
FUND BALANCES					
Reserved for encumbrances	35,782	-	-	35,782	18,763
Operating reserve - Section 8 Housing	-	-	1,089,800	1,089,800	655,050
Unreserved- special revenue	160,198	-	-	160,198	138,425
Total Fund Balances	195,980	-	1,089,800	1,285,780	812,238
Total Liabilities and Fund Balances	\$222,181	\$17,591,970	\$2,192,669	\$20,006,820	\$18,844,609

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

	Totals				
	Travel & Tourism Promotion	Community Dev. Grants	Section 8 Housing Program	June 30, 2003	June 30, 2002
REVENUES:					
Other local taxes	\$710,078	\$-	\$-	\$710,078	\$662,043
From the federal government	88,648	2,555,763	14,072,361	16,716,772	13,144,092
Total revenues	<u>798,726</u>	<u>2,555,763</u>	<u>14,072,361</u>	<u>17,426,850</u>	<u>13,806,135</u>
EXPENDITURES:					
Current -					
Community development	-	2,555,763	-	2,555,763	2,472,037
Housing program	-	-	13,637,611	13,637,611	10,944,746
Travel and tourism	1,006,934	-	-	1,006,934	1,316,818
Total expenditures	<u>1,006,934</u>	<u>2,555,763</u>	<u>13,637,611</u>	<u>17,200,308</u>	<u>14,733,601</u>
Revenues over (under) expenditures	<u>(208,208)</u>	<u>-</u>	<u>434,750</u>	<u>226,542</u>	<u>(927,466)</u>
OTHER FINANCING SOURCES(USES):					
Operating transfers in	247,000	-	-	247,000	397,000
Total Other Financing Sources(Uses)	<u>247,000</u>	<u>-</u>	<u>-</u>	<u>247,000</u>	<u>397,000</u>
Revenues and other financing sources (uses) over expenditures	38,792	-	434,750	473,542	(530,466)
FUND BALANCES, beginning of year	<u>157,188</u>	<u>-</u>	<u>655,050</u>	<u>812,238</u>	<u>1,342,704</u>
FUND BALANCES, end of year	<u>\$195,980</u>	<u>\$-</u>	<u>\$1,089,800</u>	<u>\$1,285,780</u>	<u>\$812,238</u>

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, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
REVENUES:			
Other local taxes	\$722,453	\$710,078	(\$12,375)
Revenue from federal government	<u>153,012</u>	<u>88,648</u>	<u>(64,364)</u>
Total revenue	<u>875,465</u>	<u>798,726</u>	<u>(76,739)</u>
EXPENDITURES:			
Travel and tourism promotion	<u>1,190,531</u>	<u>1,006,934</u>	<u>183,597</u>
Revenues over(under) expenditures	<u>(315,066)</u>	<u>(208,208)</u>	<u>106,858</u>
OTHER FINANCING SOURCES:			
Operating transfers in	<u>247,000</u>	<u>247,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	(68,066)	38,792	106,858
FUND BALANCE, beginning of year	<u>157,188</u>	<u>157,188</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$89,122</u></u>	<u><u>\$195,980</u></u>	<u><u>\$106,858</u></u>

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, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
REVENUES:			
From the federal government	<u>\$3,860,636</u>	<u>\$2,555,763</u>	<u>(\$1,304,873)</u>
Total Revenues	<u>3,860,636</u>	<u>2,555,763</u>	<u>(1,304,873)</u>
EXPENDITURES:			
Community development	<u>3,860,636</u>	<u>2,555,763</u>	<u>1,304,873</u>
Revenues over expenditures	-	-	-
Operating transfers out	-	-	-
Revenues and other financing sources over expenditures	-	-	-
FUND BALANCE, beginning of year	-	-	-
FUND BALANCE, end of year	<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, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
REVENUES:			
From the federal government	<u>\$13,655,848</u>	<u>\$14,072,361</u>	<u>\$416,513</u>
EXPENDITURES:			
Housing program	<u>13,655,848</u>	<u>13,637,611</u>	<u>18,237</u>
Revenues over expenditures	-	434,750	434,750
FUND BALANCE, beginning of year	<u>655,050</u>	<u>655,050</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$655,050</u></u>	<u><u>\$1,089,800</u></u>	<u><u>\$434,750</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, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

	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, 2003	June 30, 2002
ASSETS:										
Equity in pooled cash and investments	\$44,414,006	\$21,260,097	\$21,438,366	\$-	\$26,123,269	\$5,272,533	\$7,754,384	\$9,218,117	\$135,480,772	\$129,464,219
Accounts receivable - other	1,612,880	-	355	-	-	-	-	-	1,613,235	110,310
Total Assets	\$46,026,886	\$21,260,097	\$21,438,721	\$-	\$26,123,269	\$5,272,533	\$7,754,384	\$9,218,117	\$137,094,007	\$129,574,529
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Vouchers payable	\$2,012,329	\$275,693	\$160,265	\$-	\$315,240	\$9,658	\$47,105	\$-	\$2,820,290	\$2,483,417
Contracts payable-retainage	7,081	14,464	68,848	-	102,440	-	-	-	192,833	112,758
Other liabilities	754,785	-	-	-	-	-	-	-	754,785	570,963
Total Liabilities	2,774,195	290,157	229,113	-	417,680	9,658	47,105	-	3,767,908	3,167,138
FUND BALANCES:										
Reserved for encumbrances	8,750,038	1,971,833	4,568,732	-	4,226,691	142,068	879,108	-	20,538,470	18,510,529
Reserved for construction	34,502,653	18,998,107	16,640,876	-	21,478,898	5,120,807	6,828,171	9,218,117	112,787,629	107,896,862
Total Fund Balances	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
Total Liabilities and Fund Balances	\$46,026,886	\$21,260,097	\$21,438,721	\$-	\$26,123,269	\$5,272,533	\$7,754,384	\$9,218,117	\$137,094,007	\$129,574,529

ARLINGTON COUNTY, VIRGINIA
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

	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, 2003	June 30, 2002
REVENUES:										
From the Commonwealth of Virginia	\$6,936,218	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$6,936,218	\$390,950
Charges for services	876,766	-	-	-	-	-	-	-	876,766	1,563,252
Use of money and property	-	335,842	333,165	934	265,423	66,618	104,373	179,989	1,286,344	2,047,175
Miscellaneous revenue	798,804	-	-	-	-	-	-	-	798,804	786,750
Total Revenues	8,611,788	335,842	333,165	934	265,423	66,618	104,373	179,989	9,898,132	4,788,127
EXPENDITURES-Capital outlay	20,636,148	3,158,547	2,854,648	1,000,000	12,654,838	136,694	252,512	3,317,051	44,010,438	33,235,754
Revenues Over/(Under) Expenditures	(12,024,360)	(2,822,705)	(2,521,483)	(999,066)	(12,389,415)	(70,076)	(148,139)	(3,137,062)	(34,112,306)	(28,447,627)
OTHER FINANCING SOURCES/(USES):										
Proceeds from sale of bonds	118,402	7,182,000	6,355,000	281,000	17,768,000	1,000,000	880,388	15,210	33,600,000	19,632,500
Proceeds of refunding bonds	4,573,199	3,223,616	1,746,416	562,909	3,648,420	-	522,701	3,204,386	17,481,647	-
Payments to refunded bond escrow agent	(4,959,614)	(3,495,997)	(1,893,981)	(610,472)	(3,956,695)	-	(566,867)	(3,475,143)	(18,958,769)	-
Bond premium paid to escrow agent	386,415	272,381	147,565	47,563	308,275	-	44,166	270,757	1,477,122	-
Operating transfers in	14,335,759	-	-	-	-	-	-	-	14,335,759	26,546,251
Operating transfers out	(5,618,402)	(335,841)	(333,165)	(934)	(265,423)	(66,618)	(104,373)	(179,989)	(6,904,745)	(2,040,168)
Total Other Financing Sources/(Uses)	8,835,759	6,846,159	6,021,835	280,066	17,502,577	933,382	776,015	(164,779)	41,031,014	44,138,583
Revenues and Other Financing Sources (Uses) Over/(Under) Expenditures	(3,188,601)	4,023,454	3,500,352	(719,000)	5,113,162	863,306	627,876	(3,301,841)	6,918,708	15,690,956
FUND BALANCE, beginning of year	46,441,292	16,946,486	17,709,256	719,000	20,592,427	4,399,569	7,079,403	12,519,958	126,407,391	110,716,435
FUND BALANCE, end 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



Enterprise Funds

Utilities Fund – to account for the operations, maintenance and construction of the County’s water and sanitary sewer system and for the capital asset improvements in the Waste-To-Energy facility. 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, 2003

A S S E T S

	Utilities	Ballston Public Parking Garage	Totals	
			June 30, 2003	June 30, 2002
CURRENT ASSETS:				
Equity in pooled cash and investments	\$26,640,516	\$11,392,586	\$38,033,102	\$42,251,096
Cash with fiscal agents	25,221	-	25,221	25,221
Accounts receivable:				
Water-sewer charges	2,059,245	-	2,059,245	1,900,382
Estimated unbilled service charges	5,260,168	-	5,260,168	6,715,201
Other	2,590,900	-	2,590,900	2,047,580
Interest receivable	56,367	-	56,367	94,760
Federal government	98,440	-	98,440	-
Due from primary government	-	878,093	878,093	-
Prepaid expenses	1,487,864	187,880	1,675,744	1,633,023
Inventories	854,430	-	854,430	931,035
Total Current Assets	39,073,151	12,458,559	51,531,710	55,598,298
PLANT IN SERVICE:				
Land	1,792,817	-	1,792,817	1,792,817
Sewer system	252,616,914	-	252,616,914	205,282,946
Water system	103,300,059	-	103,300,059	97,385,366
Furniture and fixtures	4,820,351	-	4,820,351	4,666,942
Parking garage	-	22,315,887	22,315,887	22,315,887
Garage equipment	-	253,504	253,504	253,504
Total plant in service	362,530,141	22,569,391	385,099,532	331,697,462
Less-Allowance for depreciation	(77,385,664)	(7,925,583)	(85,311,247)	(80,253,856)
Net plant in service	285,144,477	14,643,808	299,788,285	251,443,606
Construction in progress	34,433,498	-	34,433,498	75,174,982
Deferred bond issuance costs	65,175	87,397	152,572	162,263
Total Assets	\$358,716,301	\$27,189,764	\$385,906,065	\$382,379,149

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2003

LIABILITIES AND EQUITY

	Utilities	Ballston Public Parking Garage	Totals	
			June 30, 2003	June 30, 2002
CURRENT LIABILITIES:				
Payable from current assets:				
General obligation bonds payable	\$3,742,620	\$-	\$3,742,620	\$3,636,691
Bond and mortgage interest payable	466,314	9,829,776	10,296,090	10,418,734
Vouchers payable	1,869,057	396,713	2,265,770	1,997,681
Compensated absences	1,180,306	-	1,180,306	1,141,140
Contracts payable-retainage	71,505	-	71,505	1,795,040
Revenue bonds payable-current	-	500,000	500,000	500,000
Mortgage /notes payable	-	1,145,176	1,145,176	967,176
Other accrued liabilities	556,845	4,071,932	4,628,777	4,011,677
Total Current Liabilities	7,886,647	15,943,597	23,830,244	24,468,139
LONG-TERM LIABILITIES:				
General obligation bonds payable	2,826,786	-	2,826,786	3,652,546
Bonds premium payable	-	-	-	48,290
Revenue bonds payable	-	15,300,000	15,300,000	15,800,000
Mortgage payable	-	2,284,503	2,284,503	2,462,503
Bonds payable	32,523,663	-	32,523,663	35,395,199
Total long-term Liabilities	35,350,449	17,584,503	52,934,952	57,358,538
Total Liabilities	43,237,096	33,528,100	76,765,196	81,826,677
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	169,891,730	(8,840,761)	161,050,969	152,462,572
Total Retained Earnings (Deficit)	169,891,730	(8,840,761)	161,050,969	152,462,572
Total Equity (Deficit)	315,479,205	(6,338,336)	309,140,869	300,552,472
Total Liabilities and Equity	\$358,716,301	\$27,189,764	\$385,906,065	\$382,379,149

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

			Totals	
	Utilities	Ballston Public Parking Garage	June 30, 2003	June 30, 2002
OPERATING REVENUES:				
Water-sewer service charges	\$34,574,773	\$-	\$34,574,773	\$34,605,525
Water-service hook-up charges	3,325,832	-	3,325,832	4,304,108
Water-service connection charges	450,838	-	450,838	174,964
Sewage treatment service charges	5,261,162	-	5,261,162	4,141,958
Other	1,696,968	-	1,696,968	1,447,256
Parking charges	-	4,005,282	4,005,282	4,169,920
Total Operating Revenues	45,309,573	4,005,282	49,314,855	48,843,731
OPERATING EXPENSES:				
Personnel services	10,624,341	-	10,624,341	9,750,919
Fringe benefits	2,172,329	-	2,172,329	1,971,320
Contractual services	7,907,495	1,371,604	9,279,099	7,979,569
Purchases of water	6,050,895	-	6,050,895	5,911,360
Materials and supplies	3,978,858	147,625	4,126,483	3,666,233
Deferred rent	-	405,000	405,000	405,000
Depreciation	4,561,482	501,206	5,062,688	4,703,794
Miscellaneous	2,108,855	251,831	2,360,686	2,398,342
Total Operating Expenses	37,404,255	2,677,266	40,081,521	36,786,537
Operating Income	7,905,318	1,328,016	9,233,334	12,057,194
NON-OPERATING REVENUES(EXPENSES):				
Interest income and other income	910,597	135,636	1,046,233	1,535,809
Interest expense and fiscal charges	(1,593,890)	(1,273,846)	(2,867,736)	(3,392,378)
Contributions from developers and other sources	979,080	-	979,080	551,900
Federal & State grant	197,486	-	197,486	2,319,941
Total Non-Operating Revenues(Expenses)	493,273	(1,138,210)	(644,937)	1,015,272
Net Income (loss) before Operating transfers	8,398,591	189,806	8,588,397	13,072,466
OPERATING TRANSFERS:				
Operating transfer out	-	-	-	(28,300)
Net Income (loss) after Operating Transfers	8,398,591	189,806	8,588,397	13,044,166
EQUITY:				
Retained earnings (deficit), beginning of year	161,493,139	(9,030,567)	152,462,572	139,418,406
Retained earnings (deficit), end of year	169,891,730	(8,840,761)	161,050,969	152,462,572
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	\$315,479,205	(\$6,338,336)	\$309,140,869	\$300,552,472

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

EXHIBIT D-3

	Totals			
	Utilities	Ballston Public Parking Garage	June 30 2003	June 30 2002
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$45,963,982	\$3,127,189	\$49,091,171	\$48,126,077
Cash paid to suppliers	(21,291,863)	(1,734,762)	(23,026,625)	(21,030,879)
Cash paid to employees	(12,757,504)	-	(12,757,504)	(11,588,037)
Net cash flows from operating activities	<u>11,914,615</u>	<u>1,392,427</u>	<u>13,307,042</u>	<u>15,507,161</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	695,529	135,636	831,165	1,485,519
Net cash flows from investing activities	<u>695,529</u>	<u>135,636</u>	<u>831,165</u>	<u>1,485,519</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer out to other funds	-	-	-	(28,300)
State grant	197,485	-	197,485	2,319,941
Net cash flows from non-capital financing activities	<u>197,485</u>	<u>-</u>	<u>197,485</u>	<u>2,291,641</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments - bonds	(3,636,691)	(500,000)	(4,136,691)	(4,097,275)
Payments to bonds redeemed	(20,328,191)	-	(20,328,191)	-
Proceeds of bond refunding	19,415,825	-	19,415,825	-
Contributions from other sources	979,080	-	979,080	655,297
Interest and other loan expenses paid	(2,095,078)	(343,091)	(2,438,169)	(2,615,326)
Purchases of property	(12,045,540)	-	(12,045,540)	(19,940,951)
Net cash flows from capital and related financing activities	<u>(17,710,595)</u>	<u>(843,091)</u>	<u>(18,553,686)</u>	<u>(25,998,255)</u>
Net increase(decrease) in cash and cash equivalents	(4,902,966)	684,972	(4,217,994)	(6,713,934)
Cash and cash equivalents at beginning of year	<u>31,568,703</u>	<u>10,707,614</u>	<u>42,276,317</u>	<u>48,990,251</u>
Cash and cash equivalents at end of year	<u>\$26,665,737</u>	<u>\$11,392,586</u>	<u>\$38,058,323</u>	<u>\$42,276,317</u>
Reconciliation of operating income to net cash flow from operations:				
Operating Income	\$7,905,318	\$1,328,016	\$9,233,334	\$12,057,194
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	4,561,482	501,206	5,062,688	4,703,794
(Increase)Decrease in accounts receivable	654,409	-	654,409	(717,654)
(Increase)Decrease in due from primary government	-	(878,093)	(878,093)	-
(Increase)Decrease in inventories	76,606	-	76,606	(85,933)
Increase(Decrease) in vouchers payable	189,070	36,298	225,368	(1,356,232)
Increase(Decrease) in compensated absences	39,165	-	39,165	134,202
Increase(Decrease) in contract retainage	(1,723,535)	-	(1,723,535)	609,290
Increase(Decrease) in other accrued liabilities	212,100	405,000	617,100	162,500
Net cash flows from operations	<u>\$11,914,615</u>	<u>\$1,392,427</u>	<u>\$13,307,042</u>	<u>\$15,507,161</u>

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, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

				<u>Totals</u>	
	<u>Automotive Equipment</u>	<u>Printing</u>	<u>Jail Industries</u>	<u>June 30 2003</u>	<u>June 30 2002</u>
ASSETS					
CURRENT ASSETS:					
Equity in pooled cash and investments	\$11,374	\$18,108	\$253,230	\$282,712	\$1,783,806
Accounts receivable	82,538	7,745	-	90,283	173,542
Due from component unit	2,326,512	-	-	2,326,512	1,213,053
Inventories	558,170	41,469	-	599,639	607,742
Total Current Assets	<u>2,978,594</u>	<u>67,322</u>	<u>253,230</u>	<u>3,299,146</u>	<u>3,778,143</u>
FIXED ASSETS, at cost:					
Equipment and other fixed assets	33,984,618	276,061	-	34,260,679	34,268,867
Less-allowance for depreciation	<u>(16,709,213)</u>	<u>(218,483)</u>	<u>-</u>	<u>(16,927,696)</u>	<u>(17,770,110)</u>
Net Fixed Assets	<u>17,275,405</u>	<u>57,578</u>	<u>-</u>	<u>17,332,983</u>	<u>16,498,757</u>
Total Assets	<u>\$20,253,999</u>	<u>\$124,900</u>	<u>\$253,230</u>	<u>\$20,632,129</u>	<u>\$20,276,900</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Vouchers payable	\$199,813	\$44,146	\$4,512	\$248,471	\$597,269
Compensated absences	441,303	96,941	5,250	543,494	508,266
Capital lease - current portion	312,825	26,963	-	339,788	273,516
Due to other funds	-	-	72,000	72,000	111,525
Total Current Liabilities	<u>953,941</u>	<u>168,050</u>	<u>81,762</u>	<u>1,203,753</u>	<u>1,490,576</u>
LONG-TERM LIABILITIES					
Capital lease	<u>1,606,046</u>	<u>15,518</u>	<u>-</u>	<u>1,621,564</u>	<u>1,695,876</u>
Total liabilities	<u>2,559,987</u>	<u>183,568</u>	<u>81,762</u>	<u>2,825,317</u>	<u>3,186,452</u>
EQUITY:					
Retained earnings/(deficit)	<u>17,694,012</u>	<u>(58,668)</u>	<u>171,468</u>	<u>17,806,812</u>	<u>17,090,448</u>
Total Equity	<u>17,694,012</u>	<u>(58,668)</u>	<u>171,468</u>	<u>17,806,812</u>	<u>17,090,448</u>
Total Liabilities and Equity	<u>\$20,253,999</u>	<u>\$124,900</u>	<u>\$253,230</u>	<u>\$20,632,129</u>	<u>\$20,276,900</u>

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30 2003	June 30 2002
OPERATING REVENUES:					
Charges for services	\$12,195,318	\$1,650,528	\$180,762	\$14,026,608	\$12,242,151
OPERATING EXPENSES:					
Cost of store issuances	2,560,957	572,127	-	3,133,084	3,560,832
Personnel services	3,027,457	502,156	131,982	3,661,595	3,462,739
Fringe benefits	657,618	110,466	35,067	803,151	737,123
Material and supplies	311,432	202,872	1,252	515,556	615,804
Utilities	93,885	8,619	129	102,633	103,314
Outside services	1,106,088	334,429	6,706	1,447,223	914,376
Depreciation	3,056,400	24,530	-	3,080,930	3,033,885
Insurance and other	491,515	174	1,514	493,203	184,982
Total Operating Expenses	11,305,352	1,755,373	176,650	13,237,375	12,613,055
Operating Income (Loss)	889,966	(104,845)	4,112	789,233	(370,904)
NON-OPERATING REVENUES (EXPENSES):					
Interest payment on capital lease	(69,815)	(1,709)	-	(71,524)	-
Gain/(Loss) on disposal of assets	(196,557)	-	-	(196,557)	149,735
Total Non-operating Revenues (Expenses)	(266,372)	(1,709)	-	(268,081)	149,735
Income Before Operating Transfers	623,594	(106,554)	4,112	521,152	(221,169)
OPERATING TRANSFERS IN (OUT):					
Operating transfers in	219,390	105,822	-	325,212	746,062
Operating transfers out	(130,000)	-	-	(130,000)	(130,000)
Total Operating Transfers	89,390	105,822	-	195,212	616,062
Net Income (Loss)	712,984	(732)	4,112	716,364	394,893
Retained earnings beginning of year, as restated	16,981,028	(57,936)	167,356	17,090,448	16,695,555
Retained earnings (deficit), end of year	<u>\$17,694,012</u>	<u>(\$58,668)</u>	<u>\$171,468</u>	<u>\$17,806,812</u>	<u>\$17,090,448</u>

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

	Automotive Equipment	Printing	Jail Industries	Totals	
				June 30, 2003	June 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$85,280	\$66,549	\$188,988	\$340,817	\$394,751
Cash received from interfund charges	10,995,531	1,580,059	-	12,575,590	10,548,764
Cash paid to suppliers	(4,814,702)	(1,119,788)	(17,905)	(5,952,395)	(5,343,558)
Cash paid to employees	(3,647,412)	(615,782)	(166,324)	(4,429,518)	(4,153,680)
Net cash provided (used) by operating activities	<u>2,618,697</u>	<u>(88,962)</u>	<u>4,759</u>	<u>2,534,494</u>	<u>1,446,277</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Payment of temporary loan	-	(39,525)	-	(39,525)	(11,503)
Temporary loan from general fund	-	-	-	-	39,525
Operating transfers in	219,390	105,822	-	325,212	746,062
Operating transfers out	(130,000)	-	-	(130,000)	(130,000)
Net cash provided by financing activities	<u>89,390</u>	<u>66,297</u>	<u>-</u>	<u>155,687</u>	<u>644,084</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital lease	222,995	-	-	222,995	2,097,970
Net of capital lease	(273,516)	42,482	-	(231,034)	-
Payment of interest on capital lease	(69,815)	(1,709)	-	(71,524)	-
Purchases of equipment and other fixed assets	(4,554,904)	-	-	(4,554,904)	(5,520,311)
Proceeds from sale of equipment	443,192	-	-	443,192	263,000
Net cash used by capital and related financing activities	<u>(4,232,048)</u>	<u>40,773</u>	<u>-</u>	<u>(4,191,275)</u>	<u>(3,159,341)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,523,961)</u>	<u>18,108</u>	<u>4,759</u>	<u>(1,501,094)</u>	<u>(1,068,980)</u>
Cash and cash equivalents at beginning of year	<u>1,535,335</u>	<u>-</u>	<u>248,471</u>	<u>1,783,806</u>	<u>2,852,786</u>
Cash and cash equivalents at end of period	<u>\$11,374</u>	<u>\$18,108</u>	<u>\$253,230</u>	<u>\$282,712</u>	<u>\$1,783,806</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$889,966	(\$104,845)	\$4,112	\$789,233	(\$370,904)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	3,056,400	24,530	-	3,080,930	3,033,885
(Increase)Decrease in accounts receivable	(1,114,507)	(3,920)	8,226	(1,110,201)	(1,298,636)
(Increase)Decrease in inventories	31,611	(23,509)	-	8,102	9,369
Increase (Decrease) in prepaid expenses	-	80,000	-	80,000	-
Increase(Decrease) in vouchers payable	(282,435)	(58,059)	(8,304)	(348,798)	26,382
Increase(Decrease) in compensated absences	37,662	(3,159)	725	35,228	46,181
Net cash provided (used) by operating activities	<u>\$2,618,697</u>	<u>(\$88,962)</u>	<u>\$4,759</u>	<u>\$2,534,494</u>	<u>\$1,446,277</u>

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.

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Private Purpose Trust			Agency Funds
	Pension Trust	Alex/Arlington Waste Disposal Trust	Other Private Purpose Trusts	
ASSETS				
Cash and cash equivalents	\$26,533,744	\$287,088	\$4,893	\$22,998,150
Accounts receivable	5,546,736	-	-	3,928,392
Investments at fair value	980,361,942	10,086,009	-	-
Other assets	-	-	20,540	-
Total assets	<u>1,012,442,422</u>	<u>10,373,097</u>	<u>25,433</u>	<u>26,926,542</u>
LIABILITIES				
Accounts payable and accrued liabilities	4,237,810	546,336	-	4,454,859
Deferred revenue	-	-	-	22,471,683
Total liabilities	<u>4,237,810</u>	<u>546,336</u>	<u>-</u>	<u>26,926,542</u>
NET ASSETS	<u>\$1,008,204,612</u>	<u>\$9,826,761</u>	<u>\$25,433</u>	<u>\$ -</u>

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Private Purpose Trust		
	Pension Trust	Alex/Arlington Waste Disposal Trust	Other Private Purpose Trusts
ADDITIONS			
Contributions and Revenues			
Employer/ Employee Contributions	\$15,858,248	\$ -	\$ -
Shared revenues	-	1,458,718	-
Private donations- Others	-	-	45,445
Total contributions	15,858,248	1,458,718	45,445
Investment earnings:			
Interest and other	29,380,923	328,851	225
Securities Lending & Commission	503,424	-	-
Net change in fair value of investments	14,289,648	108,382	-
Total investment earnings	44,173,995	437,233	225
Less investment expenses	3,683,327	-	-
Net investment earnings	40,490,668	437,233	225
Total additions	56,348,916	1,895,951	45,670
DEDUCTIONS			
Administrative expenses	373,577	3,281,200	-
Private purpose program expenses	46,304,615	-	57,242
Total deductions	46,678,192	3,281,200	57,242
Change in net assets	9,670,724	(1,385,249)	(11,572)
Net assets- Beginning of the year	998,533,888	11,212,010	37,005
Net assets- Ending of the year	\$1,008,204,612	\$9,826,761	\$25,433

ARLINGTON COUNTY, VIRGINIA
PENSION TRUST FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

	<u>2003</u>	<u>2002</u>
ADDITIONS:		
Member contributions	\$9,420,693	\$8,954,420
Employer contributions	6,402,233	6,150,158
Other contributions	35,322	(4,879,841)
Investment income:		
Interest and dividends	29,380,923	33,877,042
Net appreciation (depreciation) in fair value	14,289,648	(73,944,979)
Commission recapture	67,515	76,454
Securities lending	435,909	228,708
Investment expense	(3,683,327)	(4,703,906)
	<u>56,348,916</u>	<u>(34,241,944)</u>
DEDUCTIONS:		
Members' benefits	44,600,883	40,173,220
Refund of members' contributions	1,165,271	1,242,517
Administrative expenses	373,577	336,329
Aetna 401a start-up	-	5,122,532
Pension Gold	199,795	-
Other operating expenses	338,666	451,093
	<u>46,678,192</u>	<u>47,325,691</u>
Net Increase	9,670,724	(81,567,635)
Net Assets Held in Trust for Plan Benefits, beginning of year	<u>998,533,888</u>	<u>1,080,101,523</u>
Net Assets Held in Trust for Plan Benefits, end of year:		
Undesignated	<u>1,008,204,612</u>	<u>998,533,888</u>
	<u>\$1,008,204,612</u>	<u>\$998,533,888</u>

ARLINGTON COUNTY, VIRGINIA
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2003

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
<u>Commonwealth of Virginia</u>				
ASSETS:				
Cash	\$ 9,605	\$ 175	\$ 9,780	\$ -
Due from the Commonwealth	-	21,217	-	21,217
Total Assets	\$ 9,605	\$ 21,392	\$ 9,780	\$ 21,217
LIABILITIES:				
Due to the Commonwealth	\$ 9,605	\$ 11,612	\$ -	\$ 21,217
Total Liabilities	\$ 9,605	\$ 11,612	\$ -	\$ 21,217
<u>Drug Task Force Fund</u>				
ASSETS:				
Cash & cash equivalents	\$ 359,250	\$ 43,500	\$ -	\$ 402,750
Accrued receivables	2,979,787	898,658	-	3,878,445
Total Assets	\$ 3,339,037	\$ 942,158	\$ -	\$ 4,281,195
LIABILITIES:				
Vouchers payable	\$ 304,623	\$ 231,722	\$ -	\$ 536,345
Due to general fund	3,034,414	820,597	-	3,855,011
Deferred revenue	-	-	110,161	(110,161)
Total Liabilities	\$ 3,339,037	\$ 1,052,319	\$ 110,161	\$ 4,281,195
<u>Other Agency Fund</u>				
ASSETS:				
Cash & cash equivalents	\$ 5,333,868	\$ 17,261,532	\$ -	\$ 22,595,400
Accrued receivables	18,251	10,479	-	28,730
Total Assets	\$ 5,352,119	\$ 17,272,011	\$ -	\$ 22,624,130
LIABILITIES:				
Vouchers payable	\$ 59,477	\$-	\$ 17,191	\$ 42,286
Deferred revenue	5,292,642	17,289,202	-	22,581,844
Total Liabilities	\$ 5,352,119	\$ 17,289,202	\$ 17,191	\$ 22,624,130
<u>Total All Agency Funds</u>				
ASSETS:				
Cash	\$ 5,702,723	\$ 17,305,207	\$ 9,780	\$ 22,998,150
Accrued receivables	2,998,038	930,354	-	3,928,392
Total Assets	\$ 8,700,761	\$ 18,235,561	\$ 9,780	\$ 26,926,542
LIABILITIES:				
Due to general fund	\$ 3,034,414	\$ 820,597	\$ -	\$ 3,855,011
Due to the Commonwealth	9,605	11,612	-	21,217
Vouchers Payable	364,100	231,722	17,191	578,631
Deferred revenue	5,292,642	17,289,202	110,161	22,471,683
Total Liabilities	\$ 8,700,761	\$ 18,353,133	\$ 127,352	\$ 26,926,542



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, 2003
 (WITH COMPARATIVE TOTALS FOR 2002)

	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, 2003	June 30, 2002
ASSETS										
Equity in pooled cash and investments	\$3,635,881	\$-	\$-	\$-	\$44,585,026	\$897,745	\$-	\$-	\$49,118,652	\$22,190,602
Petty cash	200	-	75	-	-	-	-	-	275	275
Accounts receivable	247,377	198,415	34,276	2,578,770	-	995,296	-	375,734	4,429,868	4,158,124
Due from other funds	1,641,519	3,957	-	28,518	-	-	-	-	1,673,994	1,053,560
Due from primary government	27,365,085	-	1,606,406	-	-	481,810	-	-	29,453,301	23,753,006
Inventories	-	284,249	-	-	-	-	-	-	284,249	335,452
Total Assets	\$32,890,062	\$486,621	\$1,640,757	\$2,607,288	\$44,585,026	\$2,374,851	\$-	\$375,734	\$84,960,339	\$51,491,019
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accrued salaries payable	\$18,798,103	\$156,593	\$316,074	\$160,042	\$5,206	\$0	\$-	\$-	\$19,436,018	\$17,128,795
Vouchers payable	2,856,116	105,630	104,802	159,721	1,960,139	643,157	-	-	5,829,565	6,127,379
Other liabilities	2,354,217	20	-	-	-	-	-	-	2,354,237	1,694,594
Deferred revenue	427,231	-	136,508	-	-	-	-	-	563,739	506,036
Due to other funds	31,202	109,855	1,072,690	453,526	-	6,721	-	-	1,673,994	1,053,560
Due to primary government	2,326,511	-	-	-	-	-	-	375,734	2,702,245	1,760,144
Total Liabilities	26,793,380	372,098	1,630,074	773,289	1,965,345	649,878	-	375,734	32,559,798	28,270,508
FUND EQUITY AND OTHER CREDITS										
Reserved for encumbrances	2,096,682	2,290	10,683	111,840	20,902,785	1,724,973	-	-	24,849,253	10,059,777
Reserved for inventories	-	112,233	-	-	-	-	-	-	112,233	202,085
Reserved for construction	-	-	-	-	21,716,896	-	-	-	21,716,896	11,040,747
Unreserved	4,000,000	-	-	1,722,159	-	-	-	-	5,722,159	1,917,902
Total Fund Equity and Other Credits	6,096,682	114,523	10,683	1,833,999	42,619,681	1,724,973	-	-	52,400,541	23,220,511
Total Liabilities, Fund Equity and Other Credits	\$32,890,062	\$486,621	\$1,640,757	\$2,607,288	\$44,585,026	\$2,374,851	\$-	\$375,734	\$84,960,339	\$51,491,019

ARLINGTON COUNTY, VIRGINIA

to Net Assets of Component Unit - Schools
June 30, 2003

Total-component unit-Schools fund balances \$52,400,541

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 227,734,251

Long-term liabilities, including capital leases, are
not due and payable in the current period and
therefore are not reported in the funds (20,331,546)

Net assets of component unit-Schools \$259,803,246

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, 2003
 (WITH COMPARATIVE TOTALS FOR 2002)

	Governmental Funds							Totals	
	School Operating Fund	School Cafeteria Fund	School Community Activities Fund	School Special Grants Fund	School Capital Projects Fund	School Capital Projects (Pay-as-you- go) Fund	School Debt Service Fund	School Comprehensive Services Act	June 30, 2003
REVENUES:									
Sales tax	\$12,704,260	\$-	\$-	\$-	\$-	\$-	\$-	\$12,704,260	\$13,012,634
State/local government	19,234,670	71,705	-	2,596,583	-	630,005	-	24,570,865	24,198,400
Federal	-	2,713,605	-	9,589,820	-	-	-	12,303,425	10,847,823
Charges for services	2,779,353	1,957,492	3,675,702	2,102,383	-	-	-	10,514,930	9,067,242
Use of money and property	-	-	-	-	130,261	-	-	130,261	543,750
Total revenues	34,718,283	4,742,802	3,675,702	14,288,786	130,261	630,005	-	60,223,741	57,669,849
EXPENDITURES:									
Current -									
Parks and recreation	-	-	10,915,937	-	-	-	-	10,915,937	10,310,472
Education	236,480,355	4,830,364	-	15,256,310	-	-	3,999,211	260,566,240	239,520,885
Capital projects	-	-	-	-	18,639,073	3,802,872	-	22,441,945	30,088,257
Debt service -									
Principal	-	-	-	-	-	-	10,541,744	10,541,744	9,350,107
Interest	-	-	-	-	-	-	7,671,646	7,671,646	7,328,230
Total expenditures	236,480,355	4,830,364	10,915,937	15,256,310	18,639,073	3,802,872	18,213,390	312,137,512	296,597,951
Excess (deficiency) of revenues over expenditures	(201,762,072)	(87,562)	(7,240,235)	(967,524)	(18,508,812)	(3,172,867)	(18,213,390)	(251,913,771)	(238,928,102)
Other financing sources(uses):									
Operating transfers in	207,392,205	-	7,199,138	825,253	-	4,232,768	18,213,390	239,824,063	212,765,480
Operating transfers out	-	-	-	-	(130,261)	-	-	(130,261)	(543,750)
Proceeds from sales of bonds	-	-	-	-	41,400,000	-	-	41,400,000	19,912,500
Proceeds from refunding of bonds	-	-	-	-	28,877,529	-	-	28,877,529	-
Payments to refunded bond escrow agent	-	-	-	-	(31,317,554)	-	-	(31,317,554)	-
Bond premium paid to escrow agent	-	-	-	-	2,440,025	-	-	2,440,025	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	207,392,205	-	7,199,138	825,253	41,269,739	4,232,768	18,213,390	281,093,802	232,134,230
Excess (deficiency) of Revenues and other sources over expenditures and other uses	5,630,133	(87,562)	(41,097)	(142,271)	22,760,927	1,059,901	-	29,180,031	(6,793,872)
FUND BALANCES, beginning of year	466,549	202,085	51,780	1,976,270	19,858,754	665,072	-	23,220,510	30,014,383
FUND BALANCES, end of year	\$6,096,682	\$114,523	\$10,683	\$1,833,999	\$42,619,681	\$1,724,973	\$-	\$52,400,541	\$23,220,511

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, 2003

Net change in fund balances - component unit-Schools \$ 29,180,031

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

Add: Capital acquisitions	19,025,624	
Less Depreciation expense	<u>(12,297,606)</u>	6,728,018

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

cost of the capital asset. -

Repayment of capital leases 1,213,160

are not reported as expenditures in governmental funds
 such as compensated absences and workers compensation (230,132)

Change in net assets of component unit-Schools \$36,891,077

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, 2003

	School Operating Fund			School Cafeteria Fund			School Community Activities Fund		
	Budget	Actual	Variance-Over (Under)	Budget	Actual	Variance-Over (Under)	Budget	Actual	Variance-Over (Under)
REVENUES:									
Sales tax	\$13,527,046	\$12,704,260	(\$822,786)	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental									
State	19,328,604	19,234,670	(93,934)	78,000	71,705	(6,295)	-	-	-
Federal	-	-	-	3,305,200	2,713,605	(591,595)	-	-	-
Charges for services	1,371,700	2,779,353	1,407,653	1,869,124	1,957,492	88,368	3,686,183	3,675,702	(10,481)
Others	-	-	-	-	-	-	-	-	-
Total revenues	<u>34,227,350</u>	<u>34,718,283</u>	<u>490,933</u>	<u>5,252,324</u>	<u>4,742,802</u>	<u>(509,522)</u>	<u>3,686,183</u>	<u>3,675,702</u>	<u>(10,481)</u>
EXPENDITURES:									
Education	243,115,229	236,480,355	6,634,874	5,252,324	4,830,364	421,960	-	-	-
Parks & recreation	-	-	-	-	-	-	10,985,602	10,915,937	69,665
Capital projects	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	<u>243,115,229</u>	<u>236,480,355</u>	<u>6,634,874</u>	<u>5,252,324</u>	<u>4,830,364</u>	<u>421,960</u>	<u>10,985,602</u>	<u>10,915,937</u>	<u>69,665</u>
Excess (deficiency) of revenues over expenditures	<u>(208,887,879)</u>	<u>(201,762,072)</u>	<u>7,125,807</u>	<u>-</u>	<u>(87,562)</u>	<u>(87,562)</u>	<u>(7,299,419)</u>	<u>(7,240,235)</u>	<u>59,184</u>
Other financing sources(uses):									
Operating transfers in	208,451,908	207,392,205	(1,059,703)	-	-	-	7,247,639	7,199,138	(48,501)
Operating transfers out	-	-	-	-	-	-	-	-	-
Proceeds from refunding of bonds	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Bond premium paid to escrow agent	-	-	-	-	-	-	-	-	-
Proceeds sale of bonds	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	<u>208,451,908</u>	<u>207,392,205</u>	<u>(1,059,703)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,247,639</u>	<u>7,199,138</u>	<u>(48,501)</u>
Excess (deficiency) of Revenues and other sources over expenditures and other uses	<u>(435,971)</u>	<u>5,630,133</u>	<u>6,066,104</u>	<u>-</u>	<u>(87,562)</u>	<u>(87,562)</u>	<u>(51,780)</u>	<u>(41,097)</u>	<u>10,683</u>
FUND BALANCES, beginning of year	<u>466,549</u>	<u>466,549</u>	<u>-</u>	<u>202,085</u>	<u>202,085</u>	<u>-</u>	<u>51,780</u>	<u>51,780</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$30,578</u>	<u>\$6,096,682</u>	<u>\$6,066,104</u>	<u>\$202,085</u>	<u>\$114,523</u>	<u>(\$87,562)</u>	<u>\$-</u>	<u>\$10,683</u>	<u>\$10,683</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, 2003

	School Special Grants Fund			School Debt Service Fund			School Capital Projects Bond Fund		
	Budget	Actual	Variance-Over (Under)	Budget	Actual	Variance-Over (Under)	Budget	Actual	Variance-Over (Under)
REVENUES:									
Sales tax	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental									
State	4,026,096	2,596,583	(1,429,513)	-	-	-	-	-	-
Federal	11,424,666	9,589,820	(1,834,846)	-	-	-	-	-	-
Charges for services	3,052,274	2,102,383	(949,891)	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	130,261	130,261
Total revenues	<u>18,503,036</u>	<u>14,288,786</u>	<u>(4,214,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,261</u>	<u>130,261</u>
EXPENDITURES:									
Education	19,647,489	15,256,310	4,391,179	-	-	-	-	-	-
Parks & recreation	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	61,258,754	18,639,073	42,619,681
Debt service:									
Principal retirement	-	-	-	10,351,829	10,541,744	(189,915)	-	-	-
Interest and fiscal charges	-	-	-	8,267,563	7,671,646	595,917	-	-	-
Total expenditures	<u>19,647,489</u>	<u>15,256,310</u>	<u>4,391,179</u>	<u>18,619,392</u>	<u>18,213,390</u>	<u>406,002</u>	<u>61,258,754</u>	<u>18,639,073</u>	<u>42,619,681</u>
Excess (deficiency) of revenues over expenditures	<u>(1,144,453)</u>	<u>(967,524)</u>	<u>176,929</u>	<u>(18,619,392)</u>	<u>(18,213,390)</u>	<u>406,002</u>	<u>(61,258,754)</u>	<u>(18,508,812)</u>	<u>42,749,942</u>
Other financing sources(uses):									
Operating transfers in	1,144,453	825,253	(319,200)	18,619,392	18,213,390	(406,002)	-	-	-
Operating transfers out	-	-	-	-	-	-	-	(130,261)	(130,261)
Proceeds from refunding of bonds	-	-	-	-	-	-	-	28,877,529	28,877,529
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	(31,317,554)	(31,317,554)
Bond premium paid to escrow agent	-	-	-	-	-	-	-	2,440,025	2,440,025
Proceeds sale of bonds	-	-	-	-	-	-	41,400,000	41,400,000	-
Total other financing sources(uses)	<u>1,144,453</u>	<u>825,253</u>	<u>(319,200)</u>	<u>18,619,392</u>	<u>18,213,390</u>	<u>(406,002)</u>	<u>41,400,000</u>	<u>41,269,739</u>	<u>(130,261)</u>
Excess (deficiency) of Revenues and other sources over expenditures and other uses	-	(142,271)	(142,271)	-	-	-	(19,858,754)	22,760,927	42,619,681
FUND BALANCES, beginning of year	<u>1,976,270</u>	<u>1,976,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,858,754</u>	<u>19,858,754</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$1,976,270</u>	<u>\$1,833,999</u>	<u>(\$142,271)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$42,619,681</u>	<u>\$42,619,681</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, 2003

	School Capital Projects (Pay-as-you-go) Fund			School Comprehensive Services Act			Totals		
	Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
REVENUES:									
Sales tax	\$-	\$-	\$-	\$-	\$-	\$-	\$13,527,046	\$12,704,260	(\$822,786)
Intergovernmental									
State	552,365	630,005	77,640	1,650,000	2,037,902	387,902	25,635,065	24,570,865	(1,064,200)
Federal	-	-	-	-	-	-	14,729,866	12,303,425	(2,426,441)
Charges for services	-	-	-	-	-	-	9,979,281	10,514,930	535,649
Others	-	-	-	-	-	-	-	130,261	130,261
Total revenues	<u>552,365</u>	<u>630,005</u>	<u>77,640</u>	<u>1,650,000</u>	<u>2,037,902</u>	<u>387,902</u>	<u>63,871,258</u>	<u>60,223,741</u>	<u>(3,647,517)</u>
EXPENDITURES:									
Education	-	-	-	3,400,000	3,999,211	(599,211)	271,415,042	260,566,240	10,848,802
Parks & recreation	-	-	-	-	-	-	10,985,602	10,915,937	69,665
Capital projects	9,430,675	3,802,872	5,627,803	-	-	-	70,689,429	22,441,945	48,247,484
Debt service:									
Principal retirement	-	-	-	-	-	-	10,351,829	10,541,744	-
Interest and fiscal charges	-	-	-	-	-	-	8,267,563	7,671,646	595,917
Total expenditures	<u>9,430,675</u>	<u>3,802,872</u>	<u>5,627,803</u>	<u>3,400,000</u>	<u>3,999,211</u>	<u>(599,211)</u>	<u>371,709,465</u>	<u>312,137,512</u>	<u>59,761,868</u>
Excess (deficiency) of revenues over expenditures	<u>(8,878,310)</u>	<u>(3,172,867)</u>	<u>5,705,443</u>	<u>(1,750,000)</u>	<u>(1,961,309)</u>	<u>(211,309)</u>	<u>(307,838,207)</u>	<u>(251,913,771)</u>	<u>56,114,351</u>
Other financing sources(uses):									
Operating transfers in	8,213,238	4,232,768	(3,980,470)	1,750,000	1,961,309	211,309	245,426,630	239,824,063	(5,602,567)
Operating transfers out	-	-	-	-	-	-	-	(130,261)	(130,261)
Proceeds from refunding of bonds	-	-	-	-	-	-	-	28,877,529	28,877,529
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	(31,317,554)	(31,317,554)
Bond premium paid to escrow agent	-	-	-	-	-	-	-	2,440,025	2,440,025
Proceeds sale of bonds	-	-	-	-	-	-	41,400,000	41,400,000	-
Total other financing sources(uses)	<u>8,213,238</u>	<u>4,232,768</u>	<u>(3,980,470)</u>	<u>1,750,000</u>	<u>1,961,309</u>	<u>211,309</u>	<u>286,826,630</u>	<u>281,093,802</u>	<u>(5,732,828)</u>
Excess (deficiency) of Revenues and other sources over expenditures and other uses	<u>(665,072)</u>	<u>1,059,901</u>	<u>1,724,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,011,577)</u>	<u>29,180,031</u>	<u>50,381,523</u>
FUND BALANCES, beginning of year	<u>665,072</u>	<u>665,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,220,510</u>	<u>23,220,510</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$-</u>	<u>\$1,724,973</u>	<u>\$1,724,973</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,208,933</u>	<u>\$52,400,541</u>	<u>\$50,381,523</u>

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY TO THE COUNTY- ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Governmental Funds			Proprietary Funds		Fiduciary Fund	Component Units	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Schools	
BALANCE, beginning of year	\$85,376,253	\$289,897	\$129,464,219	\$42,251,096	\$1,783,806	\$17,419,465	\$22,190,602	\$298,775,338
Receipts (net):								
Taxes	451,618,561	710,078	-	-	-	-	12,704,260	465,032,899
Licenses and permits	54,319,921	-	-	-	-	-	-	54,319,921
Fines and forfeitures	8,882,272	-	-	-	-	-	-	8,882,272
Revenue from use of money and property	7,598,664	-	1,286,344	1,046,233	-	-	130,261	10,061,502
Charges for services	25,648,106	-	876,766	49,314,855	14,026,608	1,895,951	10,514,930	102,277,216
Miscellaneous	7,630,874	-	798,804	979,080	-	14,513,862	-	23,922,620
Intergovernmental	82,689,545	16,716,772	6,936,218	197,486	-	8,393,306	36,874,290	151,807,617
Proceeds from indebtedness	2,367,311	-	33,600,000	-	-	-	41,400,000	77,367,311
Proceeds from sale of land	3,355,926	-	-	-	(196,557)	-	-	3,159,369
Total Receipts	644,111,180	17,426,850	43,498,132	51,537,654	13,830,051	24,803,119	101,623,741	896,830,727
Total Receipts and Balance	729,487,433	17,716,747	172,962,351	93,788,750	15,613,857	42,222,584	123,814,343	1,195,606,065
Disbursements (net):								
Warrants(checks)issued	362,125,001	17,749,873	44,912,593	49,663,587	15,526,357	13,883,104	296,176,103	800,036,618
Retirement of indebtedness	22,080,315	-	-	4,136,691	-	-	10,541,744	36,758,750
Interest and other debt costs	12,226,779	-	-	2,867,736	-	-	7,671,646	22,766,161
Total Disbursements	396,432,095	17,749,873	44,912,593	56,668,014	15,526,357	13,883,104	314,389,493	859,561,529
Interfund Transfers:								
Transfers in	7,974,381	247,000	14,335,759	-	325,212	5,163,526	239,824,063	267,869,941
Transfers out	(259,895,559)	-	(6,904,745)	-	(130,000)	(809,376)	(130,261)	(267,869,941)
BALANCE, end of year	\$81,134,160	\$213,874	\$135,480,772	\$37,120,736	\$282,712	\$32,693,630	\$49,118,652	\$336,044,536

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY
June 30, 2003

Assets Held by the Treasurer	
Cash on Hand	<u>\$29,009</u>
Cash in Banks:	
Checking	
BB & T	841,269
Burke & Herbert	69,329
James Monroe Bank	7,798,138
SunTrust	7,187,535
First Union Bank	(2,099,628)
First Virginia Bank	201,948
Alexander Key	6,081
Bank of America	3,056,593
United Bank	23,627
Virginia Commerce Bank	16,991
Wachovia Bank	<u>5,640</u>
Total Checking Account	<u>17,107,523</u>
Savings:	
First Union Bank	<u>4,878</u>
Total Savings Account	<u>4,878</u>
Certificates of Deposit:	
James Monroe Bank	6,500,000
Virginia Commerce Bank	<u>5,000,000</u>
Total Certificates of Deposit	<u>11,500,000</u>
Held with Trustee:	
Federal Agency Bonds & Municipal Securities	12,515,422
Sun Trust Long Term Investments	10,048,588
Repurchase Agreements	5,805,717
Capital Reserve Fund	<u>27,815,338</u>
Total Held with Trustee	<u>56,185,065</u>
Cash and Investments with Trustees:	
SunTrust, Ballston Garage Accounts	11,332,495
SunTrust, (Ballston Parking Garage)	60,116
SunTrust Solid Waste	<u>10,373,097</u>
Total Cash and Investments with Trustee	<u>21,765,708</u>
State Treasurer's Local Government Investment Pool	77,762,160
James Monroe T-Fund	81,572
James Monroe Money Market	2,129,937
State Non Arbitrage Investment Program (SNAP)	136,764,982
Commonwealth Cash Reserve (Cap. Res. Fund)	3,619,205
Commonwealth Cash Reserve (AIM)	<u>9,094,497</u>
Total Cash & Investment Balances, June 30, 2003	<u><u>\$336,044,536</u></u>

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
 JUNE 30, 2003

	INTEREST RATE	MATURITY DATE	COST
Repurchase Agreements:			
Bank of America	0.82%	07/01/03	5,805,717
TOTAL REPURCHASE AGREEMENTS			5,805,717
Certificates of Deposit:			
James Monroe Bank	3.00%	07/16/03	500,000
James Monroe Bank	2.80%	08/28/03	500,000
Virginia Commerce Bank	3.07%	08/29/03	1,000,000
Virginia Commerce Bank	2.70%	10/29/03	500,000
James Monroe Bank	2.03%	12/02/03	1,000,000
Virginia Commerce Bank	2.25%	01/04/04	500,000
James Monroe Bank	2.25%	01/08/04	500,000
Virginia Commerce Bank	2.25%	01/10/04	500,000
James Monroe Bank	2.25%	01/10/04	1,000,000
Virginia Commerce Bank	2.25%	01/21/04	500,000
James Monroe Bank	2.25%	01/25/04	1,000,000
James Monroe Bank	2.25%	02/10/04	1,000,000
James Monroe Bank	2.25%	02/10/04	1,000,000
Virginia Commerce Bank	2.25%	04/09/04	500,000
Virginia Commerce Bank	2.25%	04/09/04	500,000
Virginia Commerce Bank	1.50%	05/13/04	500,000
Virginia Commerce Bank	1.80%	06/26/04	500,000
TOTAL CERTIFICATES OF DEPOSIT			11,500,000
Federal Agency Bonds & Municipal Securities:			
FHLB	1.38%	12/19/03	1,000,000
FHLB	1.25%	06/21/04	3,000,000
FNMA	1.20%	09/09/04	2,515,422
FNMA	1.67%	05/26/05	3,000,000
FNMA	1.30%	06/30/05	3,000,000
TOTAL FEDERAL AGENCY BONDS & MUNICIPAL SECURITIES			12,515,422
Capital Reserve Fund:			
<u>Corporate Notes:</u>			
Associates Corp. NA SR Notes	6.88%	08/01/03	195,884
Associates Corp. NA SR Notes	6.10%	01/15/05	611,881
Associates Corp. NA SR Notes	6.00%	07/15/05	271,224
General Electric Cap Corp Notes	6.80%	11/01/05	1,113,860
Citigroup, Inc. Senior Debs	8.63%	02/01/07	301,389
<u>Federal Agency Bonds/Notes:</u>			
FHLB Tap Notes	6.88%	08/15/03	2,015,000
FHLB Tap Notes	5.25%	02/13/04	1,025,625
FHLMC Global Reference Notes	5.25%	02/15/04	2,051,875
FHLB Global Bonds	4.88%	04/16/04	1,029,688
FHLB Bonds	5.44%	04/19/04	217,284
FHLB Global Bonds	4.75%	06/28/04	1,553,906
FHLMC Global Reference Notes	4.50%	08/15/04	1,036,875
FNMA Benchmark Notes	6.50%	08/15/04	1,059,375
FHLB Tap Notes	2.00%	11/15/04	1,192,538
FNMA Strips Bonds		04/30/05	1,948,221
FHLMC Reference Notes	2.88%	09/15/05	2,574,219
FHLB Bonds (Callable)	2.57%	05/22/06	1,002,188

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF INVESTMENT - ALL FUNDS
 June 30, 2003

EXHIBIT S-2
 Page 2 of 3

	INTEREST RATE	MATURITY DATE	COST
Capital Reserve Fund (cont'd):			
FNMA Notes (Callable)	3.00%	10/23/06	1,005,000
FHLMC Notes (Callable)	2.45%	12/11/06	1,505,801
<u>Federal Agency Discount Notes:</u>			
FNMA Disc Note		04/30/04	1,007,068
<u>US Treasury Bonds/Notes:</u>			
US Treasury Notes	3.00%	01/31/04	2,023,125
US Treasury Notes	6.88%	05/15/06	2,062,688
US Treasury Notes	2.00%	05/15/06	1,010,625
TOTAL CAPITAL RESERVE FUND			27,815,339
SunTrust Fund:			
<u>Federal Agency Bonds/Notes:</u>			
FNMA Disc Note	1.20%	07/02/03	300,000
FHLMC Disc Note	1.16%	07/03/03	99,990
FHLB Disc Note	1.18%	07/18/03	99,960
FHLMC Disc Note	1.30%	07/30/03	199,840
FNMA Disc Note	1.23%	08/20/03	99,870
FHLB Disc Note	0.92%	11/07/03	199,320
FNMA Medium Term Notes	5.26%	10/02/03	202,152
FHLB Bonds	1.25%	02/13/04	250,312
Student Ln Marketing Assn Notes	1.40%	02/20/04	400,124
FHLB Bonds	1.25%	04/15/04	100,125
FHLB Bonds	2.25%	08/13/04	303,375
FFCB Bonds	1.45%	09/03/04	105,329
FHLB Bonds	1.40%	09/17/04	200,126
FHLB Bonds	1.60%	10/07/04	300,000
FHLB Con Bonds	2.01%	10/29/04	300,189
FHLB Bonds	2.00%	11/15/04	202,126
FHLB Bonds	2.13%	12/15/04	253,125
FNMA Notes	1.88%	12/15/04	403,624
FHLB Bonds	1.26%	12/16/04	99,969
FNMA Notes	2.10%	01/07/05	301,500
FNMA Notes	2.00%	01/14/05	301,407
FHLMC Medium Term Notes	2.00%	02/18/05	301,641
FAMC Notes	4.50%	04/11/05	632,964
FHLB Bonds	1.63%	04/15/05	100,469
FFCB Bonds	1.70%	05/05/05	100,563
FHLMC Medium Term Notes	2.25%	07/06/05	301,782
FHLB Bonds	1.56%	12/30/05	99,813
<u>Commerical Papers:</u>			
Starfish Global FDG Disc Coml Paper	1.16%	07/07/03	99,910
Schering Plough Corp Disc Coml Paper	1.20%	07/08/03	99,837
Lloyds TSB Disc Coml Paper	0.93%	07/29/03	99,763
DEPFA Disc Coml Paper	1.11%	07/31/03	99,843
Toyota Cred Disc Coml Ppaer	1.00%	08/01/03	99,911
Edison Asset Securitized. Disc Cml Paper	1.20%	08/22/03	149,530
Barclays US Fund Corp Disc Coml Paper	0.95%	08/27/03	99,765
General Elec Cap Corp	0.99%	09/03/03	99,772
Paccar Financial Corp	0.99%	09/04/03	99,749
Glaxosmithkline Fin PLC	0.95%	09/10/03	99,757

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF INVESTMENT - ALL FUNDS
 June 30, 2003

EXHIBIT S -2
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SunTrust Fund (cont'd):	INTEREST	MATURITY	COST
<u>Bankers Acceptance:</u>	<u>RATE</u>	<u>DATE</u>	
JPMorgan Chase	1.00%	08/27/03	99,830
Wachovia Bank	0.55%	12/24/03	198,997
<u>U.S. Treasury Bonds/Notes:</u>			
US Treasury Notes	1.13%	06/30/05	99,625
TOTAL SUNTRUST FUND			<u>7,705,984</u>
Virginia State Non-Arbitrage Program			136,764,982
James Monroe T-Fund			81,572
James Monroe Money Market			2,129,936
SunTrust Money Market			2,342,604
Commonwealth Investment Fund (AIM)			9,094,497
Commonwealth Investment Fund (Cap. Res. Fund)			3,619,205
State Treasurer's Local Government Investment Pool			<u>77,762,160</u>
TOTAL			<u>\$297,137,418</u>

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2003

	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		
General Obligation Debt: Serviced by General Fund:							
G.O. Public Improvement (\$11,000,000)		01/17/87					
Central Library	3,462,000		5.90	550,000	550,000	06/01/04	
Community Conservation	1,440,000		5.90	1,650,000	550,000	06/01-05-07	
Local & Regional Parks	4,170,000			<u>\$2,200,000</u>			
Street & Highway	1,928,000						
	<u>\$11,000,000</u>						
G.O. Public Improvement (\$23,870,000)		08/01/92					
Jail	2,400,000		5.15	960,324	960,324	08/01/03	
Central Library	2,900,000			<u>\$960,324</u>			
Community Conservation	7,000,000						
Local & Regional Parks	3,900,000						
	<u>\$16,200,000</u>						
G.O. Refunding (\$36,585,000)		04/15/92					
Human Resources Facilities	366,790		6.00	2,150,111	2,150,111	06/01/04	
Jail Expansion	810,799		6.00	1,126,675	1,126,675	06/01/05	
Street & Highway	8,052,314			<u>\$3,276,786</u>			
Community Conservation	5,210,652						
Metrorail	14,323,121						
Local & Regional Parks	3,384,680						
Storm Water Drainage	695,829						
	<u>\$32,844,185</u>						
G.O. Public Improvement (\$74,890,000)		06/01/93					
Higher Education	125,000		5.10	791,915	791,915	7/15/03	
Local & Regional Parks	4,936,000			<u>\$791,915</u>			
Metrorail	3,900,000						
Streets & Highways	5,504,000						
	<u>\$14,465,000</u>						
G.O. Refunding (\$42,075,000)		11/15/93					
Police & Jail	17,449,353		4.50	1,364,699	1,364,699	06/01/04	
Local & Regional Parks	1,299,365		4.60	1,347,975	1,347,975	06/01/05	
Community Conservation	467,340		4.70	1,331,250	1,331,250	06/01/06	
Streets & Highways	3,754,697		4.80	1,311,181	1,311,181	06/01/07	
Fire Station	814,316		4.75	4,538,961	4,538,961	06/01/08	
Central Library	4,361,839		5.00	4,468,720	4,468,720	06/01/09	
	<u>\$28,146,910</u>		6.00	9,643,202	3,227,780	06/01/10	
					3,214,401	06/01/11	
					3,201,021	06/01/12	
				<u>\$24,005,988</u>			

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2003

	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 (\$54,745,000)							
Higher Education	3,000,000	07/12/94	5.40	2,790,000	2,790,000		08/01/03
Local & Regional Parks	6,934,000		5.40	2,785,000	2,785,000		08/01/04
Metrorail	13,900,000		5.50	2,785,000	2,785,000		08/01/05
Streets & Highway	7,911,000			\$8,360,000			
Jail	23,000,000						
	<u>\$54,745,000</u>						
G.O. Public Improvement (\$41,700,000)							
Street & Highway	4,500,000	06/01/95	5.00	1,220,000	610,000		06/01/04-05
Community & Conservation	1,027,800		5.00	615,000	615,000		06/01/06
Community & Conservation (DPW)	1,672,200			\$1,835,000			
Local & Regional Parks	4,500,000						
	<u>\$11,700,000</u>						
G.O. Public Improvement (\$25,955,000)							
Street & Highway	6,237,000	10/15/96	5.00	3,098,160	1,032,720		12/01/03-05
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
				\$14,653,151			
G.O. Public Improvement (\$34,200,000)							
Street & Highway	5,900,000	06/01/97	5.00	9,626,665	1,203,333		06/01/04-11
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			\$16,846,669			
Metrorail	2,200,000						
	<u>\$22,800,000</u>						
G.O. Public Improvement & Refunding (\$87,740,000)							
Street & Highway	3,630,000	05/01/98	4.25	5,034,265	5,034,265		10/01/03
Community Conservation	2,215,000		4.25	4,989,366	4,989,366		10/01/04
Local & Regional Parks	4,000,000		4.75	4,948,170	4,948,170		10/01/05
Metro Rail	4,800,000		4.75	5,913,290	5,913,290		10/01/06
	<u>\$14,645,000</u>		4.75	4,690,730	4,690,730		10/01/07
			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
				\$55,912,201			

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2003

	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	
G.O. Public Improvement (\$79,750,000)							
Street & Highway	15,807,000	06/17/99	4.50	3,800,000	1,900,000	06/01/04-05	
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>\$30,390,000</u>			
G.O. Public Improvement (\$90,325,000)							
Street & Highway	8,222,000	06/18/01	4.50	12,797,992	2,559,598	02/01/04-08	
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>\$45,320,104</u>			
G.O. Public Improvement (\$39,545,000)							
Central Library	5,800,000	06/11/02	4.00	786,888	786,888	02/01/04	
Local & Regional Parks	5,330,000		3.00	2,050,378	1,025,189	02/01/05-06	
Metro Rail	5,983,500		3.20	1,025,189	1,025,189	02/01/07	
Fire Station	1,800,000		3.40	1,025,189	1,025,189	02/01/08	
Higher Education/University	719,000		3.60	1,025,189	1,025,189	02/01/09	
	<u>\$19,632,500</u>		3.80	1,025,189	1,025,189	02/01/10	
			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>\$19,237,815</u>			
G.O. Public Improvement (\$75,000,000)							
Local & Regional Parks	17,768,000	05/01/03	2.00	670,000	670,000	01/15/04	
Street, Highway	7,182,000		3.00	1,350,000	1,350,000	01/15/05	
Higher Education/University	281,000		4.00	1,755,000	1,755,000	01/15/06	
Central Library	880,388		5.00	1,755,000	1,755,000	01/15/07	
Fire Station	1,000,000		4.00	3,510,000	1,755,000	01/15/08-09	
Metrorail	15,210		5.00	8,775,000	1,755,000	01/15/10-14	
Community Conservation	6,355,000		4.00	8,775,000	1,755,000	01/15/15-19	
General Capital Projects	118,402		4.125	1,755,000	1,755,000	01/15/20	
	<u>\$33,600,000</u>		4.20	1,755,000	1,755,000	01/15/21	
			4.30	1,750,000	1,750,000	01/15/22	
			4.375	1,750,000	1,750,000	01/15/23	
				<u>\$33,600,000</u>			

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2003

	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
G.O. Public Improvement Refunding (\$65,775,000)		05/01/03				
Street & Highway	3,223,616					
Community Conservation	1,746,416		2.00	324,899	324,899	01/15/04
Higher Education	562,909		3.00	1,686,138	1,686,138	01/15/05
Parks & Recreation	3,648,420		4.00	1,650,302	1,650,302	01/15/06
Libraries	522,701		5.00	3,683,770	3,683,770	01/15/07
Jail	4,573,199		4.00	1,395,033	1,395,033	01/15/08
Metrorail	3,204,385		4.00	1,390,215	1,390,215	01/15/09
	<u>\$17,481,646</u>		5.00	1,371,741	1,371,741	01/15/10
			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
Deferred amount on refunding				810,393		
Less Amortization				-		
				<u>18,292,039</u>		
Total Bonds Serviced by General Fund:				<u>\$275,681,992</u>		
Long-term Notes Payable				<u>\$9,400,000</u>		
Compensated Absences				<u>\$23,390,267</u>		
Estimated Liability for Workers' Comp Claims & Other Judgments				<u>\$3,967,461</u>		
Serviced by General Fund-Capital Leases				<u>\$7,070,060</u>		
Total General Obligation Debt Serviced by General Fund:				<u>\$319,509,780</u>		

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2003

	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		
<u>Serviced by School Operating Fund:</u>							
School share of \$23,870,000 School Improvements	<u>\$3,670,000</u>	08/01/92	5.15	<u>217,557</u>	217,557	08/01/03	
				<u>\$217,557</u>			
School share of \$74,890,000 School Improvements	<u>\$24,425,000</u>	06/01/93	5.10	<u>1,337,191</u>	1,337,191	07/15/03	
				<u>\$1,337,191</u>			
School share of Refunding \$42,075,000 School Improvements	<u>\$10,573,454</u>	11/15/93	4.50	512,652	512,652	06/01/04	
			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>\$9,017,903</u>			
School share of \$41,700,000 School Improvements	<u>\$30,000,000</u>	06/01/95	5.00	1,565,000	1,565,000	06/01/04	
			5.00	1,570,000	1,570,000	06/01/05	
			5.00	1,575,000	1,575,000	06/01/06	
				<u>\$4,710,000</u>			
School share of \$25,955,000 School Improvements	<u>\$6,100,000</u>	10/15/96	5.00	951,840	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>\$4,501,849</u>			

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2003

	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 \$34,200,000 School Improvements	<u>\$10,000,000</u>	06/01/97	5.00	5,805,558	527,778	06/01/04-14
			5.10	1,583,334	527,778	06/01/15-17
				<u>\$7,388,892</u>		
School share of \$87,740,000 School Improvements	<u>\$13,560,000</u>	05/01/98	4.25	1,778,953	1,778,953	10/01/03
			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>\$15,823,634</u>		
School share of Refunding \$79,750,000 School Improvements	<u>\$39,360,000</u>	06/17/99	4.50	4,120,000	2,060,000	06/01/04-05
			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>\$32,940,000</u>		
School share of \$90,325,000 School Improvements	<u>\$39,605,000</u>	06/18/01	4.50	10,512,371	2,102,474	02/01/04-08
			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>\$37,226,288</u>		

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2003

	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 \$39,545,000 School Improvements	<u>\$19,912,500</u>	06/11/02	4.00	798,111	798,111		02/01/04
			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>\$19,512,185</u>			
School share of \$75,000,000 School Improvements	<u>\$41,400,000</u>	05/01/03	2.00	1,655,000	1,655,000		01/15/04
			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>\$41,400,000</u>			
School share of Refunding \$65,775.00 School Improvements	<u>\$28,877,529</u>	05/01/03	2.00	541,622	541,622		01/15/04
			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
Deferred amount on refunding Less amortization				(597,759)			
				<u>28,279,771</u>			
Total Serial Bonds Serviced by School Operating Fund:				<u>\$202,355,270</u>			
Compensated Absences				<u>\$19,842,222</u>			
Capital Leases Serviced by Schools				<u>\$489,324</u>			
Total General Obligation Debt Serviced by School Operating Fund:				<u>\$222,686,816</u>			
Total General Obligation Debt Serviced by General Fund and School Operating Fund:				<u>\$542,196,596</u>			

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2003

	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		
Serviced by Utilities Fund:							
Sewer share of \$36,585,000 G.O. Refunding Bonds	<u>\$2,035,589</u>	04/15/92	6.00	133,258	133,258		06/01/04
			6.00	69,828	69,828		06/01/05
				<u>\$203,086</u>			
Sewer share of \$74,890,000 Advanced Water Treatment	<u>\$36,000,000</u>	06/01/93	5.00	1,970,888	1,970,888		07/15/03
				<u>\$1,970,888</u>			
Sewer share of Refunding \$42,075,000 Sewage	<u>\$3,354,635</u>	11/15/93	4.50	162,649	162,649		06/01/04
			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>\$2,861,110</u>			
Water share of \$23,870,000 Public Improvement Bonds	<u>\$4,000,000</u>	08/01/92	5.15	237,117	237,117		08/01/03
				<u>\$237,117</u>			
Water share of \$36,585,000 GO Refunding Bonds	<u>\$1,705,227</u>	04/15/92	6.00	111,631	111,631		06/01/04
			6.00	58,497	58,497		06/01/05
				<u>\$170,128</u>			
Water share of \$34,200,000 Public Improvement Bonds	<u>\$1,400,000</u>	08/01/97	5.00	812,779	73,889		06/01/04-14
			5.10	221,667	73,889		06/01/15-17
				<u>\$1,034,446</u>			
Water/Sewer share of \$87,740,000		05/01/98	4.25	406,781	406,781		10/01/03
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>\$6,599,171</u>			

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2003

	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		
Water/Sewer share of \$79,750,000		06/15/99					
Water share	500,000		4.50	410,000	205,000		06/01/04-05
Advanced Water Treatment	<u>3,500,000</u>		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	<u>215,000</u>	215,000		06/01/19
				<u>\$3,290,000</u>			
Water share of \$99,815,000		06/18/01					
Water share	<u>\$2,504,000</u>		4.50	664,638	132,928		02/01/04-08
			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>\$2,353,608</u>			
Water/Sewer share of Refunding \$65,775,000		05/01/03					
Water/Sewer share	<u>\$19,415,825</u>		2.00	308,479	308,479		01/15/04
			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				-			
				<u>20,328,191</u>			
Total Long Term Obligations serviced by Utilities Fund:				<u>\$39,047,745</u>			
Serviced by Printing Fund-Capital Leases				<u>\$42,482</u>			
Serviced by Auto Equipment Fund-Capital Leases				<u>\$1,918,871</u>			
SUBTOTAL:				<u>\$583,205,694</u>			
Revenue Bonds-Serviced by Ballston Public Garage Fund				<u>\$15,800,000</u>			
Mortgage Payable-Ballston Public Garage Fund				<u>\$3,429,679</u>			
SUBTOTAL:				<u>\$602,435,373</u>			
Less: Current Portion of Long-Term Obligations- Proprietary Fund Types				<u>\$3,742,620</u>			
TOTAL LONG TERM OBLIGATIONS:				<u>\$606,177,993</u>			

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE
 June 30, 2003

FISCAL YEAR	REAL ESTATE	PERSONAL PROPERTY	TOTAL
2003	\$84,717	\$1,678,786	\$1,763,503
2002	73,344	1,230,348	1,303,692
2001	26,726	971,463	998,189
2000	9,669	796,547	806,216
1999	4,929	677,005	681,934
1998	4,240	-	4,240
1997	2,612	-	2,612
1996	1,984	-	1,984
1995	2,021	-	2,021
1994	2,061	-	2,061
1993	1,283	-	1,283
1992	1,088	-	1,088
1991	528	-	528
TOTAL	<u><u>\$215,202</u></u>	<u><u>\$5,354,149</u></u>	<u><u>\$5,569,351</u></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 \$17,964 and \$ 898,932.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
 June 30, 2003

PER GASB 34
Primary Government

General Fixed Assets:

Land	83,087,919
Infrastructure	329,268,048
Buildings	133,178,038
Furniture, fixtures and equipment	32,975,710
	<hr/>
Total General Fixed Assets	<u>\$578,509,715</u>

Investment in General Fixed Assets by Source:

General obligation bonds/ leases	\$542,012,948
Federal grants	14,907,105
State literary loans	1,664,496
Donated assets	5,795,926
General fund revenues	14,129,240
	<hr/>
Total Investment in General Fixed Assets	<u>\$578,509,715</u>

NOTE:

The general fixed assets account group includes the fixed assets of the county which are used in the general operations, other than those accounted for in the enterprise or internal service funds, or in the component unit schools.

Component Unit: School Board

School Fixed Assets:

Land	4,697,946
Buildings	251,322,110
Furniture, fixtures and equipment	61,062,858
	<hr/>
Total school fixed assets	<u>\$317,082,914</u>

Investment in School Fixed Assets by Source:

General obligation bonds	\$252,522,382
Federal grants	6,724,011
State literary loans	484,498
General fund revenues	57,352,023
	<hr/>
Total investment in school fixed assets	<u>\$317,082,914</u>

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS- BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2003

Primary Government

FUNCTION AND ACTIVITY:	General Fixed Assets				FY2003		Balance June 30, 2003
	June 30, 2002				Additions	Deletions	
	PER CAFR	Additions	Deletions	PER GASB 34			
Primary Government:							
General Government	\$ 134,650,934	\$ 2,782,727	(13,615,169)	\$ 123,818,492	\$ 811,327	\$ -	\$124,629,819
Public Safety	15,713,895	292,890	(171,529)	15,835,256	193,899	-	16,029,155
Public Works	357,867,935	3,178,773	(1,764,309)	359,282,399	4,371,435	(540,439)	363,113,395
Health and Public Welfare	4,110,315	308,637	(183,927)	4,235,025	2,628,345	-	6,863,370
Libraries	3,273,700	29,062	(48,840)	3,253,922	7,215	-	3,261,137
Parks and Recreation	44,804,195	2,654,817	(337,214)	47,121,798	5,254,847	-	52,376,645
Planning and Community Development	12,472,846	-	(236,651)	12,236,195	-	-	12,236,195
Total primary government	<u>572,893,820</u>	<u>9,246,906</u>	<u>(16,357,639)</u>	<u>565,783,087</u>	<u>13,267,068</u>	<u>(540,439)</u>	<u>578,509,716</u>
Component Unit - Schools	<u>278,471,738</u>	<u>30,280,010</u>	<u>(7,192,968)</u>	<u>301,558,780</u>	<u>19,025,624</u>	<u>(3,501,490)</u>	<u>317,082,914</u>
Total Fixed Assets	<u>\$ 851,365,558</u>	<u>\$ 39,526,916</u>	<u>\$ (23,550,607)</u>	<u>\$ 867,341,867</u>	<u>\$ 32,292,692</u>	<u>\$ (4,041,929)</u>	<u>\$ 895,592,630</u>

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
June 30, 2003

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	765,560	-	-	-	765,560
Total Control	1,031,694	-	-	-	1,031,694
Staff Agencies-					
Elections	120,906	-	-	-	120,906
Management and Finance	209,227	-	-	-	209,227
Office of Support Services	96,729,148	11,780,043	-	77,172,838	7,776,267
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
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	116,685,948	18,595,636	-	88,108,941	9,981,371
Total General Government	117,717,642	18,595,636	-	88,108,941	11,013,065
Public Safety:					
Police protection	11,600,147	-	-	6,196,552	5,403,595
Fire protection	4,391,430	429,296	-	2,147,533	1,814,601
Emergency communication	37,578	-	-	-	37,578
Total Public Safety	16,029,155	429,296	-	8,344,085	7,255,774
Public Works					
Environmental Services	362,815,977	16,932,230	329,268,047	13,568,414	3,047,286
Health	297,417	-	-	-	297,417
Public Welfare	6,397,315	43,862	-	4,370,969	1,982,484
Libraries	466,056	200,000	-	130,415	135,641
Recreation	3,261,137	133,552	-	2,493,153	634,432
Department of Technology Services	52,371,187	46,750,711	-	4,089,846	1,530,630
Community Development	6,917,635	-	-	-	6,917,635
	12,236,195	2,632	-	12,072,215	161,348
Total General Fixed Assets	578,509,716	83,087,919	329,268,047	133,178,038	32,975,712
Component Unit: School Board					
Schools	317,082,914	4,697,946	-	251,322,110	61,062,858
GRAND TOTALS	\$895,592,630	\$87,785,865	\$329,268,047	\$384,500,148	\$94,038,570

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	2003		VARIANCE OVER (UNDER)	2002 ACTUALS
	BUDGET	ACTUAL		
GENERAL FUND				
General Property taxes:				
Real estate	\$279,653,885	\$289,837,433	\$10,183,548	\$256,615,637
Personal	82,561,075	81,661,867	(899,208)	82,085,000
Total General Property Taxes	<u>362,214,960</u>	<u>371,499,300</u>	<u>9,284,340</u>	<u>338,700,637</u>
Other Local Taxes	76,195,269	80,119,261	3,923,992	75,296,538
Total taxes	<u>438,410,229</u>	<u>451,618,561</u>	<u>13,208,332</u>	<u>413,997,175</u>
License, permits and fees	52,220,897	54,319,921	2,099,024	57,199,326
Fines and forfeitures	9,564,649	8,882,272	(682,377)	9,199,674
Charges for Services	24,898,627	25,648,106	749,479	24,307,452
Grants:				
State grants	53,239,025	53,615,793	376,768	57,097,935
Federal grants	44,608,293	29,073,752	(15,534,541)	25,890,276
Total grants	<u>97,847,318</u>	<u>82,689,545</u>	<u>(15,157,773)</u>	<u>82,988,211</u>
Use of money and property	10,804,421	7,598,664	(3,205,757)	9,555,858
Miscellaneous revenue	16,210,120	23,354,111	7,143,991	8,683,005
GRAND TOTALS FOR GENERAL FUND	<u><u>\$649,956,261</u></u>	<u><u>\$654,111,180</u></u>	<u><u>\$4,154,919</u></u>	<u><u>\$605,930,701</u></u>
GENERAL FUND TRANSFERS FROM OTHER FUNDS:				
Automotive Equipment Fund	130,000	130,000	-	130,000
General Capital Projects Fund	5,500,000	5,618,402	118,402	-
Street & Highway Bond Fund	-	335,841	335,841	565,632
Neighborhood Conservation Bond Fund	-	333,165	333,165	551,521
Higher Education Bond Fund	-	934	934	-
Public Recreation Bond Fund	-	265,423	265,423	597,087
Fire Facilities Bond Fund	-	66,618	66,618	66,186
Library Bond Fund	-	104,373	104,373	33,065
Transit Facilities Bond Fund	-	179,989	179,989	226,677
School Capital Improvement Bond Fund	-	130,260	130,260	543,750
Trust & Agency Fund	822,500	809,376	(13,124)	1,853,974
Total transfers	<u>\$6,452,500</u>	<u>\$7,974,381</u>	<u>\$1,521,881</u>	<u>\$4,567,892</u>
GRAND TOTALS	<u><u>\$656,408,761</u></u>	<u><u>\$662,085,561</u></u>	<u><u>\$5,676,800</u></u>	<u><u>\$610,498,593</u></u>

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

SPECIAL REVENUE FUNDS:

Travel & Tourism Fund	1,122,465	1,045,726	(76,739)	662,043
Community Development Block Grant Fund	3,860,636	2,555,763	(1,304,873)	2,472,037
Section 8 Housing	13,655,848	14,072,361	416,513	10,672,055
 Total Special Revenue Funds	 \$18,638,949	 \$17,673,850	 (\$965,099)	 \$13,806,135

BREAKDOWN OF REVENUE BY FUNCTION:

	Charges for	Operating grants/Contributions		Capital Grants
	Services	State	Federal	Contributions
General government	\$4,898,565	\$32,760,377	\$5,194,236	\$1,807,203
Public safety	5,513,827	592,426	1,123,519	-
Public works	1,296,752	3,509,561	244,640	-
Environmental services	7,741,443	20,223	-	-
Health & welfare	1,918,037	14,652,683	22,394,258	-
Libraries	429,331	223,653	-	-
Planning & community development	57,680	-	109,400	-
Parks & recreation	3,792,471	49,667	7,700	-
 Total General Fund	 \$25,648,106	 \$51,808,590	 \$29,073,753	 \$1,807,203

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	2003		VARIANCE OVER (UNDER)	2002 ACTUALS
	BUDGET	ACTUAL		
General Government Administration:				
County Board	\$588,865	\$587,181	\$1,684	\$574,473
County Manager	2,819,067	2,816,148	2,919	2,649,209
Financial Management	4,065,471	4,118,305	(52,834)	3,850,048
Civil Service	15,982	12,688	3,294	12,944
Human Resources	4,614,041	4,365,011	249,030	4,244,378
Technology Services	12,596,124	11,782,916	813,208	13,788,870
County Attorney	1,256,010	1,287,476	(31,466)	1,198,084
Office of Support Services	12,736,639	12,991,224	(254,585)	12,527,195
Commissioner of Revenue	3,526,629	3,300,418	226,211	3,167,973
Treasurer	4,722,656	4,738,871	(16,215)	4,646,073
Electoral Board	607,518	652,523	(45,005)	473,507
Total General Government	47,549,002	46,652,761	896,241	47,132,754
Judicial Administration:				
Circuit Court	2,364,783	2,320,485	44,298	2,228,009
District Court	275,874	259,105	16,769	249,713
Juvenile & Domestic Relations Court	4,697,461	3,994,728	702,733	3,784,011
Commonwealth Attorney	3,135,795	2,888,730	247,065	2,814,646
Sheriff & Jail	22,352,317	22,708,030	(355,713)	21,555,546
Total Judicial Administration	32,826,230	32,171,078	655,152	30,631,925
Public Safety:				
Police	40,394,515	37,596,932	2,797,583	35,512,975
Emergency Communications Center	5,373,561	5,374,985	(1,424)	4,157,213
Fire	27,939,668	27,767,027	172,641	24,439,997
Total Public Safety	73,707,744	70,738,944	2,968,800	64,110,185
Public Works:				
Public Works	24,402,226	24,887,647	(485,421)	22,397,695
Environmental Services	10,630,470	10,375,379	255,091	9,846,317
Total Public Works	35,032,696	35,263,026	(230,330)	32,244,012
Health & Welfare:				
Human Services	98,481,652	85,636,626	12,845,026	78,421,925
Libraries:	11,227,378	10,531,858	695,520	10,214,848
Planning & Community Development:				
Economic Development	3,559,939	3,033,535	526,404	3,266,709
Community Planning Housing & Development	9,437,539	8,615,190	822,349	8,227,044
Total Planning & Community Development	12,997,478	11,648,725	1,348,753	11,493,753
Parks & Recreation:				
	25,627,847	25,537,947	89,900	23,591,106
Non-Departmental:				
Non-Departmental	41,019,044	38,196,161	2,822,883	26,888,560
Debt Service				
Principal payment	22,080,608	22,080,315	293	20,211,368
Interest payment	12,438,747	12,142,238	296,509	12,103,147
Other costs	100,000	84,541	15,459	189,075
Regionals/Contributions	5,974,087	5,996,099	(22,012)	5,514,061
METRO	10,200,000	10,010,200	189,800	9,669,124
Total Non-Departmental	91,812,486	88,509,554	3,302,932	74,575,335
Total Expenditures before transfers-out	429,262,513	406,690,519	22,571,994	372,415,843

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	2003		VARIANCE OVER (UNDER)	2002
	BUDGET	ACTUAL		ACTUALS
Transfers -Out				
Travel & Tourism	247,000	247,000	-	397,000
Auto Equipment Fund	219,390	219,390	-	601,527
Printing Fund	105,822	105,822	-	116,235
General Capital Projects Fund	18,585,759	14,335,759	4,250,000	26,546,250
Trust & Agency	1,000,000	5,163,524	(4,163,524)	-
Schools:				
General Operating	208,451,908	207,392,206	1,059,702	183,294,795
Community Activities/Cable TV	7,247,639	7,199,138	48,501	6,851,827
Special Grants Fund	-	825,253	(825,253)	915,981
Pay-As-You-Go	8,213,237	4,232,768	3,980,469	3,231,200
Debt Service	18,619,392	18,213,390	406,002	16,678,336
Comprehensive Services Act	1,750,000	1,961,309	(211,309)	1,793,340
Total Transfers-Out	<u>264,440,147</u>	<u>259,895,559</u>	<u>4,544,588</u>	<u>240,426,491</u>
GRAND TOTALS EXPENDITURES	<u>\$693,702,660</u>	<u>\$666,586,078</u>	<u>\$27,116,582</u>	<u>\$612,842,334</u>
SPECIAL REVENUE FUNDS:				
Travel & Tourism Promotion	<u>1,190,531</u>	<u>1,006,934</u>	<u>183,597</u>	<u>1,316,818</u>
Community Development Block Grant	<u>3,860,636</u>	<u>2,555,763</u>	<u>1,304,873</u>	<u>2,472,037</u>
Section 8 Housing	<u>13,655,848</u>	<u>13,637,611</u>	<u>18,237</u>	<u>10,944,746</u>
Total Special Revenue Funds	<u>\$18,707,015</u>	<u>\$17,200,308</u>	<u>\$1,506,707</u>	<u>\$14,733,601</u>
TOTAL GENERAL AND SPECIAL REVENUE FUNDS	<u>\$712,409,675</u>	<u>\$683,786,386</u>	<u>\$28,623,289</u>	<u>\$627,575,935</u>

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF CAPITAL OUTLAYS AND CAPITAL PROJECTS
 GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2003

EXHIBIT S-10

FUND AND FUNCTION	AMOUNT
GENERAL FUND:	
Capital Outlays:	
General Government	\$811,327
Public Safety	193,899
Public Works	4,371,435
Health & Public Welfare	2,628,345
Libraries	7,215
Parks & Recreation	5,254,847
Total General Fund	<u>\$13,267,068</u>
 CAPITAL PROJECTS FUNDS:	
General Capital Projects Fund:	
Public Works:	
Transportation Projects	4,782,873
Government Facilities	6,364,955
Cultural & Recreation - Community Affairs:	
Government Facilities	860,009
Parks	898,610
Public Safety	6,696,068
Contributions to Regional Agencies	1,033,633
Total General Capital Projects Funds	<u>20,636,148</u>
 Street & Highway Bond Fund:	
Capital Projects - Public Works/Transportation/ Street & Highway Improvements	3,158,547
 Neighborhood Conservation Bond Fund:	
Neighborhood Capital Projects	2,854,648
 Higher Education Bond Fund:	
University Capital Projects	1,000,000
 Public Recreation Bond Fund:	
Capital Projects Parks & Recreation facilities	12,654,838
 Fire Station Bond Fund:	
Fire Station Facilities	136,694
 Library Bond Fund:	
Public Library Facilities	252,512
 Transit Facilities Bond Fund:	
Capital Projects - Transit Facilities	3,317,051
 SCHOOL BOARD:	
School Capital Projects Bond Fund	18,639,073
Capital Projects - Education Facilities	3,802,872
TOTAL CAPITAL PROJECTS FUNDS	<u>66,452,383</u>
 GRAND TOTAL	<u><u>\$79,719,451</u></u>



STATISTICAL (Unaudited)

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

TABLE I

Fiscal Year	General Government	Public Safety	Public Works/ Environmental Services	Health & Welfare	Culture/ Recreation (2)	Education	Non-Departmental	Debt Service(3)	Contributions to Regional Agencies		Total
									Transit	Other	
1994	46,945,017	50,980,253	23,402,891	54,782,949	47,480,554	146,475,072	12,752,403	23,968,722	9,900,000	4,754,668	421,442,529
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

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
- (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
1994	278,858,429	37,501,656	82,047,491	19,598,846	6,886,059	5,638,225	430,530,706
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

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		
1994	212,222,584	19,635,312	568,201	11,032,519	1,070,153	1,326,758	3,599,638	6,474,651	13,090,290	62,672	53,679	269,136,457
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

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
1994	213,874,198	1,752,144	212,122,054	99.18%	836,770	212,958,824	99.57%	882,166	603,969	3,907,607	1.83%
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%

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	
1994	17,832,515,250	17,832,515,250	1,056,396,483	1,056,396,483	843,639,375	843,639,375	19,732,551,108	19,732,551,108	100%
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%

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
1994	.86/.897	4.40	.86/.897	4.40	0.860
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

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
1994	183,400	19,732,551,108	241,071,861	1.22%	1,314
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	478,037,262	1.39%	2,429

NOTES:

- (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
1994	11,370,444	12,598,278	23,968,722	421,442,530	5.69%
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%

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	
1994	2,889,927	1,594,767	1,295,160	-	690,615	690,615	1.875
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

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			Coverage
				Principal	Interest	Total	
1994	37,607,760	27,743,682	9,864,078	2,932,508	3,130,656	6,063,164	1.63
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

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, 2003

Type of Coverage & Insurance Com	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
PROPERTY POLICIES					
{Primary Property} VACO Risk Pool	PTL 442882	7/10/02	7/1/03	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 \$250,000 deductible. Policy limits \$827 + million also include flood earthquakes & sewer backup & Primary garage keepers and auto physical damage covers for parked vehicles.	\$ 475,110 <i>Premium is based on total insured values (TIV)</i> <i>DES 46%</i> <i>DPW5%</i> <i>OSS/RM 49%</i>
1A					
{Boiler & Machinery} Hartford Steam Boiler				Jurisdictional inspection of required pressured vessels, including boilers, HVAC etc.	\$68,121
1B					
{Crime & Fidelity Bonds} Aon Hartford Fire Insurance Co./Aon	PEB AZ9446	7/1/01	7/1/03	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 78A	7/1/02	7/1/03	Exhibition property at scheduled locations and while in transit. Limits: \$150,000 at locations; \$2,500 in transit. Deductible \$1,000.	\$ 1,149 <i>PRCR</i>
3					
{Performing Arts Group} Hanover Insurance Company/ A&R Association	ZDR 541 6094 03	7/1/02	7/1/03	Tenants improvements limits \$850,000. Insured's business property limits \$100,000. Deductible \$250.	<i>Package policy</i> <i>PRCR</i>
4					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2003

Type of Coverage & Insurance Com	Policy Number	Period Fro	Period To	Summary of Coverage & Limits	Premiums
Woodmont School Project: {Property/ Liability Policy} Aon	42 UUN BF6896	7/1/02	7/1/03	Business Personal Property at Fillmore St. location Limits: \$7,300 Deductible \$250.	<i>Package policy</i> <i>Split between DHS&PRCR</i>
5					
{Wash/Balt HIDTA Task Force} Hartford/Aon	42 UUN BF6895	7/1/02	7/1/03	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>
6					
{Const. Officers- Bus. Prop.} Hartford Insurance Company/ Aon	42 BE8483	7/1/02	7/1/03	Constitutional Officers Business Personal Property at 2100 Clarendon, 1425 & 1435 N. Courthouse. 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				Limits: \$114,400. Deductible \$250	

AUTOMOBILE POLICIES

{Physical Damage except Collision} Royal/Aon	TBD	7/1/02	7/1/03	All Risk Physical Damage excluding collision, includes fire units & portable equipment. Limits:\$30 million Deductible: Varies by peril	<i>Policy canceled</i> <i>6/30/02. Coverage is now</i> <i>part of property policy</i> <i>with Genesis</i>
8					<i>OSS/RM</i>
{Garage Keepers - Primary} Royal /Aon	PTL 422882	7/1/02	7/1/03	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</i> <i>6/30/02. 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	7/1/02	7/1/03	Excess coverage for Ballston Garage over Royal Limits \$9 million over \$1 million.	<i>Policy canceled</i> <i>6/30/02. Coverage is now</i> <i>part of property policy</i> <i>with Genesis</i> <i>DPW</i>
10					
{Const. Officers - Auto Liability} Hartford/ Aon	42 UEN DE2638	7/1/02	7/1/03	For the Sheriff Department Covers liability, Uninsured Motorist and Medical Payments: \$1,000,000 each occurrence for Liability, \$1,000 for medical payments	\$ 35,367.00 <i>Sheriff</i>
11					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2003

Type of Coverage & Insurance Com	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	7/1/02	7/1/03	Excess Liability Program for limits \$20 million AL, GL and LEL. Excess over \$1 million retention. Metro easements	\$ 320,000 <i>OSS/RM</i>
13					
{Excess Pub. Off & Employee Liability}	TBD	7/1/02	7/1/03	Excess public officials and employments practices liability. Discrimination and EEO related practices included. Excess over \$1 million retention	Included <i>OSS/RM</i>
14					
{Prof. Liability-Medical Clinics} Evanston Insurance Company/Aon	SM-804111	7/1/02	7/1/03	Professional liability to \$2 million limit. Aggregate limit \$6 million. Deductible \$2,500 per claim	\$ 32,658 <i>DHS</i>
15					
{Prof. Liability-Employed Physicians} Evanston/Aon	SM 804113	7/1/02	7/1/03	Professional liability to \$2 million limit. Aggregate limit \$6 million. Deductible \$100,000	\$ 99,587 <i>DHS</i>
16					
{Prof. Liability-Emerg. Med. Services} Evanston/ Aon	MM 801464	7/1/02	7/1/03	Professional liability to \$2 million limit Aggregate limit \$6 million Deductible :\$5,000	\$ 63,075 <i>Fire Dept/ EMS</i>
17					
{Easement Liability - Primary}	PTL 442882	7/1/02	7/1/03	Primary \$1 million liability required by easements. Wilson, N.Quincy, 15th & Veitch, Fairfax, N.Adams	Included <i>OSS/ RM</i>
18					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2003

Type of Coverage & Insurance Com	Policy Number	Period Fro	Period To	Summary of Coverage & Limits	Premiums
{Volunteer Liability} Insurance Company of N. America/ Aon	G09909655	7/1/02	7/1/03	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.	\$ 2,281 JDRC
19					
{Group Accident Coverage} Philadelphia Life Insurance Co./Aon	SR19869-XBYKA-04 SR19869-ZBQKA-04 SR19869-YBQKA-04 SR19869-XBQKA-04 SR19869-LBKTG-04	7/1/02	7/1/03	Group Accident coordinated with personal coverage. Volunteers and association members. Camping program participants. Recreational sports activities. Community service program. Auxiliary Police.	OSS: 4,710 PRCR: 12,400 PRCR: 6,200 JDRC: 500 OSS: 500
20					
{Performing Arts Group} Hanover Insurance Company/ A&R Assoc.	ZDR5416094-03	7/1/02	7/1/03	General liability and medical expense. Limits:\$1 million/ \$ 3 million	\$ 5,985
21					
{Personal Services Contractors} The Hartford Insurance Group/Aon	42 UEN BE1845	7/1/01	6/30/02	Contract cook and printer. CGL mimits \$1 million Fire Damage \$300,000; Medical Expense \$10,000 General Aggregate:\$2 million	\$ 407 OSS/ RM
22					
{Woodmont School Project} The Hartford Ins. Group/ Aon	42 UUN BF6896	7/1/02	7/1/03	General liability limit \$1 million. Aggregate \$2 millio Fire damage limit \$300,000.	\$ 350 50% split PRCR & DHS
23					
{Wash/Bait HIDTA Task Force} Hartford Insurance Grp/ Aon	42UUN BF6895	7/1/02	7/1/03	Personal and advertising injury limit \$1 million. Fire damage limit \$300,000 Medical expense limit \$10,000. General Aggregate \$2 million	\$ 13,548 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. Limit \$100,000	\$ 100
25					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2003

Type of Coverage & Insurance Com	Policy Number	Period Fro	Period To	Summary of Coverage & Limits	Premiums	
{County Board Surety Bond}						
		continuous until cancell			Bond Limit \$2,500	
	P. Ferguson				\$ 250	
	B. Favola				\$ 250	
	J. Fisette				\$ 250	
	C. Zimmerman				\$ 250	
26						
{Fiduciary Liability Policy- Arlington Co. Employee's Suppl. Retirement Sys 2}						
	81463215	4/8/03	4/8/04	Fiduciary liability to \$10 million	Prem- \$44,000	
	Chubb/Alton Ins. Agency					
27				*** These policies are handled by the Retirement Board Risk Management is not involved with the purchase of these coverages.		
{Rocca Land Purchase}						
	PLS 2672194	6/23/98	6/23/03	Environmental pollution liability coverage provided by seller of property to County.		
	AIG/Aon					
28				Limits \$2 million/\$5 million. Deductible \$5,000		
{DHS Volunteers Liability}						
	Info.Bull.#97-18	Continuous		Personal liability and excess auto liability coverage for services. Purchased by Commonwealth.		
	INA/Common.of Virginia Social Services					
29						
{Public Official Position Scheduled Bond}						
				Bond is now Self-Insured by the State covers failure to discharge duties faithfully.		
	Fidelity & Deposit Co.	30096304	Continuous	Self Insurance Fund per loss	State Self Insured	
		30096303				
30						
{Const.Officers Liability}						
	42 UUN BE 8483	7/1/02	7/1/03	General & Employee Benefits liability limits \$1 millic \$	16,729	
	Hartford Insurance Company/Aon					
				Fire damage limit \$300,000		
				Medical expense limit \$10,000	Constitutional Officers	
				Aggregate Limits: \$3 million.	equal split	
31						
{Const. Officers Liability Plan Virginia Risk Coverage}						
	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)				
	Arlington County Treasurer	Virginia Risk	Continuous	Limits: \$ 1 million per loss, \$1 million aggregate		
32						

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2003

Type of Coverage & Insurance Com	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	7/1/02	7/1/03	Virginia Statutory Benefits for Remunerated Non-County Employees of Project. Policy Indemnifies Clients of Project in the event of injury. <i>OSS/RM</i>	\$ 2,166
Hartford Underwriters Insurance Co./Aon Liability Policies					
34					
{Personal Services Contractors}	42 WE EF4632	7/1/02	7/1/03	Virginia Statutory Benefits for contracted cook for community services program and contracted printer <i>PRCR</i>	\$ 901
Hartford/ Aon					
35					
TOTAL PREMIUMS					\$ 1,175,698

TABLE XII

ARLINGTON COUNTY, VIRGINIA
SALARIES AND SURETY BONDS
OF PRINCIPAL OFFICIALS
June 30, 2003

Official Title	Annual Salary Range Minimum	Maximum	Bond (1)
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	57,509	137,219	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
1994	185	18,747,305	12	41,507,000	5,703	73,317,415	3,033,774(4)	9,173,163,750	8,659,351,500	2,713,212,100
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

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)
1994	180,563	36,364	16,856	3.5%
1995	181,741	37,927	17,164	3.5%
1996	182,801	39,455	17,546	3.2%
1997	184,768	41,151	17,589	2.5%
1998	186,693	43,726	18,126	1.7%
1999	183,716	45,504	18,265	1.6%
2000	189,453	49,683	18,334	1.1%
2001	189,686	51,221	18,484	2.3%
2002	193,649	52,031	18,469	2.6%
2003	196,837	53,159	18,411	2.1%

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 and 2003 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 and 2003 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 2003 is preliminary only.
- (4) Source - Virginia Employment Commission-- Figures for 1994-2002 are annual averages. The 2003 figure is for May. 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, 2003

Taxpayer/ Type of Business	2003 Assessed Valuation	Percentage of Total Assessed Valuation
Charles E. Smith Interests Office buildings, apartment, hotel, land	\$3,350,166,700	10.57%
Cafritz Interests Apartments, warehouses, land	553,223,200	1.75%
Arland Towers Company Office buildings, land	548,015,000	1.73%
Albrittain Interests Apartments, general commercial	462,890,200	1.46%
Fashion Centre Associates Mixed use retail, hotel	386,457,100	1.22%
Crystal Holdings Office buildings	385,561,000	1.22%
Paradigm Managed Properties Apartments	363,034,100	1.15%
Avalon Properties Apartments, land	246,882,500	0.78%
Caruthers Interests Retail, office buildings, apartments, hotel	223,684,700	0.71%
2111 & 2039 Wilson Blvd. Inc. Office buildings, land	179,633,100	0.57%
Total	<u>\$6,699,547,600</u>	<u>21.16%</u>

NOTE:

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

TABLE XVI

ARLINGTON COUNTY, VIRGINIA
MISCELLANEOUS STATISTICS
June 30, 2003

Form of Government	County Manager Plan
Date of Adoption	January 1, 1932
Area (square miles)	26
Miles of Street	480
Number of Street Lights	14,975
<u>Fire Protection:</u>	
Number of Stations	10
Training Academy	1
Number of Employees	305
<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	1,970
Number of Students	18,929
<u>County Water System:</u>	
Number of consumer service locations	36,486
Average daily consumption (gallons)	25,600,000
Miles of water mains	475
<u>County Sewer System:</u>	
Miles of sanitary sewers	470
Average gallons per day treated	29,300,000
System capacity under construction (gallons per day)	35,000,000
<u>Building Permits:</u>	
Construction Permits	2,950
Plumbing, Electrical & Mechanical Permits	5,691
<u>Recreation and Culture:</u>	
Number of Parks and Mini-Parks	114
Number of Libraries	8
Number of Items (Print and Audiovisual)	531,239
Number of Recreation Centers	14
Number of Nature Centers	3
<u>Employees:</u>	
General Government	3,711
School System	3,489

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND BALANCE
Fiscal Year 1995 - 2003

TABLE XVII

	1995	1996	1997	1998	1999	2000	2001	2002	2003
General Fund Balance:									
Reserved for									
Encumbrances	\$ 3,327,992	\$ 2,614,224	\$ 1,501,400	\$ 2,267,661	\$ 3,832,468	\$ 6,424,347	\$ 4,649,576	\$ 4,237,700	\$ 3,517,687
Woodbury Park	200,000	200,000	200,000	200,000	(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	2,600,000	3,000,000	3,500,000	3,500,000	3,500,000
Designated for Operating Reserve	6,000,000	6,500,000	7,600,000	8,600,000	10,100,000	11,500,000	12,500,000	12,600,000	13,400,000
Designated for Subsequent Years Budget	12,450,039	8,088,784	7,315,694	4,496,233	1,534,371	6,683,515	15,746,738	15,839,137	17,041,997
Designated for Incomplete Projects	8,224,087	7,144,384	11,500,298	14,816,480	9,829,119	14,641,370	29,149,242	27,024,978	21,241,614
Total General Fund Balance	\$ 33,302,118	\$ 27,647,392	\$ 31,217,392	\$ 33,480,374	\$ 28,395,958	\$ 42,749,232	\$ 66,045,556	\$ 63,701,815	\$ 59,201,298
General Fund Balance as Percent of General Fund Expenditures and Other Financing Sources	8.08%	6.42%	7.04%	7.37%	5.61%	9.64%	12.21%	17.11%	14.56%

(1) Woodbury Park obligation satisfied in FY 1999.

ARLINGTON COUNTY, VIRGINIA
BUSINESS AND PROFESSIONAL LICENSE TAX REVENUES
Fiscal Years 1994 - 2003

TABLE XVIII

Fiscal Year	Revenues	Percent Change
1994	34,191,530	13.32%
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%



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, 2003, and have issued our report thereon dated October 17, 2003. 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 17, 2003



**Independent Auditor's Report on Compliance and on Internal Control
Over Financial Reporting 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 basic financial statements of Arlington County, Virginia (the County) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 17, 2003. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards* and *Specifications of Audits of Counties, Cities and Towns*.

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 assurance 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 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 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 17, 2003.

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 17, 2003



**Clifton
Gunderson LLP**
Certified Public Accountants & Consultants

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program, Internal Control Over
Compliance and Schedule of Expenditures of Federal
Awards 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, 2003. 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 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, 2003.

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 the applicable requirements of laws, regulations, contracts and grants 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 Henderson LLP

Calverton, Maryland
October 17, 2003

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

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	\$33,921
Refugee School Impact	93.576	20,132
Social Services Block Grant (Purchased Services) (765/453-01)	93.667	1,503,173
(Medical Assistance)	93.778	616,995
(Child Care Purchased Services)	93.596	714,449
(View Purchased Services)	93.558	975,139
Child Care Development Block Grant (102-586)	93.575	1,592,815
Special Needs Child Care	93.575	19,964
Family Preservation	93.556	61,907
Independent Living	93.674	19,044
Caring Education	93.995	251,094
Foster Care & Adoptions (765/453-01)		
Foster Care	93.658	1,785,767
Adoption	93.659	522,521
Fuel Assistance Program(765/452-06)	93.568	6,970
Total Department of Social Services		<u>\$8,123,891</u>
Department of Health Services:		
AIDS Outreach to Minorities Grant	93.216	68,377
Immunization Grant	93.268	40,000
Refugee Grant	93.576	32,746
TB Outreach Grant	93.116	126,754
Rape Grant (Victims of Violence)	16.582	29,463
Rape Prevention and Education	93.136	15,131
Total Department of Health Services		<u>312,471</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	38,086
Mental Health -Seriously mentally III	93.958	29,000
SA HIV Aids FBG	93.959	64,832
SA Treatment FBG	93.959	367,117
SA SARPOS FBG	93.959	94,197
SA Primary Prevention	93.959	184,600
HHS Mental Health (Schools)	93.243	170,455
MH FEMA Regular Services Crisis Counseling	93.982	854,891
Total Mental Health Mental Retardation and Substance Abuse		<u>1,803,178</u>
Department for the Aging		
Older Americans Act		
Title III-B-Area Plan	93.044	169,776
Title III-C-Nutrition	93.045	112,761
Title III-D-Disease Prevention	93.046	2,000
Title III-E- National Family Caregiver Support	93.052	82,980
Title VII-Elder Abuse Prevention	93.041	1,931
Senior Medicare Patrol Project	93.046	29,000
VICAP	93.779	13,600
Total Department for the Aging - OAA		412,048
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u><u>\$10,651,588</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, 2003

	Federal Catalogue Number	Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Federal Payments		
Community Development Grants		
Nineteenth Entitlement(B93UC51002)	14.218	\$2,702
Twentieth Entitlement(B94UC51002)	14.218	15,817
Twenty-first Entitlement(B95UC51002)	14.218	960
Twenty-second Entitlement(B96UC51002)	14.218	24,239
Twenty-third Entitlement(B97UC51002)	14.218	51,388
Twenty-fourth Entitlement(B98UC51002)	14.218	39,085
Twenty-fifth Entitlement(B99UC51002)	14.218	228,646
Twenty-sixth Entitlement(B00UC51002)	14.218	72,930
Twenty-seventh Entitlement(B00UC51002)	14.218	88,717
Twenty-eighth Entitlement(B01UC51002)	14.218	2,031,278
Total Community Development Grants		\$2,555,762
Section 8 Housing Assistance-		
New Construction(VAO28NCOOO4)	14.182	120,161
Substantial Rehab(VAO28SBOO3)	14.182	637,423
Moderate Rehab(VAO28MROO1-OO5)	14.856	2,239,397
Voucher Program(VAO28VO015-023)	14.871	9,283,998
Total Section 8 Housing Assistance		12,280,979
HUD-Federal Emergency Shelter Grant	14.231	83,000
HUD-Transitional Housing Grant	14.235	217,257
HUD-Supportive Housing Grant	14.235	100,098
HUD-HOPWA	14.240	176,135
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		\$15,413,231

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Federal Catalogue Number	Expenditures
DEPARTMENT OF EDUCATION		
Pass Through Payments:		
Department of Education		
Title V- Delinquent Children	84.013	\$103,260
Elementary and Secondary Education Act- Title I (197/171/01)	84.010	2,333,173
Public Law 94-142 Handicapped Program (197/171-02)	84.027	3,206,127
Adult Basic Education(197/192-02)	84.002	238,299
Learning and Library Resources- Title VI (Elementary & Secondary Education Act) (197/171/01)	82.298	127,539
Pre-School Incentive	84.173	132,147
Title III, Part A (NCLB) Emergency Immigration (197/171-06)	84.365	589,442
Title IIEESA, Teacher Education (197/560-11)	84.281	76,685
Title IV Drug-Free Schools (NCLB) (197/171-05)	84.186	55,330
Vocational Education Act - Carl D Perkins PL-101-392	84.048	320,182
Education for Homeless Children & Youth (Stuart B McKinney)	84.196	48,750
Technology Literacy Challenge	84.318	17,329
Goal 2000	84.276	1,404
Reading Excellence	84.338	214,331
Project SERV	84.184	32,278
ESL/Civics Grant	84.002	108,957
Assist Technology	84.027	1,500
Title II, Part A Class Size Reduction (NCLB)	83.367	450,838
Title II, Part A Add-on (NCLB)	84.367	56,653
Title II, Part D Ed Tech (NCLB)	84.318	11,478
Total State Pass Through Payments		8,125,702
Total Department of Education		\$8,125,702

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>Federal Catalogue Number</u>	<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>\$286,035</u>
Total JTPA Grant Programs		<u>286,035</u>
Department of Social Services		
Work Investment Act		
WIA-Admin. Fund	17.258	66,246
WIA-Adult	17.258	170,229
WIA-Youth	17.259	209,885
WIA-Dislocated	17.260	175,597
WIA-Rapid Response	17.260	127,080
WIA-Earmark (Disability Program)	17.261	21,650
H-1B Technical Skills Training	17.249	951,876
National Emergency Grant	17.260	1,248,138
Welfare-to-Work	17.253	90,277
School to work Program	17.249	4,914
Education for Independence	17.255	<u>63,163</u>
Total Department of Social Services		<u>3,129,055</u>
Department for the Aging		
Senior Community Services Employment Program-Title V, OAA(163/455-04)	17.235	<u>33,546</u>
Total Department of Labor		<u><u>\$3,448,636</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, 2003

	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE		
Pass Through Payments:		
Department of Education-		
National School Lunch Program (197/457-02)	10.555	\$2,129,908
National School Breakfast Program	10.553	402,538
Parent/Teen Infant	10.555	11,991
Dept. Agriculture and Consumer Services		
USDA Donated Commodities	10.555	181,157
WIC Grant	10.557	399,676
Administrative Matching Grants for Food Stamps	10.561	1,523,384
Department for the Aging		
Older Americans Act Title III USDA (163/457-02)	10.570	57,506
Total Pass Through Payments		4,706,160
Total Department of Agriculture		4,706,160
DEPARTMENT OF JUSTICE		
Direct Federal Payments:		
Seized Assets	16.000	\$121,561
Metropolitan Area Task Force (MATF)	16.579	2,352,764
High Intensity Drug Trafficking Area (HIDTA)	16.000	6,150,703
High Intensity Drug Residential Treatment	16.000	155,529
1999 Local Law Enforcement Block Grant	16.529	179,641
2000 Local Law Enforcement Block Grant	16.592	148,293
State & Local Law Emergency Preparedness Grant	16.580	6,696,068
Total Department of Justice		\$15,804,559

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Federal Catalogue Number	Expenditures
OTHER FEDERAL ASSISTANCE		
Direct Federal Payments:		
Air Force Junior Reserve Officer Training	12.000	\$50,973
PL103-382 Bilingual Education Act	84.288	103,297
Gear up Program	84.334	822,482
Early Intervention Plan (ICEE)	84.181	267,152
Total Direct Federal Payments		1,243,904
Pass Through Payments:		
Department of Fire Programs		
Emergency Management Assistance (127/701-04 & 960/728-07)	83.503	20,921
Total State Pass Through Payments		20,921
Department of Commerce		
Economic Development Administration Grant	11.303	88,648
Total Department of Commerce		88,648
Total Other Federal Assistance		1,353,473
TOTAL FEDERALLY ASSISTED PROGRAMS		\$59,503,349

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

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, 2003**

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:	<p>DOE – Elemenrary and Secondary Education Act. Title I Services (197/171/01) (CFDA #84.010)</p> <p>HHS – Foster Care & Adoptions (765/453-01) (CFDA # 93.658)</p> <p>DOJ– State & Local Emergency Preparedness Grant (CFDA #16.580)</p> <p>DOJ-Metropolitan Area Task Force (CFDA # 16.000)</p> <p>DOJ-High Intensity Drug Trafficking Area (CFDA # 16.00)</p>
Dollar threshold used to distinguish between Type A and Type B programs:	1,785,100
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 <i>Government Auditing Standards</i>:	None
III. Findings and Questioned Costs relating to Federal Awards:	None