



Arlington County, Virginia
**Comprehensive
 Annual Financial
 Report**
 Fiscal Year Ended June 30, 2005



ARLINGTON COUNTY, VIRGINIA

Comprehensive Annual Financial Report

FISCAL YEAR 2005

(July 1, 2004 - June 30, 2005)



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, 2005

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INTRODUCTION



DEPARTMENT OF
MANAGEMENT AND FINANCE

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October 14, 2005

Chairman Jay Fiset 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, 2005.

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, 2005, 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, 2005, 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.

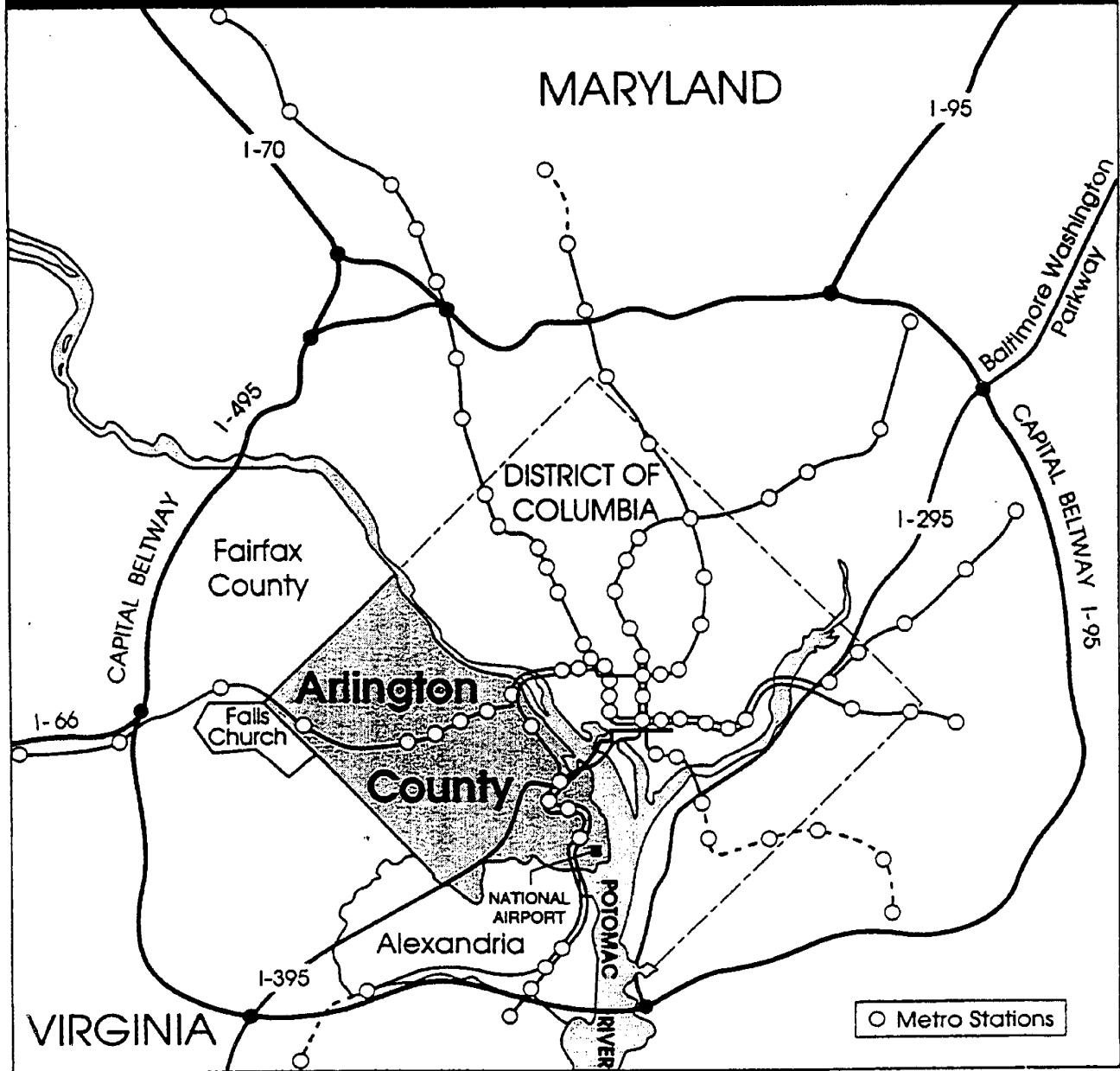
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter or transmittal is designed to complement the MD&A and should be read in conjunction with it. Arlington 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. 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, 2005 was \$42.3 billion. The County government's budget for all funds for Fiscal Year 2005 totaled \$870.6 million, which included \$351.1 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 ("Schools") 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 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 a 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, and B-5. For the discrete component unit Schools, these comparisons are presented in Exhibit G-3.

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. In addition, the County contains substantial office, residential, and rental development that serves to diversify its property tax base. Arlington's economy is outperforming national and regional averages, as evidenced by key metrics related to unemployment, office demand, retail sales, and tourism all showing stable or improved levels over the past two years. Assessed valuation of real property has grown by more than 10% in each of the past five years, led not only by residential appreciation, but also reflecting infill development around Metro rail stations and refurbishment of older office properties.

Arlington has more private office space than downtown Los Angeles, Atlanta, or Seattle and is the epitome of smart growth and new urbanism, with over ninety percent (90%) of all new commercial and residential development located in the Metro corridors. Since 1960, some thirty-eight million (38M) square feet of office and commercial space has been built in the Rosslyn-Ballston or Jefferson Davis corridors, which also contain ninety percent (90%) of Arlington's 10,122 hotel rooms. This excludes federally owned office buildings such as the Pentagon, which is the headquarters of the U.S. Department of Defense. In addition, nearly 11,000 new residential units have been built in the Metro station areas. No community in America has had a stronger commitment to transit-oriented development. In July 2005, the County's office vacancy rate was 11.3%. The residential unemployment is very low, averaging 2.4% for 2005, below regional, state, and national averages. Arlington's per capita income and property wealth indicators are well above average.

In June 2005, the County's deep and diverse economy, strong financial management, a moderate and rapidly retired debt burden, and manageable capital needs 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 strong, with ample liquidity, sound general fund reserves, a competitive tax structure, and excellent financial planning. The continued growth of high wage jobs in the technology, communications and financial services sectors, high per-capita retail sales and strong operating reserves serve to establish Arlington County, as of June 30, 2005, as only one of approximately 22 counties in the United States with top bond ratings from all three major bond-rating agencies.

Long-Term Financial Planning

The Arlington Vision adopted by the Arlington County Board in 2001, provides the overarching framework for our strategic and operational decision making. The vision provides the continuity necessary to execute both short- and long-term policy and resource decisions. The annual budget serves as Arlington's annual operations plan. Multi-year strategies are incorporated into a Management Plan, which is updated annually. Six core themes are contained in the 2006 Management Plan that support the Board's vision include:

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

The Arlington County Board unanimously approved a balanced budget for Fiscal Year 2006, which included the largest real estate tax rate reduction (eight cents per \$100 of assessed value) since 1989. This marked the fourth consecutive year of these rate reductions, totaling 14.5 cents. The budget process was a participatory one, involving countless hours of deliberations, input from residents, recommendations from boards and commissions, and work sessions with County staff.

Arlington Vision

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

— Arlington County Board

Rising property assessments in the region continued to make affordable housing and tax relief important policy priorities for the County Board. The approved budget addressed these concerns by setting one of the lowest tax rates in the region, by providing additional, targeted tax relief to the neediest homeowners, and by earmarking incremental revenue from the increased recordation tax rate for new and expanded affordable housing programs. The overall tax and fee burden continues to be one of the lowest in the region.

The approved budget continued funding for core County services and the Arlington Public Schools and provides additional support for a number of initiatives, including new and expanded facilities, performance audits, traffic enforcement, and case managers for mental retardation/developmental disabilities, mental health and substance abuse services. The budget also provided funding for a competitive compensation and benefit package for County employees.

Taxes and Fees

The County Board focused its efforts on tax relief for residential homeowners, whose property assessments and real estate tax bills increased significantly over the past several years. Despite state laws that limit the County's ability to provide direct tax relief to homeowners, the Board was able to provide meaningful relief through a number of actions. The County Board:

- Reduced the real estate tax rate by eight cents, from 95.8 cents to 87.8 cents per \$100 of assessed value;
- Established a new homeowner's grant program to provide grants to households meeting certain income and asset requirements;
- Expanded eligibility for the County's tax relief program for the elderly and disabled (providing for exemption and deferral of real estate taxes) by increasing income and asset limits to take advantage of new standards approved by the state;
- Increased the water and sewer rate to help finance upgrades to the Water Pollution Control Plant and other operating and capital costs;
- Increased the commercial utility tax rates for electricity and natural gas to help redistribute the tax burden between residential and commercial customers after the eight cent reduction in the real estate tax rate, continuing as the only Northern Virginia jurisdiction that does not assess utility taxes on residential customers;
- Increased the household solid waste rate to recover the full cost of refuse collection and disposal
- Increased the E-911 rate to support the construction and equipping of a new Emergency Communications Center

Affordable Housing

By earmarking the additional revenue generated from the increase in the recordation tax rate approved by the state, the County Board was able to fund several affordable housing initiatives for FY 2006:

- Increased the revolving loan fund (Affordable Housing Investment Fund) for both FY 2005 and FY 2006;
- Increased support for the housing grants rental assistance program to assist ongoing grants, supportive housing for low-income persons with disabilities and transitional housing for families leaving shelters; and
- Approved funding for a new position and tenant outreach services to work with developers as affordable housing units are converted from rental to homeownership.

Education

The transfer of funds to the Arlington County Public Schools for FY 2006, based on the revenue sharing agreement – apportionment of 48.1% of local tax revenues to Schools – will support the School Board's adopted budget requirements.

Employer of Choice

The budget funds a number of increases in employee compensation and benefits including annual step increases, a 2% market payline adjustment, additional employer contributions to the retirement system and health insurance program, and increases in the "Live Where You Work" grant and tuition reimbursement programs.

Capital Investment

Of the numerous capital improvement projects in the County's six-year Capital Improvement Plan, the County Board provided funding to support capital improvement projects in FY 2006 including: security enhancements at the Northern Virginia Juvenile Detention Home; neighborhood traffic calming and conservation projects; asset preservation funds for transportation, parks and government facilities; technology investments to support e-government; and ongoing support for regional partnerships.

Cash Management Policies and Practices

The County pools substantially all cash and investments, including those held by the Schools, except for separate cash and investment accounts that are maintained in accordance with legal restrictions. Each Fund's equity share of the total pooled cash and investments is included on the accompanying balance sheet under the caption "Equity in Pooled Cash and Investments." The Code of Virginia, Sections 2.2-4500 through 4517, and the investment policy of the County as revised by the County Finance Board in April 2004, authorize the County Treasurer to invest County funds in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper with a "prime" quality rating by at least two of the following: Standard & Poor's, Inc. rating of A-1, Moody's Investor Services, Inc. rating of prime 1, Fitch Investor's Services, Inc. rating of F-1, and/or Duff and Phelps, Inc. rating of D-1, banker's acceptances, repurchase agreements, corporate notes with a "prime" rating by Standard & Poor's Inc. of at least AA or by Moody's Investor Services, Inc. of at least Aa, mutual funds and the Virginia Local Government Investment Pool ("LGIP"). 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"). SNAP is 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.

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 account for necessary claim settlements in the General Fund. For excess exposure levels, specialized exposures and where commercial insurance is available at cost-effective premiums, the County will transfer some risk to commercial insurance carriers through the purchase of insurance policies, while maintaining the integrity of the County's strategic self-insurance objectives. The major self-insurance programs are workers' compensation, employees' health insurance, and the self-insured retention portion of general, automobile, and public officials' liability. For each major self-insurance program the County uses the professional services of a third-party administrator to adjudicate claims and recommend appropriate reserves for outstanding claims. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The amount of settlement did not exceed the insurance coverage for each of the last three years.

In addition, the County has designated a General Fund balance self-insurance reserve of \$3.5 million as of June 30, 2005. The County maintains a General Fund operating reserve that totaled \$15.2 million as of June 30, 2005. 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, 2004. For the year ended June 30, 2005, the County's annual pension cost of \$13.9 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 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, 2005, 1,271, and 1,364 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.

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 20, 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", "Business and Professional License Tax Revenues". These are included as Exhibit S-3 and Notes to the Financial Statements #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 2005

Some of the unique contributions of the County's departments and offices in FY 2005 in alphabetical order follow:

COMMISSIONER OF REVENUE

Commissioner of Revenue ("CoR"), Ingrid H. Morroy, took office on January 1, 2004. The accomplishments of the CoR's Office listed below correspond to her first full fiscal year in office. All reflect the on-going fulfillment of the Commissioner's mission to provide high quality customer service, taxpayer education and outreach, technological advancements, and uncompromising standards of fairness.

Customer Service

The continuous re-engineering and improvement of internal processes, that includes full-time telephone and counter teams, and newly implemented automated business license and business tangible tax return processes have resulted in immediate positive effects on faster response time, efficiency, accuracy, and assistance to taxpayers. The implementation of an open door policy allows customers to directly provide feedback to the Commissioner and her staff. This includes the accessibility to a Customer Advocate. Customers also can complete a short survey at the counter. DMV Select office now operating in the CoR office provides a one stop service to customers who can take care of several transactions required by both the Commonwealth of Virginia and Arlington County such as registration, and titling, in addition to ordering special and personalized plates, transcripts, and others. Customers continue to successfully use the online access to our web site for vehicle registration, business tax forms, information on opening a new business in Arlington County, and public service announcements. Successfully implemented an action plan in the personal property tax division during the busiest time of the year, September-October, to provide better and faster service to customers. Employees from all divisions were cross-trained to insure fast and effective accessibility to customers.

Taxpayer Education

CoR staff actively participated in the Annual Business Expo, in conjunction with Arlington Economic Development to provide bilingual classes for prospective new business owners. CoR staff also present the annual Vendors Program in English and Spanish, which educates customers about the rules, regulations, and licensing procedures specific to vendors in Arlington County. Printed new bilingual informational brochures on business tangible tax and opening a new business in Arlington County, personal property tax and vehicle registration.

Process and Technological Improvements

The new technology for electronic vehicle assessments and established electronic databases of information continues to create significant efficiencies in transaction processing, eliminating duplication of effort and multiple layers of approval. Efficiency gains have allowed staff more time to serve customers at the counter, on the phone, through e-mail and standard mail. Continued the aggressive personal property enforcement program with the goal of registering all cars garaged in Arlington with significant results. This year, for the first time, the Enforcement team worked closely with apartment/condominium management to gain access to underground parking facilities. In FY 2005, the Enforcement Program registered over 3,600 previously unregistered vehicles accounting for more than \$1,150,000 in additional personal property tax assessments.

COMMUNITY PLANNING HOUSING AND DEVELOPMENT

Five-Year Consolidated Plan and Fair Housing Report

In April 2005, the County Board approved the new Five-Year Consolidated Plan for FY 2006-2010. The HUD-required Plan provides the strategic framework for housing, homeless, community development, and economic development activities over the next 5-year period. The County Board also approved a HUD-required Fair Housing Report. The report provides an assessment of how laws, governmental policies, real estate practices and local conditions affect the location, availability and accessibility of housing. It identifies strategies the County might undertake over the next five years to improve access to housing for all households.

Online Apartment Guide

In January 2005, the County unveiled its Online Apartment Guide (<http://aptguide.arlingtonva.us/>), offering personalized searches to identify apartments in meeting pricing, location, unit size, amenities and other needs. In its first month of operation following initial publicity, 5,700 hits to the Online Apartment Guide resulted in over 25,000 apartment searches.

Affordable Housing Roundtable

In May 2005, the County Board-appointed Roundtable began meeting. Its charge is to review the General Land Use Plan (GLUP) and Zoning Ordinance to clarify possible relationships between affordable housing and increases in density. It is composed of developers, housing advocates, elected officials, land use attorneys, business representatives, civic association representatives and other stakeholders.

Housing Development

Affordable Housing Units Under Construction: Nine developments are under construction that will yield a total of 206 committed affordable units. They are: The Odyssey (21 apartments as part of 306 condominiums); The Hawthorne/Wilson/Pollard Condominiums (11 of 143 condominiums); IO Piazza/AlexanShirlington (15 rental units in 244 unit condominium complex); The Joule/3409 Wilson Blvd (5 of 87 condominiums); Woodbury North (108 rental of 207 total units); 1800 Wilson Blvd (5 of 153 condominiums); Quincy Plaza (25 of 499 apartments); Bromptons at Cherrydale (2 of 46 townhouse/condominiums); and the WRIT/Rosslyn (14 of 224 apartments).

Affordable Housing Approved in Site Plan Projects: The County continued to work with for- and non-profit developers to blend affordable rental and ownership units in with market rate units. During FY 2005 the County Board approved the 6 developments that will blend affordable and market rate units (226 total affordable units). They are: Abingdon Heights (14 of 252 condominium units, 9 of which may be off-site); One Metropolitan Park (20 of 399 rental units); Alexan at South Glebe Road (20 of 251 condominium units); Rosslyn Ridge (95 of 238 apartments); The Views of Clarendon (70 of 116 apartments); and VA Square Park (7 of 135 condominiums).

Gates of Ballston: On November 16, 2004, the County Board approved AHC's proposal to redevelop and refinance the 464-unit Gates of Ballston Apartment complex. The entire redevelopment should be completed by October 2007. The project will result in the preservation of 348 affordable units including 54 new 3-bedroom units for households earning 60% of area median income or less. The project also includes a new community center that will house the management office and several community programs including an outreach center for the County's Department of Human Services. The construction of 19 market-rate condominiums on the site will provide funds to help offset the cost of the affordable units.

Neighborhood Conservation Program

Twenty-five Neighborhood Conservation projects were completed in 2005. There are 72 active projects in the Neighborhood Conservation project portfolio affecting 33 neighborhoods including: 48 street improvement, one pedestrian enhancement, six street light, nine parks, two neighborhood sign, and two beautification projects. There were 61 proposed projects in the new project portfolio including: 41 street improvement, seven street light, seven parks, and four beautification projects.

Historic Preservation Program

In May 2005, hosted a standing-room-only public lecture about the history of American suburbs and the architectural significance of Arlington. Lecture presented by Dr. David Ames, Director of the Center for Historic Architecture and Design and Professor of Urban Affairs and Public Policy and Geography at the University of Delaware. Installed historic markers at the following historic sites: Reevesland; Carlin Community Hall; SW No. 6 Boundary Stone; SW #8 Boundary Stone; Charles Drew House, and Maury School. Interpretive panels also completed and installed at Bluemont Junction/W&OD Trail. Nominated the Arlington Forest neighborhood to the National Register of Historic Places; the nomination was approved by the State Review Boards in September 2004 and is now with the Virginia Department of Historic Resources in Richmond being prepared for submittal to the National Park Service. In November 2004, the Penrose Historic District was listed in the National Register of Historic Places. In December 2004, Reevesland became the 29th locally designated Arlington Historic District.

Neighborhood Strategy Area (NSA)

NSAs have commenced the development of strategic plans for the Focus Areas (Pike Village Center, Nauck, Columbia Heights West and Buckingham) and Enhancement Areas (Arlington View, Radnor/Ft Myers and Long Branch Creek. These plans will be used to identify the program priorities that will be addressed in these targeted neighborhoods. The Planners will continue outreach efforts in the Neighborhood Outreach Areas (Lyon Park, Westover, Penrose and Barcroft) by keeping the residents of these areas informed on existing and new County Programs and services. Began implementation of the Nauck Village Center Action Plan in partnership with the Nauck Revitalization Organization (NRO) by developing the Request For Proposals (RFP) for the Town Square Charrette; completed draft guidelines for the Nauck Technical Assistance Loan/Grant

Program. The NRO also reviewed two (2) development proposals for projects within the Nauck Village Center. Staff in Neighborhood Services worked with staff in the Department of Human Services and community leaders to relocate the Dr. King, Jr. Community Center in Nauck. The center was forced to leave its location of 40 years following a fire that caused extensive damage to the structure. Neighborhood Clean Up events were held in four of the NSAs (Nauck, Columbia Heights West, Buckingham and Arlington View).

Commercial Revitalization Program

Completed the first County-wide project solicitation process for the new Commercial Revitalization Program. Eighteen proposals were received, an almost equal number from staff and community leaders. Two projects were recommended for funding: Nauck Village Center Town Square within the special revitalization district and Nauck Public Improvement Fund and the Columbia Station Project within the Columbia Pike Special Revitalization District.

Planning

Columbia Pike Initiative: Staff completed and/or updated the Revitalization Plan Update 2005, the Columbia Pike Street Space Plan, and the Columbia Pike Form Based Code Document. These three documents are available in print, on the Web and soon to be available on CD ROM. Together they provide accurate information about the County's vision for the Columbia Pike Corridor.

Petros Project: A major form based development project was approved in the western gateway of Columbia Pike. The Petros Site, as it is known, will soon have a 10 story residential condominium with Ground Floor retail. This major development project represents a second major development project planned for the Pike and represents continued development community confidence in the form based code approach as well as the strong market potential of the Columbia Pike corridor.

Vacant and Dilapidated Program: To date, 59 of the original 78 properties (75%) have been brought into compliance. The County Board designated three properties as blighted at the March 12th County Board meeting and action plans are pending on those properties.

Awards

The Nauck Village Action Plan won an Honorable Mention for an outstanding community plan at the Virginia Planning Association. The Nauck Plan was adopted by the County Board one year ago and has spurred approval of key infill projects and progress on the acquisition and development of a village plaza.

The Arlington East Falls Church Plan developed by the Virginia Tech Studio with assistance from the County Planning and Environmental Services staff won the outstanding Student Planning Award at the Virginia APA conference. The plan will help the East Falls Church neighborhood evaluate alternative development options for the Metro Station Parking lot and surrounding parcels.

ENVIRONMENTAL SERVICES

FY 2005 was the first full year of operation for this department, created from the former Departments of Environmental Services and Public Works and the Office of Support Services. The focus of the department will be in the critical policy areas of transportation, the environment, and capital investment.

Transportation

Kicked off the "Way to Go Arlington" campaign, a multimedia effort to encourage individuals to use alternate means to single-occupant vehicles. "There's more than one way to get where you're going" includes bus, Metro, bicycle, walking, carpooling. Initiated a comprehensive update of the Master Transportation Plan to combine the transit, street, bicycling and pedestrian plans in one document and to include a new parking element. Inaugurated an annual Community Bike Day to coincide with a professional bike race and initiate a new BikeArlington website, which mirrors the WALKArlington site. Completed review of Residential Permit Parking Program and proposed changes to the County Board. When implemented, the revised program will provide more flexibility for participants.

Optimized signal functioning to improve traffic flow, reduce vehicle emissions and improve safety and mobility for pedestrians on Lee Highway, Rosslyn-Ballston Corridor, North Glebe Road Corridor, Arlington Boulevard, Pentagon City, South Glebe Road Corridor and Crystal City, for a total of 190 signals. Implemented Columbia Pike transit signal priority and emergency vehicle pre-emption to give signal preference to bus and emergency vehicles. Completed the installation of the traffic incident management control center, which includes CCTV for the major intersections in the County.

Installed new and upgraded existing traffic signals. The work included replacing span wires with mast arms, upgrades to signal heads, improvement to or installation of ADA ramps, and installation of countdown pedestrian signals. Continued

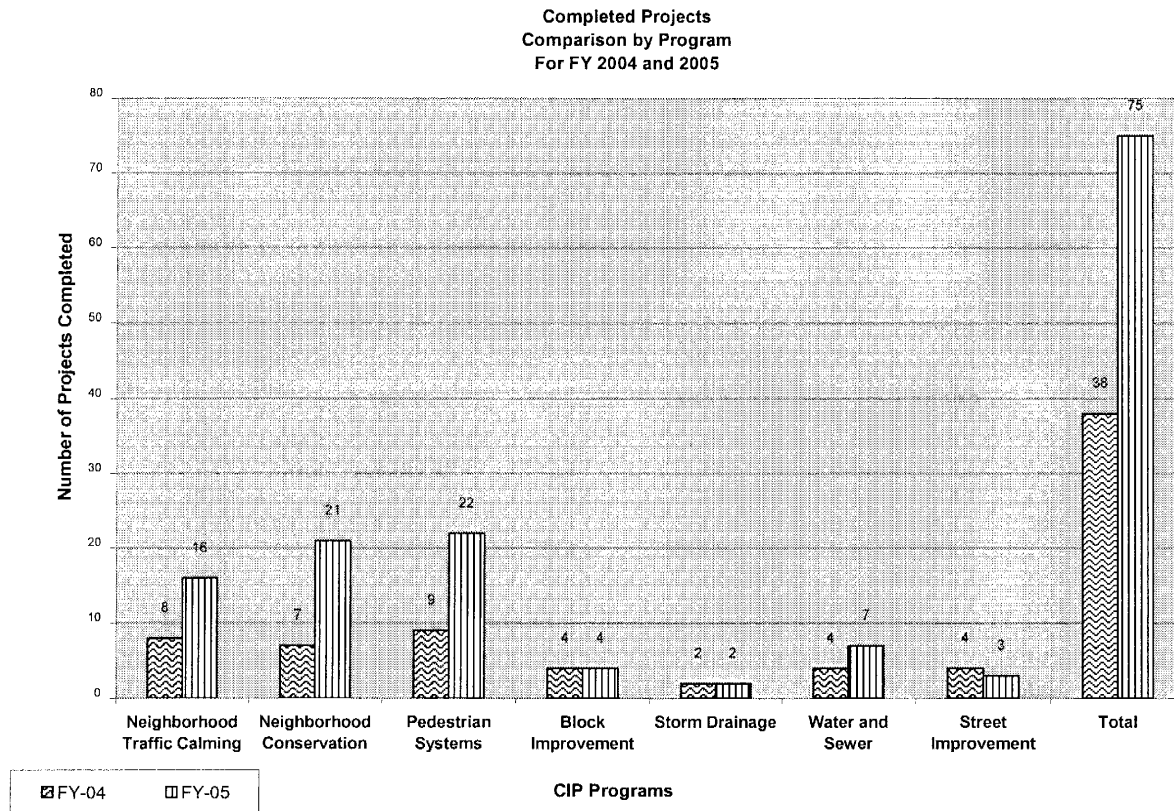
program to replace incandescent traffic signals with LED. These improved signals have earned the Energy Star, use 90 percent less energy than conventional and provide reliable, long-lasting, low-maintenance performance.

Utilities and Environmental Policy

Attained nearly 34 percent recycling rate, which is two points higher than the previous year and nine points higher than the State-mandated rate of 25 percent. Installed new dirt screen to improve capacity for recovering clean fill dirt from County construction projects. Dirt is disposed of at no cost, and the nearly 1,400 tons of stone are processed for reuse in other projects. Reconfigured street sweeping routes to increase sweeping passes from five to seven annually with no increase in resources. The rerouting also allows for expanded sweeping of the on-street bike lanes in the commercial sweeping routes. Hired bi-lingual Spanish speaking Call Center representative to better serve the community. Successfully operated Water Pollution Control Plant with 365 consecutive days of no lost-time accidents, no external bypasses and no Notices of Violation of our Virginia Pollutant Discharge Elimination System operating permit.

Engineering and Capital Projects

Completed County CIP construction projects at a rate nearly double that of FY 2004 as shown in the following table.



General Services

Continued replacing County fleet that is dependent on fossil fuel with more fuel-efficient vehicles that use alternative fuels such as biodiesel, ethanol and hybrid gas-electric. Implemented living wage in custodial services contracts in five contracts for County buildings, covering 85 private-sector employees. Modified all cleaning contracts to require use of Green Seal-certified cleaning products. This also applies to products used by in-house staff. Retrofitted lighting in the Arlington Courthouse. Energy consumption in the building has been reduced by eight percent and has saved over \$8,000 in four months. The electricity saved from this project will be enough to power about 50 homes each year, and the investment will pay for itself in less than five years.

Awards

Recognized by the Virginia Clean Cities and Blue Ridge Clean Fuels as innovative leaders for using biodiesel fuel in diesel-powered vehicles, drastically reducing the black soot exhaust emissions and reducing dependence on petroleum fuel by 20 percent.

Recognized by the American Public Transportation Association's AdWheel Grand Prize for the Pike Ride promotional campaign to increase transit ridership along Columbia Pike.

Recognized by the Transportation Marketing and Communications Association with a Tranny Award of Excellence for the Pike Ride retail brochure. Recognized by the American Public Transportation Association's AdWheel as First Place for direct mail for a postcard advertising the 3Y route change.

Recognized by the National Association of Clean Water Agencies with a Gold Award for 100 percent compliance with its National Pollutant Discharge Elimination System permit limits.

HUMAN RESOURCES DEPARTMENT

During FY 2005, the Human Resources Department began the year with our second annual Strategic Plan, focusing on technology, integration of systems and services, and undertaking a major review of our policies, procedures and processes. Accomplishments completed in FY 2005 are highlighted below.

Participated in the selection of the software and implementation vendor for the County's Enterprise Resource Planning System. A major part of this undertaking was the development of specific, detailed test scripts to evaluate the vendors.

Implemented the FY 2006 "Transition Year" compensation plan, as an initial precursor to a County-wide Pay for Performance/Performance Management system and a compensation system linking pay to performance for senior division chiefs in the County. This included developing policies, forms, and a manual for employees and managers; conducting briefings and training throughout the County; developing payroll codes and processes; and creating intranet resource materials.

Completed the reorganization of the retirement system administration function into the Human Resources Department, allowing for more integrated delivery of services and information to employees and retirees. Implemented Language Pay for employees who are required as part of their position to speak another language. This included oversight of the testing and certification of over 250 employees now receiving Language Pay. Implemented a revised New Employee Orientation program with a revised format including increased participation by the County Executive Leadership Team and developed a new Workforce Planning Tool which will help organizations perform gap analysis between current and future business needs and employees' skills and competencies.

Conducted a "quick fix" process for the Worker's Compensation Program and implemented a number of the suggestions received including developing a consolidated booklet for employees and supervisors; creating an on-line reporting system for job related injuries; and updating the intranet web page with more comprehensive information. Developed new outreach plan, concentrating efforts and resources on local partnerships. Held first Public Safety job fair in partnership with the Police, Fire and Sheriff agencies attracting almost 300 potential candidates.

Awards

Marcy Foster received the Jack Foster Executive of the Year Award at the annual banquet of the Local Government Personnel Association of the Baltimore-Washington Metropolitan Area. This award, by the association's more than forty member jurisdictions, recognizes Marcy's achievements in her less than two years as Arlington 's Human Resources Director.

The County was recognized by the National Committee for Employer Support of the National Guard and Reserve as a Patriotic Employer. This award reflected the County's human resources policies which support employees who are serving in the National Guard and Reserves.

HUMAN SERVICES

The Department of Human Services (DHS) continued to provide a wide range of services to maintain a healthy, stable, and safe community. In FY 2005 accomplishments in four areas are highlighted.

Supportive Housing

The County adopted a comprehensive Supportive Housing Plan, which represents an innovative, multi-pronged, proactive strategy to expand affordable, accessible, community-base housing for low-income persons with mental and/or physical disabilities. The Technical Assistance Collaborative (TAC) assessed the needs among a variety of populations, researched supportive housing "best practices," evaluated and recommended supportive housing financing and service strategies and funding opportunities, and developed a Comprehensive Supportive Housing Plan. The Arlington County Board, as part of its Consolidated Plan, adopted a five-year supportive housing initiative to produce 375-425 units of supportive housing. Work continued to bring to fruition 77 additional supportive housing units that were "in the pipeline" prior to adoption of the Plan, including 8 units in an affordable housing complex owned by Arlington Partnership for Affordable Housing, and 21 units

through the Milestones Program for housing for homeless persons with serious mental illness. Planning and preliminary design of renovation of an assisted living facility for older persons with mental disabilities was completed, with the participation of a Citizen's Design Team, culminating in submission of an application to the U.S. Department of Housing and Urban Development (HUD) for \$4.8 million of rehabilitation and expansion funding. The County entered into a contract with Volunteers of America National Services to form a non-profit to hold title to the property and submit the HUD application.

Assistance to Non-Profit Human Service Organizations

DHS completed a number of actions to provide assistance to the many non-profit community-based organizations that provide human services in Arlington including: awarding one-time Non-Profit Capacity Building Grants to eighteen service organizations; providing a one-time emergency grant to Vanguard Services, Unlimited to ensure the continued operation of Demeter House, a specialized residential substance abuse treatment program for chemically dependent women with children or pregnant women; providing a one-time forgivable loan to the Arlington Retirement Housing Corporation to stabilize the finances of the 340-unit Culpepper Garden, the largest housing complex for low-income seniors in the County. Additional annual funding was provided to increase subsidies for services for very low income residents of the assisted living wing of the complex; completing reorganization of in-home services for elderly persons with a significant increase in budget for the Cluster Care Program, contracting with non-profit providers to pay living wage to in-home assistants. Through the Xtend program, DHS provided connection to the County's fiber optic Supplemental I-Net system for nine non-profit organizations operating at 24 sites, resulting in free broadband connection, upgraded hardware, and subsidized information technology support services.

Facility Improvement Projects

Significant capital improvements progress has been made in two human service facilities. Construction work at the Fenwick Center, located on South Walter Reed Drive, commenced in October 2004 and occupancy is expected in fiscal year 2006. Fenwick Center will house major components of the Public Health Division, including Communicable Disease, Environmental Health, Laboratory, and Divisional Administration. The major rehabilitation work will result in consolidation of public health programs now in different buildings, as well as greatly enhanced physical facilities for service programs and public health support activities.

The George Mason Center, located at 1725 N. George Mason Drive, started major rehabilitation and renovation work in October 2004. Completion of construction and occupancy is expected in fiscal year 2006. When completed, this building will house the Arlington Community Action Program (ACAP) and the Head Start Program operated by ACAP. This facility will allow ACAP to vacate school buildings slated for demolition and rented classroom space not adequate for early childhood education. It provides a long-term home for programs that have had to vacate a number of different school buildings over the last twenty years.

Services to Abused/Neglected Children

The child welfare functions have been reorganized to provide more seamless and child-centered services to abused or neglected children and to children at risk of out-of-home placement. The Arlington Child Advocacy Center (CAC) was opened, providing more sensitive response to children against whom sexual abuse or severe physical abuse has been alleged, and ensuring close collaboration among DHS, Police Department, the Commonwealth Attorney, and the County Attorney. The Arlington CAC is the first public agency in Virginia to become an Associate Member of the National Children's Alliance (NCA). Associate membership offers participation on NCA committees and discounted NCA trainings to centers working toward accreditation. DHS has initiated increased efforts to recruit, train, and retain foster and adoptive families by reassigning staff responsibilities and implementing the Child Welfare League of America's Parent Resources for Information, Development, and Education (PRIDE) model. The PRIDE model represents the state of the art foster and adoptive parent preparation, development, and support. It is designed to strengthen the quality of family foster care and adoption services by providing a standardized, consistent, structured framework for the competency-based recruitment, preparation, and selection of foster and adoptive parents, and for foster parent in-service training and ongoing professional development.

LIBRARIES

Library activities in 2005 furthered the Libraries' mission to provide access to information and to put the world within reach. The outcome – in facilities and remotely – showed a continued increase in use and customer satisfaction.

Business in Library and County Facilities

Circulation increased by 1% overall to 2,616,692. This increase is on top of 5% and 7% overall increases in the two previous years. Customers visited the Library 1.5M times, an increase of 1%. The Cyber Center computer labs at Columbia Pike and Central had more than 50,000 users, an increase of 9%. Almost 2000 attended classes. Volunteers contributed close to 21,000 hours of service. Information and Referral had a 15% increase in use overall. More than 70,000 people came to the desk at Courthouse Plaza for information. Significance: Arlingtonians continue to seek information. They read,

listen, ask and watch more every year. Good customer service continues to be a critical component of customer satisfaction with Libraries.

Business in the Virtual Library

ACORN II, a new information system with a next generation visual search display, was launched. Remote Library website user sessions increased more than 40%. More than 89,000 user sessions took advantage of the library's electronic databases. 3000 e books were "checked out" and "read" online, an increase of 75%. Holds were up another 30%, after a 49% increase in FY 2004. More than 340,000 materials were renewed electronically – by telephone or by web.

Significance: Access to the Library homepage, a "virtual branch library" saves time, provides access to basic services and delivers substantial information through its databases. The number of user sessions or "visits" at the virtual branch is 40% of the total customer visits (web and facility) made this year. The new visual display of search results is a next generation approach to information retrieval.

E gov Business

The County website launched a new customer and information driven architecture and visual identity with a Spanish language portal. The website features a news section updated daily. Close to 4.5M County website user sessions (+29%) and more than 39M page views (+86%) took place on the County website. AVN74: launched Update Arlington, a weekly five minute roundup of events and activities – and completed 70 episodes (35 in English and 35 in Spanish); launched a quarterly 5 minute cable segment highlighting the County Board Chair's priority initiatives (Newsmakers); provided television coverage for 11 County Board meetings and carryover sessions as well as 18 press conferences and produced 6 new episodes of Cuentos y Mas, a bilingual story time for children. Significance: Use continues to grow as the County website becomes more sophisticated, as the market place develops and as the public continues to demand "more".

Other Accomplishments

Cross Cultural Cinema continued to show films from other cultures and countries – with discussions. A traditional Ethiopian Coffee Ceremony presented a window into the sights and smells of our neighbors' celebrations. Reading groups (SOAR, HILT TAB and Parenting Teens, Library Links, Baby Steps) in partnership with Arlington Public Schools and Human Services reached new families and reluctant readers. Central Library Youth Services area was renovated to meet the expanding needs of young people in the community. Construction of the new Shirlington Library began. Arlington Historical Society Museum donated their photo and document collection to the Virginia Room. A restored portrait of William Augustus Rowe was presented to the Virginia Room by his family. The Friends of the Library sold 40 tons of books in two very successful book sales. Significance: These varied initiatives connect the library to the community and help the community "put the world within reach".

Awards

Silver Inkwell Award from the International Association of Business Communicators. Honors the County's new logo.

National Association of Telecommunications Officers and Advisors. Honored Cuentos y Mas, the AVN74 produced bilingual storytime for children.

2005 Digital County Survey Winner. County and website honored for its electronic service delivery to citizens

MANAGEMENT AND FINANCE

Successfully sold nearly \$94.5 million of General Obligation Bonds at a true interest cost of 3.84 percent, the lowest rate on record for County bond issues; refunded \$81.0 million of General Obligation Bonds for a savings of \$6.239 million in debt service over the life of the bonds; and negotiated the sale of nearly \$60.5 million in Industrial Development Authority ("IDA") Lease Revenue Bonds to finance various County capital projects, including the Emergency Communications Center.

Achieved reaffirmation of Arlington's triple-AAA/AAA/Aaa bond rating by Standard & Poor's, Fitch Ratings, and Moody's Investor Services. Arlington is one of just a few counties in the United States to carry a triple-AAA/AAA/Aaa bond rating.

Successfully negotiated the \$37.5 million financing and ownership by the IDA of the Ballston Skating Facility, which will be built on the 8th level of the Ballston Public Parking Garage. The Skating Facility will be leased to the Washington Capitals hockey team and house two ice sheets suitable for National Hockey League use, provide recreation facilities for youth and adult hockey teams and figure skaters and house the offices of the Washington Capitals.

Coordinated the work of the Committee on Program Performance, a County Board initiative to assure that departments' programs provide value commensurate with their costs. Assisted in the selection of programs to be audited in FY 2006.

Participated in the selection of the software and implementation vendor for the County's Enterprise Resource Planning System. A major part of this undertaking was the development of specific, detailed test scripts to evaluate the vendors.

Awards

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, 2004.

The GFOA presented the Award for Distinguished Budget Presentation to Arlington County, Virginia for its FY 2005 budget. This award is the highest form of recognition in governmental budgeting.

PARKS, RECREATION, AND CULTURAL RESOURCES

In July 2004, the County Board adopted the Urban Forest Master Plan (UFMP) as an element of the Open Space Master Plan (linking it to the County's Comprehensive Plan). The UFMP establishes long-range goals, objectives and recommendations to improve Arlington's tree canopy coverage. The County Board adopted the Public Art Master Plan in December 2004. Staff has completed the County's Initiated Public Art Guidelines and the first Annual Work Plan for public art projects. Also, staff has completed six County initiated public art projects: artist-designed Children's nature area at Powhatan Springs Park; restored Tiffany windows installed at Maury School; three ArtsWork-designed bus shelters installed at Glebe Road, Columbia Pike and Arlington Hospital Center; and restored Sam Holmes Freedman Village gates installed in Gunston Theatre II courtyard.

In September 2004, a unique addition to the Arlington community is the opening of Powhatan Springs Park. From a concept developed several years ago, the park is for people of all ages, especially children. This treasure features a skatepark, a children's rain garden and a youth athletic field. The park is approximately 15,000 square feet in size and is designed for both skateboarding and in-line skating and has a combination of street-style elements as well as bowls and half-pipes. The Children's Rain Garden is a place where children can play and learn about the natural environment at the same time. The major theme of this area is the flow, collection and purification of water. The athletic field is a youth-size field for soccer and lacrosse and is specifically intended for children ages 10 and younger.

In May 2005, a unique community playground reopened at Hayes Park. This renovation was funded by the Neighborhood Conservation Program (NC). PRCR staff worked very closely with residents from the Ballston-Virginia Square and Cherrydale Civic Associations to create a park for people of all ages, especially children. The park includes exciting and colorful play equipment, a sandbox for the little ones, winding paths, drinking fountain, benches and picnic areas. The most popular spot is the "water spray area" with a whimsical solar system theme featuring three dimensional concrete planets "in orbit" around a bright mosaic sun. In addition, to compliment the funding by NC, PRCR has funded the replacement of the perimeter fence with an attractive steel ornamental fence, made major upgrades to the restrooms and completely resurfaced and coated the tennis and basketball courts.

Staff has continued to expand the Heritage Arts program including offering "Hereabouts" a six-month program to build the skills and capacity of heritage arts organizations and enable them to share their traditions cross culturally. Hereabouts was originally funded by the National Endowment for the Arts as a pilot program. Staff was invited by the National Endowment for the Arts (NEA) to provide a presentation on our Heritage Arts program at the national conference of American for the Arts in June 2005. Additional funding to support this program is expected from the NEA for FY 2006.

October 2004 marked the 50th anniversary of Arlington County recreation programs for senior adults. Arlington County was a pioneer in its early attention to the senior adult population. Celebrations were held throughout the fall, culminating in a proclamation presentation and luncheon held at Culpepper Gardens. The 50th anniversary also was the milestone for undergoing an accreditation process which was successfully completed in Spring 2005. The Langston-Brown Multipurpose Senior Center is the second senior center in Virginia to achieve national accreditation.

PRCR staff has instituted new technology to allow citizens to register and pay online for youth and adult sports leagues. Online registration began in the fall of 2004 and was a huge success. 2,089 individuals registered online and 252 teams registered online. The County's second and third synthetic grass athletic fields were installed at Wakefield High School Stadium and Virginia Highlands. Both fields were completed in the fall of 2004. In the spring of 2005, "dark sky technology" lighting was installed at Virginia Highlands field. Players from DC United, a Major League Soccer (MLS) team, and several MLS All-Stars, demonstrated soccer skills to participants at Arlington's summer camp soccer program and the Gunston community. The event was held at the Gunston synthetic field in the summer of 2004. MLS presented the Arlington Sports Division with a financial donation to purchase youth soccer equipment. In the summer of 2004, Arlington hosted the former head coach from the Chilean National Soccer Team and top instructors from the Chilean Soccer Federation. The week-long clinic was held at various facilities in Arlington. Graduates from the clinic were certified by the Chilean Soccer Federation as youth soccer coaches.

In December 2004, the Arlington office of Virginia Cooperative Extension (VCE) completed a situation analysis, a year-long project to identify the priority issues of Arlington County. Four main issues were identified: Engage hard-to-reach immigrant, elderly and minority residents with tailored programs, community-based volunteers and easily accessible venues; Assist low and moderate income residents in identifying, acquiring, maintaining and keeping affordable housing through rental or purchase of apartments (including condominium and cooperative units), townhouses or single family houses; Develop programs for youth and families at risk, including parenting skills, counteracting gang-related activities and involving youth in community service; Build public awareness of and responsibility for environmental problems and their solutions. Arlington VCE has been addressing these issues to some degree through its diverse programs, and is working with the Extension Leadership Council to explore ways that VCE can address the issues more comprehensively.

Awards

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

Arlington County's Natural Resources Specialist, Gregory Zell received the 2005 Stewardship Award from the Natural Areas Association. The award recognizes outstanding achievements at the local, state or national level in managing natural areas to protect biological diversity in significant natural areas. The award is given to individuals who have demonstrated leadership in stewardship issues, who have been innovative and who have established an outstanding example of management of natural areas. Gregory Zell's work in preserving Arlington's "Magnolia Bog," a globally significant environment area identified in Barcroft Park, was recognized.

POLICE DEPARTMENT

In FY 2005, the Police Department continued to emphasize community based policing to address local problems while also preparing to address global issues related to homeland security.

Arlington Neighborhood Traffic Enforcement

The most recent survey of Arlington citizens identified two opportunities for improved customer service. Our residents wanted enhanced traffic enforcement and increased police visibility in the neighborhoods. To improve in this area, the Arlington Neighborhood Traffic Enforcement Program was established. This program, based on the civic association boundaries, identifies specific traffic issues in the neighborhoods. The four District Policing Teams, at the direction of the District Captains, meet with civic association representatives to identify traffic concerns and develop plans to address them. The enforcement is conducted primarily in marked police vehicles, increasing police visibility, while reducing traffic problems. The teams also share information with our partners in Traffic Engineering to develop, long term, non-law enforcement solutions to neighborhood traffic issues.

Buckingham Community Policing Office

In January 2005, the First District Team moved into their new Community Policing office, located at 4117 North 3rd Road, #2. The new office provides a convenient location for citizens to interact with the First District Community Policing team and serves as a host location for community meetings. Since moving into the office, the 1D team formed a working group consisting of property managers from the Gates of Ballston, Buckingham Village, George Mason Apartments and Whitfield Commons. This group has addressed common issues of community concern, including the towing of vehicles from private property, neighborhood safety and concerns surrounding day laborers at the Buckingham CVS. In partnership with the Buckingham Outreach Center, Members of the 1D team conducted two classes at the Neighborhood Safety Academy, "What to Do When Encountered by the Police" and "How to Be Safe". The team also conducted a bicycle safety clinic in which participants were given free bicycle helmets.

Operation FALCON

Working with Federal, State and Local partners, the Arlington County Police Department's Third District Community Policing team spearheaded the County's participation in Operation Falcon. The program was developed to arrest violent fugitives, with emphasis centered on gang related crimes, homicides, crimes involving use of a weapon, crimes against children and the elderly, crimes involving sexual assaults, organized crime and drug offenses. On April 11, 2005, 119 outstanding warrants from the Police Department and the Sheriff's Department were served. Operation Falcon was conducted during National Crime Victim's Rights Week in honor of the memory of those victimized.

Bait Vehicle Program

In FY 2005, the Police Department's Auto Crimes Unit added another vehicle to its fleet of "bait cars." These vehicles look like normal cars, but are equipped with high tech tracking devices which allow the police to locate, track, secure and stop vehicles from a remote location. The vehicle and equipment were obtained through a combination of donations from the insurance industry and Federal, State and Local grant programs. The bait vehicle program is one component of an aggressive campaign by the Arlington County Police Department to reduce auto theft and auto related crimes. Crime statistics released in June 2005, revealed a 17.7% reduction in this type of crime for CY 2004.

Citizens Police Academy

On June 29, 2005, Twenty (20) residents graduated from the 14th session of the Arlington Police Department Citizens Academy. What made this special was that all of the graduates were Spanish speaking residents of the Buckingham Community. The sessions were conducted using simultaneous English to Spanish translation. Class members expressed their gratitude to the Police Department and to the County for providing this opportunity. This format received media coverage from WUSA (Channel 9), Univision, Telemundo, the Washington Post and the Examiner. The next Spanish language version of the Citizens Academy has tentatively been scheduled for Fall 2006.

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. The Sheriff's Office is divided into the following Divisions: Judicial Services, Administration, and Corrections. They are briefly described below:

Court Security Section

In addition to providing for Courthouse and Courtroom security, the section also provides support services to judges, manage jurors in the courtroom and when sequestered, brings defendants and inmates before the court and performs other related tasks/duties as required by the courts. In fiscal year 2005 a daily average of 1,900 individuals were screened at the Courthouse entrance. A daily average of 24 contraband items/weapons (knives, etc) were confiscated of which most items were returned to the individuals upon their departure from the Courthouse.

Warrant/Process Section

The section serves all summonses, orders, and other civil processes issued by the Courts and Regulatory Offices. It also supervises evictions within the County, executes levies, sales and seizures of property and is also responsible for serving criminal warrants and capiases issued by the Courts and providing traffic and law enforcement support. In fiscal year 2005 the Section served/attempted service of approximately 36,000 civil papers and served/cleared over 2,300 criminal warrants.

Transportation Section

The section transports individuals to/from other jurisdictions for Arlington Courts, Civil Commitment Hearings, State Facilities, State Hospitals, and other local detention facilities, and to medical and other appointments outside of the Detention Facility. In fiscal year 2005, the section conducted over 2,300 transports, with over 3,600 individuals being transported. It 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 2005, over 910 traffic violation notices were issued.

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 627 inmates in FY 2005. During FY 2005 the Division, received Unconditional Certification from the Virginia Department of Corrections Audit of Standards for Jails; represented the Sheriff's Association and Arlington on the Senate Sub-Committee on Mental Health and Substance Abuse; co-hosted, with The National Institute of Corrections, a National Symposium on Direct Supervision; successfully continued the Incarcerated Mothers and "Read Me a Story Mom" Programs; received e-accreditation with American Correctional Association; and implemented the following new programs: a Gang Intelligence program in the Detention Facility; a First Step Substance Abuse Program; and partnered with Department of Human Services and Arlington Streets Assisting People Network as emergency shelter site. The State Re-Entry Program was started in FY 2005. This program is a joint program between the Arlington County Sheriff's Office and the Virginia Department of Corrections. State inmates within 90 days of their release date are transferred to the Arlington County Detention Facility. The program consists of three phases: 45 days of intensive in-house programming; a work release component; and community release.

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. In FY 2005, the program had the following accomplishments: the first Mongolian Alcohol Education series was implemented. Translated by the Mongolian Embassy using the statewide ASAP curriculum, this is the first Mongolian Intensive Education Series offered within the Commonwealth of Virginia; and provided training to Arlington County Police recruits on an overview of both laws and documents associated with Restricted Operators Licenses, Ignition Interlock requirements and VASAP supervision.

Awards

Optimist Club Respect for Law Award to Deputy Shannon Williams.

Arlington Chamber of Commerce Meritorious Service Award to Deputy Christopher Hogan and Life Saving Awards to Deputy Melinda Johnson and Deputy Kevatte Jones.

United States Police Canine Association Detectors Trials for Region 3 Second Place award to Deputy Patrick Grubar and Varius.

SWAT Endurathon – 4th Place to Deputies Rodney Singer, David Bowers, Bryan Foster, Kenneth Newhouse, Edward Henderson, Syr Gonyea and Sgt. Thomas DelGallo

Smooth Operator Program award to Deputy Randy Hill.

American Correction Association – Accreditation for the Arlington County Detention Facility for the fourth consecutive year.

TECHNOLOGY SERVICES

Arlington has made great strides in its mission to enable the delivery of government services through the application of information technology using proven practices of IT governance and strategic planning. FY 2005 was designated as the "Year of the Applications" and the second edition of the Arlington County's e-Government Master Plan II – "Realizing the Vision", a statement of goals for the implementation of e-government services, was released. Implementation of the mainframe strategy plan began with the selection of Oracle's integrated e-business suite as the replacement for the Human Resource/Payroll and Financial Systems using Bearing Point LLC as the implementer. The "Go-Live" date is scheduled for April 2006. Accomplishments in the Infrastructure and Network area include: configuration and construction of a back up Network Operations Center in the Stambaugh Building and establishment of a Wireless Internet Zone at the Courthouse.

Awards

The department received 7th Annual e-Gov Solutions Pioneer Award for development of Arlington County 's Payment and Vehicle Registration Portal. This award to DTS is particularly noteworthy as Arlington County is the only local government recognized amongst the 14 international winners from state, federal, DOD, and foreign government competition.

Recognition as "One of the Top Ten Digital Counties" in the United States in an annual survey by the Center for Digital Government and National Association of Counties (NACO).

TREASURER'S OFFICE

During FY 2005, the Treasurer's Office accomplished the following:

Arlington's delinquent tax rate was aggressively lowered by the Treasurer's Office to 1.24%, the lowest in Arlington's history. The parking ticket collection rate hit a five-year high of 97.3%. A record number of transactions, over 45,000 representing payments in excess of \$11.2 million, were processed online through the Payment Portal. For the first time, the Treasurer's Office held a design competition among Arlington County high school students to design the vehicle decal. Twenty decal designs were submitted by students from the four participating high schools. The entries were narrowed to four finalists by a citizen review committee and the voting was then opened up to all County residents, who were asked to vote for their favorite design. Over 2,400 votes were cast to choose the winning "Ice Blanket" design – a view of Key Bridge from an ice-covered Potomac River - by Wilson Ward Kemp of Washington Lee High School.

OTHER ORGANIZATIONAL UNITS

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

County Awards and Acknowledgements

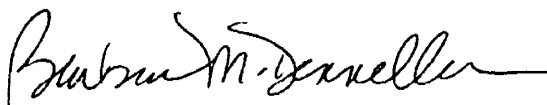
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a certificate of Achievement for Excellence in Financial Reporting to Arlington County, Virginia for its CAFR for the fiscal year ended June 30, 2004. To be awarded a Certificate of Achievement, a governmental 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 2005 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 19 fiscal years.

The GFOA presented the Award for Distinguished Budget Presentation to Arlington County, Virginia for its FY 2005 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 19 fiscal years.

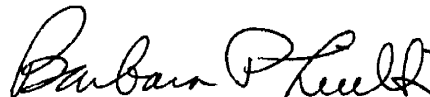
The County continues to maintain a strong financial position through responsible and progressive management of financial operations, by thorough bond official statement disclosure practice, and sound accounting and financial reporting practices. We strongly support the efforts of the Auditor of Public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

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

Respectfully submitted,



Barbara M. Donnellan, Director
Department of Management and Finance



Barbara P. Liechti, Comptroller
Department of Management and Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arlington County,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.



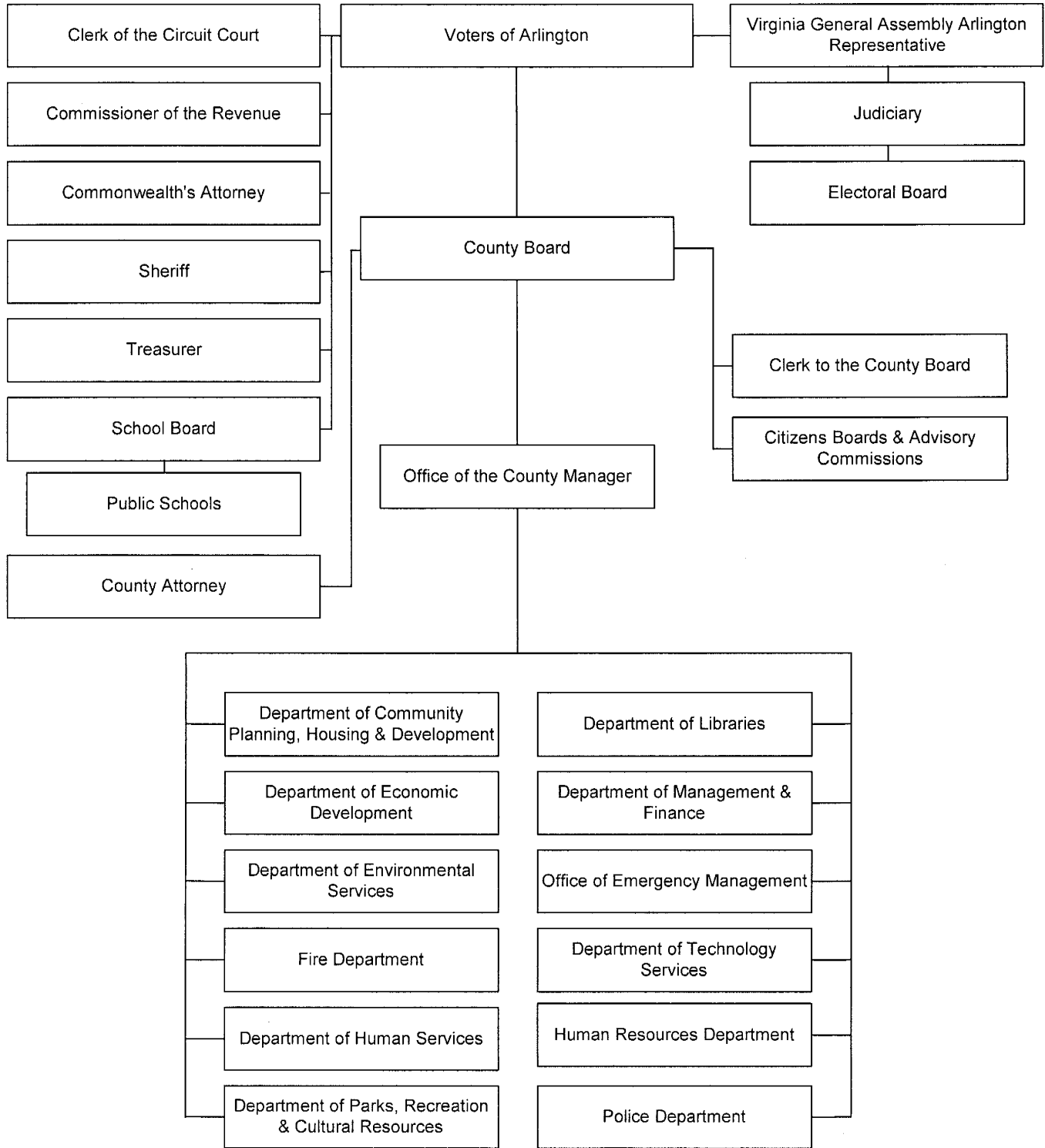
Nancy L. Zjella

President

Jeffrey R. Emmer

Executive Director

ORGANIZATION OF ARLINGTON COUNTY GOVERNMENT



ARLINGTON COUNTY, VIRGINIA

DIRECTORY OF OFFICIALS

June 30, 2005

COUNTY BOARD

Jay Fisetto, Chairman

Christopher E. Zimmerman, Vice Chairman

Barbara A. Favola

Paul Ferguson

Walter Tejada

COUNTY SCHOOL BOARD

David M. Foster, Chair

Mary Hughes-Hynes, Vice Chair

Elaine Furlow

Libby Garvey

Frank K. Wilson

FINANCE BOARD

Jay Fisetto, Chairman

Francis X. O'Leary, Jr.

Marshall H. Brooks

Richard Trodden

JUDICIAL

Circuit Court Judges:

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

General District Court Judges:

Richard J. McCue
Dorothy H. Clarke
Karen A. Henenberg
Thomas J. Kelley, Jr.

Juvenile and Domestic Relations:

Esther L. Wiggins Lyles
George D. Varoutsos

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

COUNTY OFFICIALS

Elective

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

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

Administrative – General County

County Manager
County Attorney
Clerk to the County Board
Director of Community Planning, Housing and Development
Director of Parks, Recreation and Community Resources
Fire Chief
Director of Department of Human Services
Director of Department of Libraries
Director of Department of Management and Finance
Director of Department of Human Resources
Chief of Police
Director of Department of Environmental Services
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
James Schwartz
Marsha Allgeier
Ann M. Friedman
Barbara M. Donnellan
Marcy Foster
Douglas Scott
Randy Bartlett
Jack Belcher
Terry Holzheimer
Linda Lindberg

Administrative - County School Board

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

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



FINANCIAL



Independent Auditor's Report

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

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



Independent Auditor's Report

The Honorable Members of the County Board
Arlington County, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Arlington County, Virginia (County), as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arlington County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Arlington County, Virginia, as of June 30, 2005, 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 *Government Auditing Standards*, we have also issued our report dated October 14, 2005 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clifton Henderson LLP

Calverton, Maryland
October 14, 2005



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, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 1 of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Government-wide financial statements distinguish functions of the County and Schools that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County and Schools include: public safety (police and fire protection), judicial (courts, prosecuting offices and detention center), health, welfare and social services, public improvements, streets and highways, planning and zoning, community planning and development, libraries, parks and recreation, education and general administrative services. The business-type activities of the County include the water and sewer functions and the public parking garage operation.

The government-wide financial statements can found in Exhibits 1 and , Exhibit 3, and Exhibits 6 through 10 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental

fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 20 individual governmental funds; the Schools maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and general capital projects fund, which are considered to be major funds. Data from the 18 County governmental funds are combined into a single, aggregated presentation; data from the Schools 8 governmental funds are combined into a single, aggregated presentation as a component-unit, a presentation mandated by state law. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report. The County adopts an annual appropriated budget for its general fund and special revenue funds, including Schools. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

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

Proprietary funds. The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer operations, its public parking garage operations and for the Trade Center, George Mason University, Enterprise Resource Planning and Emergency Communication Center Projects. 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 public parking garage operations and the Trade Center, George Mason University, Enterprise Resource Planning and Emergency Communications Projects. The water and sewer, public parking garage and Emergency Communication Center 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 Exhibits 6, 7, 8 and 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 Exhibits 9, 10 and F-1 through Exhibit F-4 of this report.

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

Statement of Net Assets

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

Condensed Net Assets

Table A-1

Arlington County Net Assets (in millions of dollars)

	Primary Government						Component Unit			
	Governmental Activities		Business-type Activities		Total		Schools		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Current and other assets	\$537.1	\$484.0	\$113.1	\$55.3	\$650.2	\$539.3	\$94.1	85.8	744.3	625.1
Capital assets	377.4	335.7	391.6	356.7	769.0	692.4	273.3	248.8	1042.3	941.2
Total assets	914.5	819.7	504.7	412.0	1419.2	1231.7	367.4	334.6	1786.6	1566.3
Long-term debt outstanding	604.5	548.2	159.8	81.6	764.3	629.8	25.5	21.2	789.9	651.0
Other liabilities	122.4	114.7	12.0	10.1	134.4	124.8	35.3	36.4	169.7	161.2
Total liabilities	726.9	662.9	171.8	91.7	898.7	754.6	60.8	57.6	959.6	812.2
Net assets:										
Invested in capital assets net of related debt	53.2	39.0	231.7	275.1	284.9	314.1	271.8	248.9	556.7	563.0
Restricted	156.0	134.4	-	-	156.0	134.4	25.8	5.7	181.8	140.1
Unrestricted	(21.6)	(16.6)	101.1	45.2	79.5	28.6	8.9	22.4	88.5	51.0
Total net assets	<u>\$187.6</u>	<u>\$156.8</u>	<u>\$332.9</u>	<u>\$320.3</u>	<u>\$520.4</u>	<u>\$477.1</u>	<u>\$306.6</u>	<u>\$277.0</u>	<u>\$826.9</u>	<u>\$754.1</u>

Note: Totals may not add due to rounding.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$520.4 at the close of the most recent fiscal year. In the case of the Schools, assets exceeded liabilities by \$306.6 at the close of the most recent fiscal year.

By far the largest portion of the County's and Schools' net assets (67.3%) reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County and Schools use these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's and Schools' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's and Schools' net assets, (22.0%) represents resources that are subject to external restrictions on how they may be used. Any remaining net assets are classified as "Unrestricted net assets". The fact that the County governmental-activities column displays a negative number in that category is explained by the way the Commonwealth of Virginia views its school systems.

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

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

Statement of Changes in Net Assets

The following table (Table A-2) displays the County's and Schools' changes in net assets for FY 2005 and FY 2004

Changes in Net Assets

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

	Primary Government						Component Unit			
	Governmental Activities		Business-type Activities		Total		Schools		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenues										
Program revenue										
Charges for services	\$64.2	\$49.2	\$62.9	\$53.7	\$127.1	\$102.9	\$13.4	\$11.4	\$140.5	\$114.3
Operating grants and contributions	110.1	103.0	-	0.5	110.1	103.5	335.2	38.0	445.3	141.5
Capital grants and contributions	1.8	1.8	3.8	2.4	5.6	4.2	-	-	5.6	4.2
General revenue										
Property taxes	447.3	420.8	-	-	447.3	420.8	-	-	447.3	420.8
Other local taxes	143.3	132.0	-	-	143.3	132.0	15.4	13.2	158.7	145.2
Investment and interest earnings	4.4	9.0	0.7	0.6	5.1	9.6	0.5	0.4	5.6	10.0
Miscellaneous	37.4	6.1	-	-	37.4	6.1	-	-	37.4	6.1
Total revenues	808.5	721.9	67.3	57.2	875.9	779.1	364.6	63.0	1,240.4	842.1
Expenditures										
General government	135.7	132.8	-	-	135.7	132.8	-	-	135.7	132.8
Public safety	85.9	81.7	-	-	85.9	81.7	-	-	85.9	81.7
Environmental services	62.3	50.1	-	-	62.3	50.1	-	-	62.3	50.1
Health and welfare	95.1	93.4	-	-	95.1	93.4	-	-	95.1	93.4
Libraries	12.4	12.0	-	-	12.4	12.0	-	-	12.4	12.0
Parks, culture and recreation	31.0	30.3	-	-	31.0	30.3	-	-	31.0	30.3
Planning and community development	32.3	32.3	-	-	32.3	32.3	-	-	32.3	32.3
Education	309.6	272.8	-	-	309.6	272.8	335.0	318.2	644.6	591.0
Debt service:										
Interest and other charges	13.5	12.3	-	-	13.5	12.3	-	-	13.5	12.3
Water and sewer	-	-	49.2	41.8	49.2	41.8	-	-	49.2	41.8
Parking garage	-	-	5.5	4.3	5.5	4.3	-	-	5.5	4.3
Total expenditures	777.8	717.7	54.7	46.1	832.5	763.8	335.0	318.2	1,167.5	1,082.0
Increase in net assets before sale of property and transfers:										
Sale of property	30.8	4.2	12.6	11.1	43.3	15.3	29.6	(255.2)	73.0	(239.9)
Transfers	-	(0.2)	-	-	-	(0.2)	-	-	-	(0.2)
Transfers	-	-	-	-	-	-	-	272.4	-	272.4
Increase in net assets	\$30.8	\$4.0	\$12.6	\$11.1	\$43.3	\$15.1	\$29.6	\$17.2	\$73.0	\$32.3

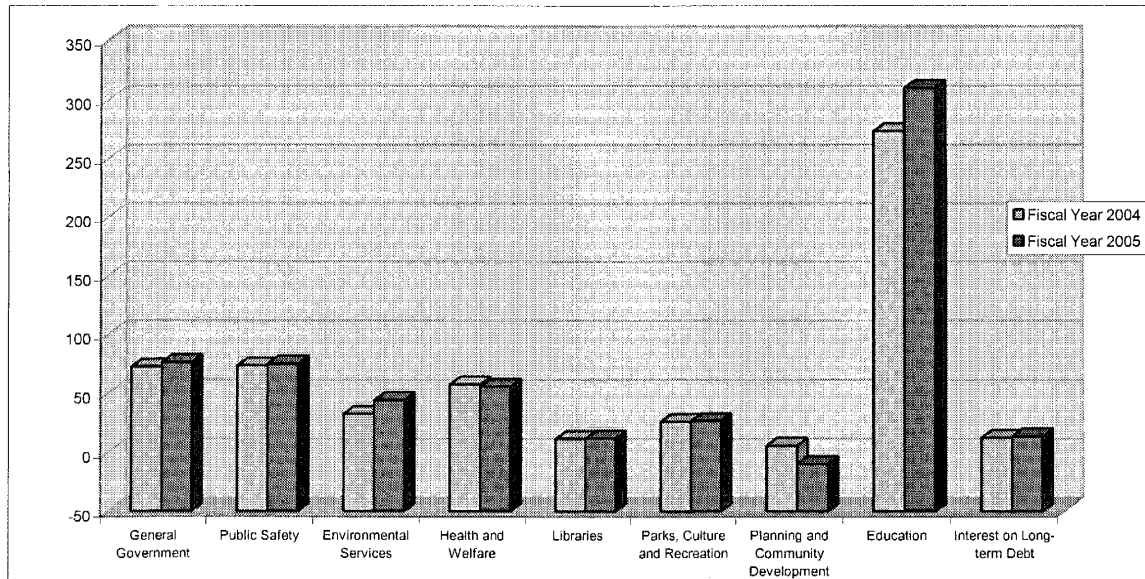
Note: Totals may not add due to rounding.

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

• Governmental activities	\$30.8	42.2%
• Business type activities	\$12.6	17.3%
• Component-unit Schools	\$29.6	40.5%
TOTAL	\$73.0	100.0%

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

**Net Cost of Governmental Activities
For Fiscal Year 2005 and 2004
Chart A-3
Arlington County Cost of Activities
(in millions of dollars)**



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the County's and Schools governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's and Schools financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$225.4, an increase of \$28.6 in comparison with the prior year. Approximately, 27.0% of this total amount (\$60.8) 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 (\$42.4), to build facilities from general obligation bond proceeds and PAYGO monies (\$120.6) for a variety of other restricted purposes (\$1.6).

The general fund is a major governmental fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$60.8 while total fund balance reached \$69.1. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 8.1% of total general fund expenditures, while total fund balance represents 9.2% of that same amount.

The fund balance of the County general fund increased by \$6.9 during the current fiscal year. Key factors in this increase are as follows:

- Revenue from real property taxes increased due to appreciation in real estate assessments.
- Other local taxes increased due to an increase in same tax rates.

The general capital projects fund is another major fund of the County. At the end of the current fiscal year, there was no unreserved fund balance of the general capital projects fund while total fund balance reached \$51.0. As a measure of the general capital project fund's liquidity, it may be useful to compare total fund balance to total expenditures. Total fund balance represents 184.0% of total general capital project fund expenditures.

The fund balance of the County general capital projects fund increased by \$9.8 during the current fiscal year. The key factor in this increase is the increased rate of capital project expenditures in keeping with the County's many strategic capital initiatives.

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

Unrestricted net assets of the Utilities Fund at the end of the year amounted to \$42.1, the Ballston Public Parking Garage amounted to \$8.2, the Emergency Communications Center amounted to \$29.1 and the other non-major funds amounted to \$21.7. The total growth in net assets for the funds was \$14.0, (\$1.6) \$.11 and \$.11 respectively. Other factors concerning the finances of these funds have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The difference between the original budget and the final budget was \$33.8, which consisted of an increase of \$23.1 in the revenue budget due to increased federal grants, primarily for homeland security, and an increase of \$34.4 in the expenditure budget due to additional appropriations in the following:

- \$ 8.8 in increases allocated to the general government
- \$ 7.8 in increases allocated to public safety
- \$ 2.0 in increases allocated to the department of environmental services
- \$12.6 in increases allocated to the department of human services
- \$ 1.5 in increases allocated to the department of planning and community development
- \$ 0.6 in increases allocated to the department of parks, recreation, and community resources
- \$ 0.8 in increases allocated to the judicial administration
- \$22.5 increases in transfers out to the Schools

The difference between the final budget and actuals was \$50.7 which consisted of a (\$2.6) unfavorable revenue variance and \$22.9 favorable expenditure variance. The unfavorable revenue variance primarily consisted of (\$14.5) for federal grants and (\$8.5) for personal property taxes partially offset by \$9.7 other local taxes and \$9.1 miscellaneous revenue. The favorable expenditure variance consisted of the following:

- \$12.4 favorable in department of human services
- \$ 6.1 favorable in public safety
- \$ 1.5 favorable in planning and community development
- \$ 1.2 favorable in general government primarily due to Technology Services
- \$ 0.6 favorable in department of parks, recreation, and community resources
- \$ 0.5 favorable in department of environmental services
- \$ 0.4 favorable in judicial administration
- \$ 0.2 favorable in libraries
- \$17.1 favorable transfer out to the Schools

Additional information on the County's statement of revenues, expenditures and changes in fund balance budget and actual can be found in Exhibit 5 in Basic Financial Statements of this report.

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, 2005 amounts to \$1,042.3 (net of accumulated depreciation). This investment in capital assets includes land, building and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

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

Other capital assets were constructed using bond funds.

Capital Assets

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

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

	Primary Government						Component Unit			
	Governmental Activities		Business-type Activities		Total		Schools		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Land	\$84.4	\$83.8	\$1.8	\$1.8	\$86.2	\$85.6	\$4.7	\$4.7	\$90.9	\$90.3
Buildings	138.7	101.2	13.7	13.9	152.4	115.1	244.4	216.8	396.8	331.9
Equipment	15.5	15.0	0.9	1.1	16.4	16.1	24.3	27.3	40.7	43.4
Infrastructure	118.6	117.7	-	-	118.6	117.7	-	-	118.6	117.7
Plant -sewer system	-	-	210.7	209.1	210.7	209.1	-	-	210.7	209.1
Plant - water system	-	-	100.6	87.6	100.6	87.6	-	-	100.6	87.6
Construction in progress	-	-	63.8	43.1	63.8	43.1	-	-	63.8	43.1
Internal service funds	20.1	18.0	-	-	20.1	18.0	-	-	20.1	18.0
Total	\$377.4	\$335.7	\$391.5	\$356.6	\$768.9	\$692.3	\$273.4	\$248.8	\$1,042.3	\$941.1

Note: Totals may not add due to rounding

Additional information on the County's capital assets can be found in Note 5 in Notes to the Financial Statements of this report.

Long-term debt. At the end of the current fiscal year, the County and Schools had total long-term liabilities outstanding of \$789.9. Of this amount, \$651.5 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 (\$138.4) represents bonds secured solely by specified revenue sources (i.e., revenue bonds) (\$82.5), workers compensation reserves (\$2.7) and accrued compensated absences (\$53.2).

Long-term Debt

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

Long-term Debt Outstanding

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

	Primary Government						Component Unit			
	Governmental Activities		Business-type Activities		Total		Schools		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
General obligation bonds**	\$563.5	\$505.4	\$38.5	\$35.2	\$602.0	\$540.6	\$-	\$-	\$602.0	\$540.6
Revenue bonds	-	-	14.8	15.3	14.8	15.3	-	-	14.8	15.3
IDA Revenue Bonds	-	-	64.3	-	64.3	-	-	-	64.3	-
Mortgage payable	-	-	3.4	3.4	3.4	3.4	-	-	3.4	3.4
Note payable	-	8.2	24.9	15.0	24.9	23.2	-	-	24.9	23.2
Obligations under capital lease	10.5	7.1	-	-	10.5	7.1	1.5	-	12.0	7.1
Worker's compensation claims	2.7	3.2	-	-	2.7	3.2	-	-	2.7	3.2
Accrued compensated absences	27.8	24.4	1.4	1.3	29.2	25.7	24.0	21.2	53.2	46.9
Mortgage and bond interest payable -	-	-	12.4	11.4	12.4	11.4	-	-	12.4	11.4
Total	\$604.5	\$548.3	\$159.8	\$81.6	\$764.3	\$629.9	\$25.5	\$21.2	\$789.9	\$651.1

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 \$138.8 during the current fiscal year. The key factor in this increase was a \$94.5 general obligation bond issuance for the County and the Schools, issuance of \$60.5 IDA Revenue Bonds and lowered debt service on the remaining bonds. The County maintains a "AAA" rating from Standard & Poor's and Fitch Investor Services and a "Aaa" rating from Moody's Investor Service for general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 2.4%, which is an increase from a rate of 1.6% a year ago. This compares favorably to the Northern Virginia's average unemployment rate of 2.5% and the national average rate of 5.0%.
- The vacancy rate of the County's office buildings marginally decreased from 12.6% to 11.3%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2006 fiscal year.

Requests for Information

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



Basic Financial Statements

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

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government			Component Unit Schools	Total Government
	Governmental Activities	Business-Type Activities	Total		
ASSETS:					
Equity in pooled cash and investments	\$287,765,575	\$96,855,316	\$384,620,891	\$48,687,416	\$433,308,307
Receivables, net	223,001,270	12,165,845	235,167,114	3,885,454	239,052,568
Receivable from primary government	-	-	-	42,105,931	42,105,931
Receivable from other governments	8,149,998	-	8,149,998	-	8,149,998
Inventory	-	838,384	838,384	245,548	1,083,932
Other assets	18,201,405	3,240,226	21,441,631	-	21,441,631
Capital assets:					
Land	84,409,616	1,792,817	86,202,433	4,697,946	90,900,379
Depreciable, net	292,959,370	325,913,558	618,872,927	268,651,841	887,524,768
Construction in progress	-	63,842,074	63,842,074	-	63,842,074
Total capital assets, net	<u>377,368,986</u>	<u>391,548,449</u>	<u>768,917,434</u>	<u>273,349,787</u>	<u>1,042,267,221</u>
Total assets	<u>914,487,233</u>	<u>504,648,220</u>	<u>1,419,135,453</u>	<u>368,274,136</u>	<u>1,787,409,589</u>
LIABILITIES:					
Accounts payable	15,121,369	6,244,205	21,365,574	6,904,790	28,270,364
Unearned revenue	32,496,318	-	32,496,318	672,196	33,168,514
Due to component unit	42,105,931	-	42,105,931	-	42,105,931
Accrued liabilities	16,839,782	5,713,055	22,552,837	26,398,935	48,951,772
Other liabilities	15,858,894	-	15,858,894	2,170,585	18,029,479
Non-current liabilities:					
Due within one year	46,831,449	20,571,237	67,402,686	2,969,351	70,372,037
Due in more than one year	<u>557,674,314</u>	<u>139,264,828</u>	<u>696,939,142</u>	<u>22,559,076</u>	<u>719,498,219</u>
Total liabilities	<u>726,928,057</u>	<u>171,793,325</u>	<u>898,721,382</u>	<u>61,674,933</u>	<u>960,396,315</u>
NET ASSETS:					
Invested in capital assets, net of related debt	53,193,168	245,522,758	298,715,926	271,821,886	570,537,812
Restricted for:					
Capital projects	154,653,012	47,191,676	201,844,688	25,841,460	227,686,148
Other projects	1,302,388	-	1,302,388	-	1,302,388
Unrestricted	<u>(21,589,391)</u>	<u>40,140,460</u>	<u>18,551,068</u>	<u>8,935,857</u>	<u>27,486,925</u>
Total net assets	<u>\$187,559,177</u>	<u>\$332,854,894</u>	<u>\$520,414,070</u>	<u>\$306,599,203</u>	<u>\$827,013,274</u>

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

ARLINGTON COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

ASSETS	General Fund	General Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
Equity in pooled cash and investments	\$120,118,320	\$52,622,311	\$110,490,975	\$283,231,606
Receivables, net	203,646,405	206,456	18,359,460	222,212,321
Due from other funds	2,630,169	-	-	2,630,169
Receivables from other governments	5,454,785	1,918,531	776,682	8,149,998
Other assets	15,128,133	-	-	15,128,133
Totals assets	\$346,977,812	\$54,747,298	\$129,627,117	\$531,352,227
LIABILITIES				
Accounts Payable	\$9,681,841	\$2,702,149	\$2,253,480	\$14,637,470
Deferred revenue	208,928,470	-	7,550,757	216,479,227
Due to component unit	42,105,931	-	-	42,105,931
Accrued liabilities	16,839,782	-	-	16,839,782
Other liabilities	351,850	1,026,967	722,600	2,101,417
Long-term liabilities	-	-	13,757,477	13,757,477
Total liabilities	277,907,873	3,729,116	24,284,314	305,921,303
FUND BALANCES				
Reserved for:				
Encumbrances	4,293,596	23,185,476	14,947,106	42,426,178
Other purposes	4,000,000	27,832,706	88,741,430	120,574,136
Unreserved:				
Designated	60,776,343	-	-	60,776,343
Special Revenue:				
Section 8 Housing	-	-	1,302,388	1,302,388
Travel & Tourism	-	-	240,943	240,943
Special District Assessment	-	-	110,936	110,936
Total fund balances	69,069,939	51,018,182	105,342,803	225,430,924
Total liabilities and fund balance	\$346,977,812	\$54,747,298	\$129,627,117	\$531,352,227

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

ARLINGTON COUNTY, VIRGINIA
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005

Total governmental fund balances	\$225,430,924
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	357,254,779
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	183,982,909
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(600,743,683)
Internal service funds	21,634,248
Net assets of governmental activities	\$187,559,177

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, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for services (Includes Licenses, Permits & Fees)	Operating Grants and Contributions	Capital Grants & Contributions
Primary Government:				
Governmental Activities:				
General government	\$135,676,652	\$19,103,334	\$38,820,569	\$1,808,660
Public safety	85,928,771	8,476,590	2,583,422	-
Environmental services	62,329,728	14,612,976	3,733,597	-
Health & welfare	95,106,941	2,826,805	36,797,208	-
Libraries	12,364,830	468,016	210,307	-
Parks, recreation & culture	30,985,938	4,525,622	80,443	-
Planning & community development	32,310,911	14,215,726	27,848,377	-
Education	309,584,436	-	-	-
Interest and other charges	13,504,662	-	-	-
Total governmental activities	777,792,868	64,229,068	110,073,923	1,808,660
Business-type activities:				
Utilities	49,197,868	59,114,705	-	3,773,550
Ballston Public Parking Garage	5,523,551	3,765,054	-	-
Total business-type activities	54,721,419	62,879,759	-	3,773,550
Total Primary government	832,514,287	127,108,827	110,073,923	5,582,210
Component unit:				
Schools				
Total component unit	334,975,085	13,442,199	335,186,261	-

General Revenues:

Property Taxes:
Real estate property taxes
Personal property taxes
Other Local taxes:
Business, professional occupancy license taxes
Other local taxes
Investment and interest earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets, beginning
Net assets, ending

EXHIBIT 3

Governmental Activities	Business-Type Activities	Total	Component Unit Schools
(\$75,944,089)	\$-	(\$75,944,089)	\$-
(74,868,759)	-	(74,868,759)	-
(43,983,155)	-	(43,983,155)	-
(55,482,928)	-	(55,482,928)	-
(11,686,507)	-	(11,686,507)	-
(26,379,873)	-	(26,379,873)	-
9,753,192	-	9,753,192	-
(309,584,436)	-	(309,584,436)	-
(13,504,662)	-	(13,504,662)	-
<u>(601,681,217)</u>	<u>-</u>	<u>(601,681,217)</u>	<u>-</u>
-	13,690,388	13,690,388	-
-	(1,758,497)	(1,758,497)	-
<u>-</u>	<u>11,931,891</u>	<u>11,931,891</u>	<u>-</u>
<u>(601,681,217)</u>	<u>11,931,891</u>	<u>(589,749,327)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,653,375</u>
369,269,892	-	369,269,892	-
78,051,224	-	78,051,224	-
45,699,044	-	45,699,044	-
97,618,925	-	97,618,925	15,409,431
4,420,239	661,071	5,081,310	543,705
<u>37,377,419</u>	<u>-</u>	<u>37,377,419</u>	<u>-</u>
<u>632,436,743</u>	<u>661,071</u>	<u>633,097,815</u>	<u>15,953,136</u>
<u>30,755,526</u>	<u>12,592,962</u>	<u>43,348,488</u>	<u>29,606,511</u>
<u>156,803,651</u>	<u>320,261,931</u>	<u>477,065,582</u>	<u>276,992,692</u>
<u>\$187,559,177</u>	<u>\$332,854,894</u>	<u>\$520,414,070</u>	<u>\$306,599,203</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, 2005

	General Fund	General Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes:				
Real Estate property taxes	\$354,179,286	\$-	\$-	\$354,179,286
Personal property taxes	78,051,224	-	-	78,051,224
Other Local taxes:				
BPOL	45,699,044	-	-	45,699,044
Other local taxes	95,750,273	-	1,868,652	97,618,925
Fines and forfeitures	8,427,464	-	-	8,427,464
Licenses, permits and fees	12,504,677	-	-	12,504,677
Intergovernmental	84,170,121	11,098,471	16,613,991	111,882,583
Charges for services	34,495,625	8,801,302	-	43,296,927
Interest and rent	2,605,403	-	1,814,836	4,420,239
Miscellaneous revenues	11,733,637	5,450	-	11,739,087
Total revenues	727,616,754	19,905,223	20,297,479	767,819,456
EXPENDITURES:				
Current operating:				
General government	127,741,816	-	-	127,741,816
Public safety	82,055,248	-	-	82,055,248
Environmental services	51,312,988	-	-	51,312,988
Health and welfare	91,439,050	-	-	91,439,050
Libraries	11,779,451	-	-	11,779,451
Parks, recreation and culture	28,531,608	-	1,050,466	29,582,074
Planning and community development	13,595,934	-	17,337,682	30,933,616
Education	309,584,436	-	-	309,584,436
Debt service				
Principal	22,805,993	-	-	22,805,993
Interest and other charges	13,504,662	-	-	13,504,662
Capital outlay	-	27,725,954	40,722,574	68,448,528
Total expenditures	752,351,186	27,725,954	59,110,722	839,187,862
Excess(deficiency) of revenues over expenditures	(24,734,432)	(7,820,731)	(38,813,243)	(71,368,406)
OTHER FINANCING SOURCES(USES):				
Transfers in	5,483,726	17,587,502	247,000	23,318,228
Transfers out	(18,264,116)	-	(1,824,794)	(20,088,910)
Proceeds from capital lease	3,962,112	-	-	3,962,112
Proceeds of refunding bonds	33,598,820	-	44,489,382	78,088,202
Deferred cost of refunding	(1,390,053)	-	127,961	(1,262,092)
Payments to refunded bond escrow agent	(32,208,767)	-	(44,617,343)	(76,826,110)
Premium from sale of bonds	4,217,116	-	-	4,217,116
Proceeds of sale of bonds	36,230,000	-	52,295,000	88,525,000
Total other financing sources and uses	31,628,838	17,587,502	50,717,206	99,933,546
Net change in fund balances	6,894,406	9,766,771	11,903,963	28,565,140
Fund balances, beginning	62,175,533	41,251,411	93,438,840	196,865,784
Fund balances, ending	\$69,069,939	\$51,018,182	\$105,342,803	\$225,430,924

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, 2005

Net change in fund balances - total governmental funds \$28,565,140

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Add: Capital acquisitions	55,177,915	
Less: Depreciation expense	<u>(15,429,885)</u>	39,748,030

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.

(171,204)

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

15,090,606

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

Add: Debt repayment-debt principal	124,588,613	
Deferred cost of refunding	1,262,092	
Less: Proceeds from bonds and capital leases	(170,575,314)	
Bond premium to be amortized	(7,144,314)	
Amortization other charges and bond issue costs	<u>172,590</u>	(51,696,333)

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

(2,406,964)

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

Additional revenue for internal service	226,635	
Net operating gain internal service funds	<u>1,399,616</u>	<u>1,626,251</u>

Change in net assets of governmental activities \$30,755,526

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, 2005

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
General Property taxes:				
Real estate	\$349,454,424	\$349,454,424	\$354,179,286	\$4,724,862
Personal	86,574,955	86,574,955	78,051,224	(8,523,731)
Other Local taxes	129,755,295	131,705,295	141,449,317	9,744,022
Licenses, permits and fees	11,707,746	11,707,746	12,504,677	796,931
Charges for services	33,316,106	33,327,246	34,495,625	1,168,379
Fines and forfeitures	9,273,000	9,273,000	8,427,464	(845,536)
Grants:				
State grants	55,019,193	60,305,098	59,426,395	(878,703)
Federal grants	24,602,553	39,260,470	24,743,726	(14,516,744)
Use of money and property	5,968,255	5,968,255	2,605,403	(3,362,852)
Miscellaneous revenue	1,310,446	2,505,875	11,733,637	9,227,762
Total revenues	706,981,973	730,082,364	727,616,754	(2,465,610)
EXPENDITURES:				
General Government Administration				
County Board	\$773,425	773,425	770,927	2,498
County Manager	3,369,717	3,383,877	3,319,541	64,336
Financial Management	4,527,415	4,530,722	4,308,946	221,776
Civil Service	17,468	17,468	1,385	16,083
Human Resources	5,545,536	5,766,129	5,571,340	194,789
Technology Services	13,472,057	14,109,037	12,325,444	1,783,593
County Attorney	1,509,391	1,509,391	1,515,159	(5,768)
Commissioner of Revenue	3,794,802	3,911,261	3,929,746	(18,485)
Treasurer	5,159,257	5,257,531	4,911,124	346,407
Electoral Board	758,398	758,398	865,332	(106,934)
Total General Government	38,927,466	40,017,239	37,518,944	2,498,295
Judicial Administration				
Circuit Court	2,567,002	2,709,834	2,573,776	136,058
District Court	274,984	274,984	209,198	65,786
Juvenile & Domestic Relations Court	4,509,187	4,641,467	4,492,660	148,807
Commonwealth Attorney	3,200,413	3,381,686	3,177,103	204,583
Sheriff & Jail	25,053,200	25,430,756	25,582,870	(152,114)
Total Judicial Administration	35,604,786	36,438,727	36,035,607	403,120
Public Safety				
Police	41,120,974	44,520,353	41,233,056	3,287,297
Emergency Communications Center	7,630,876	11,759,417	8,473,176	3,286,241
Fire	31,560,665	31,833,128	32,349,016	(515,888)
Total Public Safety	80,312,515	88,112,898	82,055,248	6,057,650
Environmental Services	49,905,419	51,866,732	51,312,988	553,744
Health & Welfare	91,248,918	103,842,392	91,439,050	12,403,342
Libraries	11,719,799	11,998,151	11,779,451	218,700

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, 2005

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Planning & Community Development				
Economic development	2,710,161	3,095,440	2,578,193	517,247
Community Planning, Housing & development	10,796,864	11,958,882	11,017,741	941,141
Total Planning & Community Development	13,507,025	15,054,322	13,595,934	1,458,388
Parks and Recreation	28,499,649	29,135,324	28,531,608	603,716
Non-Departmental				
Non-Departmental	25,582,852	33,268,111	35,591,400	(2,323,289)
Debt Service				
Principal payment	22,807,396	23,021,196	22,805,993	215,203
Interest payment	14,413,259	14,199,459	13,287,924	911,535
Other costs	100,000	100,000	216,738	(116,738)
Regionals/Contributions	6,781,674	6,781,674	6,795,865	(14,191)
METRO	11,800,000	11,800,000	11,800,000	-
Total Non-Departmental	81,485,181	89,170,440	90,497,920	(1,327,480)
Total expenditures	431,210,758	465,636,225	442,766,750	22,869,475
Excess of revenues over expenditures	275,771,215	264,446,139	284,850,004	20,403,865
OTHER FINANCING SOURCES (USES):				
Transfers in	511,411	511,411	5,483,726	4,972,315
Transfers out	(286,226,554)	(308,733,105)	(291,618,552)	17,114,553
Premium on bond sale	-	-	4,217,116	4,217,116
Proceeds from capital lease	-	-	3,962,112	3,962,112
Total other financing sources/(uses)	(285,715,143)	(308,221,694)	(277,955,598)	30,266,096
Net change in fund balance	(9,943,928)	(43,775,555)	6,894,406	50,669,961
Fund Balance - beginning of year	62,175,533	62,175,533	62,175,533	-
Fund Balance - end of year	\$52,231,605	\$18,399,978	\$69,069,939	\$50,669,961

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

ARLINGTON COUNTY, VIRGINIA
 STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
 June 30, 2005

	Business-type activities - Enterprise Funds				Total	Governmental
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major Funds		Activities Internal Service Funds
ASSETS:						
Current assets:						
Equity in pooled cash and investments	\$31,706,737	\$12,925,727	\$28,926,937	\$23,295,915	\$96,855,316	\$4,533,969
Receivables, net	12,165,845	-	-	-	12,165,845	788,949
Inventory, at cost	838,384	-	-	-	838,384	616,663
Other current Assets	2,504,252	264,683	242,046	229,245	3,240,226	-
Total current assets	<u>47,215,218</u>	<u>13,190,410</u>	<u>\$29,168,983</u>	<u>23,525,160</u>	<u>113,099,771</u>	<u>5,939,581</u>
Non-current assets:						
Capital assets:						
Land	1,792,817	-	-	-	1,792,817	-
Depreciable, net	312,252,648	13,660,910	-	-	325,913,558	20,114,206
Construction in progress	50,091,381	-	4,640,339	9,110,354	63,842,074	-
Total capital assets, net	<u>364,136,846</u>	<u>13,660,910</u>	<u>4,640,339</u>	<u>9,110,354</u>	<u>391,548,449</u>	<u>20,114,206</u>
Total assets	<u>411,352,064</u>	<u>26,851,320</u>	<u>33,809,322</u>	<u>32,635,514</u>	<u>504,648,220</u>	<u>26,053,787</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	4,267,887	74,552	93,061	1,808,705	6,244,205	483,899
Accrued liabilities	831,123	4,881,932	-	-	5,713,055	-
Due to primary government	-	-	-	-	-	173,560
Due within one year	3,922,711	13,879,661	804,198	1,964,667	20,571,237	751,713
Total current liabilities	<u>9,021,721</u>	<u>18,836,145</u>	<u>897,259</u>	<u>3,773,372</u>	<u>32,528,497</u>	<u>1,409,172</u>
Non-current liabilities:						
Due in more than one year	61,502,757	16,184,645	32,810,348	28,767,078	139,264,828	3,010,367
Total liabilities	<u>70,524,478</u>	<u>35,020,790</u>	<u>33,707,607</u>	<u>32,540,450</u>	<u>171,793,325</u>	<u>4,419,539</u>
NET ASSETS:						
Invested in capital assets, net of related debt	300,687,125	(4,568,769)	(28,974,207)	(21,621,391)	245,522,758	16,352,126
Restricted net assets	-	(3,600,701)	29,075,922	21,716,455	47,191,676	-
Unrestricted	40,140,460	-	-	-	40,140,460	5,282,122
Total net assets	<u>\$340,827,585</u>	<u>(\$8,169,470)</u>	<u>\$101,715</u>	<u>\$95,064</u>	<u>\$332,854,894</u>	<u>\$21,634,248</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, 2005

	Business-type activities-Enterprise Funds				Total Business-type Activities	Governmental Activities Internal Service Funds
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major Funds		
OPERATING REVENUES:						
Water-sewer service charges	\$44,779,175	\$-	\$-	\$-	\$44,779,175	\$-
Water-service hook-up charges	4,539,968	-	-	-	4,539,968	-
Water-service connection charges	547,212	-	-	-	547,212	-
Sewage treatment service charges	7,867,530	-	-	-	7,867,530	-
Other charges for services	1,380,820	-	-	-	1,380,820	16,085,610
Parking charges	-	3,765,054	-	-	3,765,054	-
Total Operating revenues	59,114,705	3,765,054	-	-	62,879,759	16,085,610
OPERATING EXPENSES:						
Personnel services	11,272,856	-	-	-	11,272,856	3,801,788
Fringe benefits	2,546,841	-	-	-	2,546,841	935,319
Cost of store issuances	-	-	-	-	-	3,706,350
Contractual services	8,742,286	2,873,223	-	-	11,615,509	-
Purchases of water	6,794,242	-	-	-	6,794,242	-
Materials and supplies	3,858,969	63,127	-	-	3,922,096	503,108
Utilities	-	-	-	-	-	99,449
Outside services	-	-	-	-	-	1,394,896
Depreciation	5,300,601	503,698	-	-	5,804,299	3,682,446
Deferred rent	-	405,000	-	-	405,000	-
Equipment (Construction Contracts)	6,098,234	-	-	-	6,098,234	-
Miscellaneous	2,503,989	242,523	-	-	2,746,512	562,638
Total Operating expenses	47,118,018	4,087,571	-	-	51,205,589	14,685,994
Operating income (loss)	11,996,688	(322,517)	-	-	11,674,171	1,399,616
NON-OPERATING REVENUES(EXPENSES)						
Interest income and other income	303,042	161,250	101,715	95,064	661,071	-
Interest expense and fiscal charges	(2,079,850)	(1,435,980)	-	-	(3,515,830)	-
Interest payment on capital lease	-	-	-	-	-	(54,192)
Contributions from developers and other sources	3,773,550	-	-	-	3,773,550	-
Gain on disposal of assets	-	-	-	-	-	73,714
Total non-operating revenues(expenses)	1,996,742	(1,274,730)	101,715	95,064	918,791	19,522
Net Income(loss) before operating transfers	13,993,430	(1,597,247)	101,715	95,064	12,592,962	1,419,138
TRANSFERS:						
Transfers in	-	-	-	-	-	337,113
Transfers out	-	-	-	-	-	(130,000)
Total net transfers	-	-	-	-	-	207,113
Change in net assets	13,993,430	(1,597,247)	101,715	95,064	12,592,962	1,626,251
Net assets - beginning of year	326,834,154	(6,572,223)	-	-	320,261,931	20,007,997
Net assets - end of year	\$340,827,585	(\$8,169,470)	\$101,715	\$95,064	\$332,854,894	\$21,634,248

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, 2005

	Business-type activities - Enterprise Funds				Governmental Activities Internal Service Funds	
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major Funds		Total Business-type Activities
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$57,004,239	\$3,768,134	\$-	\$-	\$60,772,373	\$463,175
Cash received from interfund charges	-	-	-	-	-	17,822,616
Cash paid to suppliers	(28,253,332)	(3,431,803)	-	-	(31,685,135)	(6,140,037)
Cash paid to employees	(13,715,239)	-	-	-	(13,715,239)	(4,694,579)
Net cash flows from operating activities	15,035,667	336,331	-	-	15,371,998	7,451,175
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	266,223	161,250	101,715	95,064	624,252	-
Net cash flows from investing activities	266,223	161,250	101,715	95,064	624,252	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Transfer out to other funds	-	-	-	-	-	(130,000)
Temporary loan from General Fund	-	-	-	-	-	101,560
State grant	-	-	-	-	-	-
Payment of temporary loan	-	-	-	-	-	(122,245)
Transfers in	-	-	-	-	-	337,114
Net cash flows from non-capital financing activities	-	-	-	-	-	186,429
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Principal payments - bonds	(3,130,952)	(500,000)	-	-	(3,630,952)	-
Payments to bonds redeemed	(2,798,890)	-	-	-	(2,798,890)	-
Proceeds of bond refunding	2,916,798	-	-	-	2,916,798	-
Proceeds from bonds	6,484,779	-	33,372,500	30,502,500	70,359,779	-
Proceeds from capital lease	-	-	-	-	-	1,936,484
Payment of principal on capital lease	-	-	-	-	-	(339,982)
Payment of interest on capital lease	-	-	-	-	-	(54,192)
Proceeds of Suntrust notes payable	(6,200,000)	-	-	-	(6,200,000)	-
Proceeds of VRA loan payable	16,184,083	-	-	-	16,184,083	-
Contributions from other sources	3,773,550	-	-	-	3,773,550	-
Interest and other loan expenses paid	(2,033,402)	(410,044)	-	-	(2,443,446)	-
Purchases of property	(27,099,145)	-	-	-	(38,948,072)	(6,058,579)
Proceeds from sale of equipment	-	-	(4,547,278)	(7,301,649)	-	321,533
Net cash flows from capital and related financing activities	(11,903,179)	(910,044)	28,825,222	23,200,851	39,212,850	(4,194,736)
Net increase(decrease) in cash and cash equivalents	3,398,711	(412,463)	28,926,937	23,295,915	55,209,100	3,442,868
Cash and cash equivalents at beginning of year	28,308,026	13,338,190	-	-	41,646,216	1,091,101
Cash and cash equivalents at end of year	\$31,706,737	\$12,925,727	\$28,926,937	\$23,295,915	\$96,855,316	\$4,533,969
Reconciliation of operating income to net cash flow from operations:						
Operating Income	\$11,996,688	(\$322,517)	\$-	\$-	\$11,674,171	\$1,399,615
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	5,300,601	503,698	-	-	5,804,299	3,682,446
(Increase)Decrease in accounts receivable	(2,110,466)	3,080	-	-	(2,107,386)	2,200,181
(Increase)Decrease in due from primary government	-	-	-	-	-	-
(Increase)Decrease in inventories	10,260	-	-	-	10,260	(24,125)
Increase (Decrease) in prepaid expenses	-	-	-	-	-	-
Increase(Decrease) in vouchers payable	(650,953)	(252,930)	-	-	(903,883)	150,530
Increase(Decrease) in compensated absences	104,458	-	-	-	104,458	42,528
Increase(Decrease) in contract retainage	343,813	-	-	-	343,813	-
Increase(Decrease) in other accrued liabilities	41,266	405,000	-	-	446,266	-
Net cash flows from operations	\$15,035,667	\$336,331	\$-	\$-	\$15,371,998	\$7,451,175

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, 2005

	Pension Trust	All Other Private Purpose Trust Funds	Total Agency Funds
ASSETS:			
Equity in pooled cash and investments	\$126,387,792	\$35,126,853	\$15,599,994
Contributions receivable:			
Employer	1,039,551	-	-
Employee	747,145	-	-
Accrued interest and other receivables	5,013,416	-	-
Bond issuance costs	-	425,000	-
Construction in progress	-	1,053,489	-
Receivable from other government	-	-	2,456,565
Investments, at fair value			
Foreign, Municipal and U.S. Government Obligations, including Fixed Instruments in Pooled Funds	84,227,980	-	-
Corporate Fixed Income Obligations	138,316,308	-	-
Domestic and Foreign Equities, including Equities in Pooled Funds	695,750,810	8,416,871	-
Other investments	131,810,171	-	-
Real estate funds	17,973,407	-	-
Total assets	<u>1,201,266,580</u>	<u>45,022,213</u>	<u>18,056,559</u>
LIABILITIES:			
Accounts payable and accrued liabilities	3,208,662	36,161,091	15,599,950
Due to primary government	-	-	2,456,609
Total liabilities	<u>3,208,662</u>	<u>36,161,091</u>	<u>18,056,559</u>
NET ASSETS	<u><u>\$1,198,057,918</u></u>	<u><u>\$8,861,122</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, 2005

	<u>Pension Trust</u>	<u>All Other Private Purpose Trust Funds</u>
ADDITIONS:		
Contributions and Revenues:		
Employer contributions	\$8,152,479	\$-
Employee contributions	13,853,234	-
Other contributions	8,115	-
Shared revenues	-	2,299,259
Private donations	-	51,336
	<u>22,013,828</u>	<u>2,350,595</u>
Investment earnings:		
Interest and other	25,847,581	247,431
Securities lending	476,828	-
Commissions recapture, gross	49,373	-
Net change in fair value of investments	77,905,641	-
Class action recovery	86,518	-
	<u>104,365,941</u>	<u>247,431</u>
Less investment expenses	6,065,100	80,809
Net investment earnings	<u>98,300,841</u>	<u>137,853</u>
Bond issuance costs	-	425,000
Total additions	<u>120,314,669</u>	<u>2,913,448</u>
DEDUCTIONS:		
Administrative expenses	1,159,056	2,671,144
Other private purpose program expenses	-	37,025
Retirees pension expense	54,057,207	-
Total deductions	<u>55,216,263</u>	<u>2,708,169</u>
Change in net assets	<u>65,098,406</u>	<u>205,279</u>
Net assets - Beginning of the year	<u>1,132,959,512</u>	<u>8,655,843</u>
Net assets - End of the year	<u>\$1,198,057,918</u>	<u>\$8,861,122</u>

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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 is 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 is fiscally dependent on the County since it is 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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 derived primarily from property and other local taxes, State and Federal distributions, licenses, permits, charges for services, and interest income are accounted for in this Fund. A significant part of the Fund's revenue is transferred to the Schools to finance their operations, pay-as-you-go capital projects, and debt service requirements.

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

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

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

The *Enterprise Funds* account for the financing of services to the general public where the operating expenses involved are usually recovered in the form of charges to users of such activities. Enterprise Funds consist of the Utilities (water and sewer), the Ballston Public Parking Garage, the Trade Center, the George Mason Center, the Enterprise Resource Planning, and the Emergency Communications Center Funds. The Trade Center, the George Mason Center, the Enterprise Resource Planning, and the Emergency Communications Center funds are considered enterprise funds because the County has made a policy decision to establish charges to recover a portion of the cost of operating of these 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.

The *Emergency Communications Center* accounts for activities involved in constructing and equipping an emergency operation and emergency communications center.

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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

The *Private-purpose Trust Funds* are used to account for resources legally held in trust to provide for capital costs of repairs to the waste-to-energy plant and other solid waste purposes, resources used for the construction of IDA Skating facilities on the eighth level of the Ballston Public Parking Garage, 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 organizations, 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, the Emergency Communications Center, the IDA Revenue Bond funds, and of the government's internal service funds are charges to customers for sales and services. The Utilities Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Budgets

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

F. Equity in Pooled Cash and Investments

The County pools substantially all cash and investments, including those held by the Schools, except for separate cash and investment accounts that are maintained in accordance with legal restrictions. Each Fund's equity share of the total pooled cash and investments is included on the accompanying balance sheet under the caption "Equity in Pooled Cash and Investments." The Code of Virginia, Sections 2.2-4500 through 4517, and the investment policy of the County as revised by the County Finance Board in April 2004, authorize the County Treasurer to invest County funds in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper with a "prime" quality rating by at least two of the following: Standard & Poor's, Inc. rating of A-1, Moody's Investor Services, Inc. rating of prime 1, Fitch Investor's Services, Inc. rating of F-1, Duff and Phelps, Inc. rating of D-1, banker's acceptances repurchase agreements, Corporate notes with a "prime" rating by Standard & Poor's Inc. of at least AA or by Moody's Investor Services, Inc. of at least Aa, mutual funds and the Virginia Local Government Investment Pool ("LGIP"). 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

ARLINGTON COUNTY, VIRGINIA

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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.

G. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

"Accounts receivable, net" for the Utilities Fund includes water and sewer services used by customers, but not yet billed. Unbilled revenues are estimated based on the billing cycles of each customer.

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

H. Inventories and Prepaid Items

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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.

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

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

J. Compensated Absences

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

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

K. Arbitrage Rebate Liability

The U.S. Treasury has issued regulations on calculating the rebate due the Federal government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the County temporarily invests the proceeds of tax exempt debt in securities with higher yields. The County treats the estimated rebate payable as a reduction of available financial resources in the fund that earned the arbitrage profit. Accordingly, interest earnings are reduced by the amount of the increase in the estimated rebate payable and a liability is reported in the appropriate fund. At June 30, 2005, 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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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.

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 2004 amounts have been reclassified to conform to the FY 2005 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 maturities at time of purchase 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 \$(600,743,683) difference as follows:

General obligation bonds - general government	\$(313,573,886)
General obligation bonds - Schools	(240,611,408)
Compensated absences - general government	(27,269,739)
Worker's compensation - general government	(2,748,483)
Capital leases - general government	(7,261,658)
Notes payable	-
Bond issue costs and deferred amount on refunding, net	1,347,242
Current year Bond premium to be amortized - County	(6,318,833)
Current year Bond premium to be amortized – Schools	(4,306,918)
	<u>\$(600,743,683)</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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 \$39,748,030 difference are as follows:

Capital acquisitions	\$55,177,915
Depreciation expense	<u>(15,429,885)</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>\$39,748,030</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>\$(171,204)</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 6/30/05	\$183,982,909
Deferred property tax revenue 6/30/04	<u>(168,892,303)</u>
Net adjustment to increase net changes in fund balances – total governmental funds arrive at changes in net assets of governmental activities	<u>\$15,090,606</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 \$(51,696,333) difference are as follows:

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NOTES TO FINANCIAL STATEMENTS

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Debt issued or incurred:	
Issuance of general obligation bonds - County	\$(52,295,000)
Issuance of general obligation bonds – Schools	(36,230,000)
Capital lease financing – General Government	<u>(3,962,112)</u>
	<u>(92,487,112)</u>
Principal repayments:	
General obligation debt – County	22,805,996
General obligation debt – Schools	14,548,058
Notes payable	8,200,000
Capital leases	<u>2,208,449</u>
Total principal repayments	<u>47,762,503</u>
Bond premium to be amortized	<u>(7,144,314)</u>
Other charges and bond issue costs	<u>172,590</u>

Net adjustment to decrease *net changes in fund balances* - total governmental funds to arrive at *changes in net assets of governmental activities* \$(51,696,333)

Another element of that reconciliation states that “some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds such as compensated absences and worker’s compensation”. The detail of this \$(2,406,964) difference are as follows:

Compensated absences	\$(2,827,049)
Worker’s compensation	<u>420,085</u>

Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of government activities \$(2,406,964)

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	\$226,635
Net operating income – internal service funds	<u>1,399,616</u>

Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities \$1,626,251

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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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 2005 such appropriation amendments totaled \$9,633,522 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 2005 for the following departments; the County Attorney's Office, the Commissioner of the Revenue, the Electoral Board Office, the Fire Department and the Sheriff's Office. The County Board will re-appropriate funds to increase these budgets in the annual closeout package in November of FY 2006. 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 \$(8,169,470) at June 30, 2005. 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 income of \$8,190 in FY 2005, resulting in a decreased retained deficit of \$(185,149).

NOTE 3. Cash and Investments

I. County 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. Custodial Credit Risk Deposits

At year end, the carrying amount of the County and School deposits was \$63,529,868 and the bank balance was \$82,989,864. Of the bank balance, \$693,371 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.

B. Custodial Credit Risks Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to credit risk if the securities held by the counterparty or counterparty's trust department, are uninsured and are not registered in the name of the County. The County requires that all investments be clearly marked as to ownership and to the extent possible, be registered in the name of the County.

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The Repurchase Agreement at Bank of America holds funds for the Section 8 Housing Program. The Federal Government provides these funds as an offset to the County funds being disbursed on a monthly basis. The agreement with the Federal Government details how these funds are to be held and invested. For the County's \$10,587,287 investment in an overnight repurchase agreement, \$10,587,287 market value of Federal National Mortgage Association securities maturing 1/1/2035 were held by the investment's counterparty, not in the name of the County.

C. Investment Policy

In accordance with State statutes, the County's investment policy permits it to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, commercial paper, bankers' acceptances, repurchase agreements, corporate notes, mutual funds and the Virginia Local Government Investment Pool.

D. Credit Risk

The County's policy limits investment in commercial paper to those issues with "prime quality" rating by at least two of the following: Moody's Investors Service, Inc., rating of prime 1, Standard & Poor's, Inc., rating of A-1, Fitch Investor's Services, Inc., rating of F-1, Duff and Phelps, Inc., rating of D-1. Corporate notes are limited to issues that have been rated at least AA by Standard and Poor's and at least Aa by Moody's.

E. Concentrations of Credit Risk

The County's policy limits the amount that may be invested in commercial paper to a single issuer to 5% of the portfolio. The County's policy does not set a limit on the amount that may be invested in any single Federal Agency issuer.

F. Interest Rate Risk

As of June 30, 2005, the County had the following investments and maturities:

		<u>Investment Maturity</u>	
	<u>Fair Value</u>	<u>Less than one year</u>	<u>1-3 years</u>
Repurchase Agreement	\$10,587,287	\$10,587,287	\$-
Commercial Paper	10,000,000	10,000,000	-
Corporate Notes	3,186,304	-	3,186,304
U.S. Treasury Bonds/ Notes	10,642,168	-	10,642,168
Federal Agency Bonds/Notes	47,240,091	10,845,627	36,394,464
Total	<u>81,655,850</u>	<u>\$31,432,914</u>	<u>\$50,222,936</u>

Investment not subject to Interest Rate Risk:

Virginia LGIP	59,050,594
Virginia State Non-Arbitrage Program	170,508,705
James Monroe T-Fund	134,144
Commonwealth Investment Fund (Capital Reserve Fund)	661,978
Total	<u>230,355,421</u>

Total Investments \$312,011,271

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Investment Portfolio

As of June 30, 2005

	S&P Rating	PAR	Interest Rate	Maturity Date	Market	% of Portfolio
Repurchase Agreements:						
Bank of America		\$10,587,287	2.77%	07/01/05	\$10,587,287	3.39%
Commercial Paper						
Am. Gen. Fin. Comm Paper	A-1	10,000,000	3.35%	09/20/05	10,000,000	3.21%
General Electric Cap Corp Notes	AAA	500,000	3.13%	11/09/06	494,715	
Citigroup, Inc., Senior Debt	AA-	250,000	8.63%	02/01/07	267,164	
US Bank NA Notes	AA-	1,000,000	3.70%	08/01/07	994,610	
Citigroup, Inc., Corp Notes	AA-	405,000	6.50%	02/15/08	428,697	
General Electric Cap Corp Notes	AAA	1,000,000	4.13%	03/04/08	1,001,118	
		<u>3,155,000</u>			<u>3,186,304</u>	1.02%
US Treasury Bonds/ Notes						
US Treasury Notes	AAA	2,015,000	2.50%	09/30/06	1,988,239	
US Treasury Notes	AAA	1,995,000	2.50%	09/30/06	1,968,504	
US Treasury Notes	AAA	1,130,000	2.50%	09/30/06	1,114,992	
US Treasury Notes	AAA	1,500,000	2.63%	11/15/06	1,480,254	
US Treasury Notes	AAA	1,200,000	3.13%	01/31/07	1,190,531	
US Treasury Notes	AAA	1,000,000	3.00%	11/15/07	985,469	
US Treasury Notes	AAA	1,910,000	3.75%	05/15/08	1,914,179	
		<u>10,750,000</u>			<u>10,642,168</u>	3.41%
Federal Agency Bonds/Notes						
FHLB Notes (Callable)	AAA	100,000	1.50%	07/15/05	99,938	
FNMA Notes (Callable)	AAA	100,000	1.63%	07/21/05	99,906	
FHLMC	AAA	3,000,000	2.20%	08/08/05	2,989,800	
FNMA Float Qrtly T-Bill+15	AAA	100,000	3.30%	10/07/05	100,026	
FHLB	AAA	3,000,000	2.25%	10/20/05	2,988,750	
FHLB	AAA	2,000,000	2.64%	11/23/05	1,993,120	
FNMA Notes	AAA	100,000	2.00%	05/04/06	98,563	
FHLMC Float 6/16/04 Step (Callable)	AAA	1,000,000	2.55%	06/16/06	988,560	
FHLMC Notes (Callable)	AAA	1,500,000	3.00%	06/29/06	1,486,964	
FHLMC Global Reference Notes	AAA	1,500,000	5.50%	07/15/06	1,525,781	
FHLB Notes (Callable)	AAA	1,000,000	1.82%	07/24/06	979,688	
FHLMC	AAA	4,000,000	3.75%	07/24/06	3,995,760	
FNMA Notes	AAA	1,810,000	3.25%	07/31/06	1,799,819	
FHLB TAP Notes	AAA	1,000,000	3.50%	08/15/06	996,875	
FNMA	AAA	3,000,000	2.90%	09/22/06	2,968,140	
FHLB	AAA	2,000,000	2.81%	10/25/06	1,974,380	
FHLB	AAA	3,000,000	3.00%	11/02/06	2,968,140	
FHLB TAP Notes	AAA	1,015,000	4.13%	11/15/06	1,018,806	
FHLB TAP Notes	AAA	1,100,000	4.13%	11/15/06	1,104,125	
FHLB	AAA	3,000,000	3.00%	11/24/06	2,966,250	
FHLB	AAA	3,000,000	3.04%	11/24/06	2,968,140	
FHLB Notes	AAA	1,000,000	3.10%	12/04/06	990,313	
FHLMC Notes (Callable)	AAA	1,500,000	2.45%	12/11/06	1,471,517	
FHLB TAP Notes	AAA	960,000	4.88%	02/15/07	975,600	
FHLB TAP Notes	AAA	2,245,000	3.50%	05/15/07	2,229,566	
FHLB Notes	AAA	2,175,000	3.75%	05/15/07	2,170,242	
FHLB Notes (Callable) STEP 3.7	AAA	940,000	2.75%	07/27/07	935,006	
FNMA Notes(Callable)	AAA	1,390,000	3.41%	08/30/07	1,374,363	
FHLB TAP Notes	AAA	990,000	3.50%	11/15/07	981,956	
		<u>47,525,000</u>			<u>47,240,091</u>	15.14%
Virginia State Non-Arbitrage Program (SNAP)	AAAm	170,508,705			170,508,705	54.65%
James Monroe T-Fund	AAAm	134,144			134,144	0.04%

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Commonwealth Investment Fund (Cap. Res. Fund)	AAAm	661,978	661,978	0.21%
State Treasurer's Local Government Investment Pool	AAAm	<u>59,050,594</u>	<u>59,050,594</u>	<u>18.93%</u>
Total Securities		<u>\$312,372,708</u>	<u>\$312,011,271</u>	<u>100%</u>

SunTrust Bank, as trustee for holders of bonds for the Ballston Public Parking Garage, is authorized to invest in all investment instruments for the County Treasurer. As of June 30, 2005, the Trustee Bank had \$13,429,419 in a U.S. government money market fund consisting of securities approved for direct investment. The Trustee Bank is also the trustee for the Alexandria/Arlington Waste Disposal Trust Fund and Arlington Solid Waste Authority. Investments in the amount of \$8,416,871 in U.S. government securities and agency obligations at fair value were held by the Trustee Bank at June 30, 2005.

U.S. Bank Trust National Association, as the trustee for the Industrial Development Authority (IDA) Lease Revenue Bonds, is granted and assigned a security interest in the investment instruments by the IDA Authority of Arlington County for the Arlington County Treasurer. As of June 30, 2005, the US Bank Trust National Association had \$58,970,287 in the Trustee Bank.

Wells Fargo Bank, as the trustee for the Industrial Development Authority (IDA) of Arlington County, Virginia, is authorized to invest in all investments for the IDA Taxable Economic Development Revenue Bonds (Skating Facility Project). As of June 30, 2005, the Trustee Bank had \$34,622,217 in a U.S. government money market fund.

The County has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program ("SNAP"). SNAP is 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, 2005, the County had \$170,508,705 in the SNAP short-term investment. On March 1, 2005, the County merged the Commonwealth Cash Reserve Fund ("AIM") with SNAP.

II. Arlington County Employee's Retirement System ("System") Cash and Investments

A. Legal Provisions

The System is authorized by the Code of Virginia §51.1-803 to invest funds of the System in conformance with the prudent person rule. Arlington County Code §21-23, §35-21, and §46-22 require that assets of the system be invested with care, skill, prudence, and diligence under circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Arlington County Code §21-24, §35-22, and §46-23 require that investments be diversified so as to minimize the risk of large losses unless under the circumstances it is clearly not prudent to do so. For the year ended June 30, 2005, the System has operated in all material respects in accordance with these codes.

The System maintains a written investment policy and considers investments in all major sectors of the capital markets in order to diversify and minimize total investment program risk. Such sectors include, but are not limited to:

- Common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies.
- Private equity. The System invests in private equity through an experienced fund-of-funds manager to maximize diversification by vintage year and investment type. The commitment to private equity totals \$58 million, representing 4.8% of assets, of which \$12 million has been funded as of June 30, 2005.
- Open and closed ended, commingled real estate funds and real estate investment trust securities. The System has a commitment to fund a real estate partnership for \$25 million of which \$4 million has been funded.
- Fixed income obligations of the U.S. government and its agencies, mortgage-backed securities, corporate bonds and asset backed securities; and fixed income obligations of non-U.S. governments, companies, and

ARLINGTON COUNTY, VIRGINIA

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supra-national organizations in both developed and emerging markets. Limits on concentration, credit quality, and duration are governed by the investment manager contract with each manager.

- Commingled funds or separate account structures are permitted.
- Futures contracts. The System invests in a portfolio of managed futures contracts to enhance return and diversify risk. Some market risk accrues from these investments. The credit risk of these investments results from the credit worthiness of the counterparties to the contracts. The System maintains cash investments in the custodian's STIF account and rebalances monthly to insure that unintended leverage does not arise. As of June 30, 2005, the System's managed futures portfolio was valued at \$51.8 million, including \$5.5 million in a futures account and \$46.3 million in the custodian's STIF.
- Foreign currency forwards. The System invests in a portfolio of foreign currency forward contracts to add value and diversify risk. Market risk accrues from these investments due to fluctuations in currency rates among eleven major national currencies of developed nations in the Morgan Stanley Capital International World and Citigroup World Government Bond Indices. Credit risk of these investments results from the credit worthiness of the counterparties to the contracts. The currency program is operated as an absolute return strategy with a maximum notional exposure of \$100 million. As of June 30, 2005, the System was long a total of \$40 million in five currencies, short a total of \$40 million in four currencies, and neutral in two currencies.

B. Investment Restrictions

The following is a summary of the primary investment restrictions from the System's investment policy statement. Individual investment manager contracts may include additional guidelines and limitations.

Fixed income investments must be at least 20% of System assets, unless the Board of Trustees acting on the recommendation of staff or investment consultant, determines that it would not be in the best interest of the fund to rebalance (increase) fixed income holdings at the time. Any decision to defer rebalancing would be revisited at the next scheduled meeting of the Board.

No illiquid investment can be made that causes the allocation to illiquid investments to exceed 15% of System assets.

Unless the Board grants prior written authorization, the System may not:

- Invest more than 10% of the market value of each manager's portfolio in the securities of any one issuer, with the exception of the U.S. government and its agencies
- Hold more than 5% of the outstanding shares of a single company in any manager's portfolio
- Hold unlisted equity securities that exceed 20% of the portfolio
- Use leverage of any sort for any purpose
- Effect short sales of securities, other than those executed by designated investment managers
- Pledge or hypothecate securities with the exception of fully collateralized security lending and reverse repurchase agreements

Derivatives normally will be used only in cases where their use reduces the cost of a desired transaction and/or improves the risk characteristics of the portfolio. The Board of Trustees may approve the use of derivatives to implement investment processes intended to add value in specifically-designated risk-controlled applications, such as currency management. Any such value-added investment program shall be approved only where (a) the potential exposures have been well defined by the Board and provide for a downside risk range for the Fund within established limits; (b) the value of the designated Fund assets subject to risk due to the program does not exceed 15% of the Fund's assets; and (c) in any program where an active overlay strategy combining derivatives with underlying portfolio assets is to be used, the gross amount of any long and short exposures taken on by the overlay shall not exceed the value of the designated Fund assets being overlaid.

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C. Cash and Cash Equivalents

For cash deposits and cash equivalents, custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned.

As of June 30, 2005, the System had cash and cash equivalents of \$126,387,792. Cash deposits in bank accounts totaled \$308,295. This amount was insured by the Federal Deposit Insurance Corporation up to \$100,000 for each System participant. Cash equivalents totaling \$126,079,497 are invested in the custodian's Short-Term Investment Fund (STIF). This account is uninsured and uncollateralized.

D. Investments and Risk

The System's investments are recorded at fair value. Fair value is based on quoted market prices from national exchanges, when available. Real estate and private equity investments are reported at appraised value which approximates fair value. Investment transactions are recorded as of the trade date. These transactions are not finalized until the settlement date. Unrealized appreciation and depreciation of investments is reflected in the Statement of Changes in Plan Net Assets for the year.

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The following table presents the fair value of investments by type as of June 30, 2005:

Investment Type	Fair Value (in \$000s)
U.S. Treasury	\$40,955
U.S. Agency	8,879
Mortgage Backed Government Pass-Through	796
Corporate Bonds	95,245
Corporate Asset Backed	8,727
Private Placements	13,593
Yankee Bonds	4,412
Non-U.S. Developed Government/Sovereign	16,350
Non-U.S. Developed Corporate	22,346
Non-U.S. Emerging Government/Sovereign	6,872
Non-U.S. Emerging Corporate	17,444
Convertible Bonds	62,094
Short Term	5,487
U.S. Equity	375,867
Non-U.S. Equity	137,928
Alternative Investments	43,159
Real Estate	17,973
Commingled Equity Funds	195,666
Commingled US Fixed Income	3,781
Commingled Money Market	118,444
Currency Forwards	14
Cash	3,140
Total	<u>\$1,199,172</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to credit risk if the securities held by the counterparty or counterparty's trust department, are uninsured and are not registered in the name of the System. The System requires that all investments be clearly marked as to ownership and to the extent possible, be registered in the name of the System.

Interest Rate Risk

Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes.

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JUNE 30, 2005

The System had the following fixed income investments and maturities as of June 30, 2005:

Investment Type:	Fair Value (\$000s)	Investment Maturities (in years)			
		Less than 1 year	1-5 year	6-10	More than 10
U.S. Treasury	\$40,955	\$7,468	\$33,486	\$-	\$-
U.S. Government Agency	8,879	-	8,879	-	-
Mortgage Backed Gov't Pass Through	796	-	-	-	796
Corporate Bonds	95,245	1,728	20,903	11,376	61,238
Corporate Asset Backed	8,727	-	2,541	2,589	3,597
Private Placement	13,593	-	2,598	1,909	9,086
Yankee Bonds	4,412	-	-	-	4,412
Non-U.S. Developed Gov't/Sovereign	16,350	-	16,350	-	-
Non-U.S. Developed Corporate	22,346	-	18,906	949	2,490
Non-U.S. Emerging Gov't /Sovereign	6,872	-	-	-	6,872
Non-U.S. Emerging Corporate	17,444	-	3,577	7,533	6,335
Convertible Bonds	62,094	454	40,384	1,962	19,295
Short Term	5,487	5,487	-	-	-
Total	\$303,200	\$15,137	\$147,624	\$26,318	\$114,121

Interest rate sensitivity of a fixed income portfolio is best measured by effective duration. The effective duration of the fixed income portfolio at June 30, 2005 is shown below:

Investment Type:	Fair Value (in thousands)	Effective Duration (years)
U.S. Treasury	\$40,955	1.95
U.S. Government Agency	8,879	2.43
Mortgage Backed Gov't Pass Through	796	2.65
Corporate Bonds	95,245	7.11
Corporate Asset Backed	8,727	4.68
Private Placement	13,593	4.66
Yankee Bonds	4,412	9.03
Non-U.S. Developed Gov't/Sovereign	16,350	2.40
Non-U.S. Developed Corporate	22,346	4.02
Non-U.S. Emerging Gov't /Sovereign	6,872	9.78
Non-U.S. Emerging Corporate	17,444	5.64
Convertible Bonds	62,094	4.10
Short Term	5,487	0.00
Total	\$303,200	4.86

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Concentration of Credit Risk

The System does not have investments in any one organization that exceed 5% of the System's assets. U.S. Government and U.S. Government Agency obligations may exceed 5%.

The System's credit quality distribution for fixed income investments is shown below:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Investment Type	S&P Quality Rating	Value (\$000s)	% Total Assets
U.S. Government	TSY	\$40,955	3.4%
U.S. Government Agency	AGY	8,879	0.7
Government mortgage pass through	AGY	796	0.1
Corporate Bonds	AAA	7,998	0.7
Corporate Bonds	A	5,216	0.4
Corporate Bonds	BBB	28,809	2.4
Corporate Bonds	BB	25,886	2.2
Corporate Bonds	B	20,519	1.7
Corporate Bonds	CCC & Below	849	0.1
Corporate Bonds	Not Rated	5,967	0.5
Corporate asset backed	AAA	885	0.1
Corporate asset backed	A	1,902	0.2
Corporate asset backed	BBB	3,926	0.3
Corporate asset backed	B	683	0.1
Corporate asset backed	Not Rated	1,331	0.1
Private placements	A	2,312	0.2
Private placements	BBB	875	0.1
Private placements	BB	1,544	0.1
Private placements	B	3,113	0.3
Private placements	CCC & Below	637	0.1
Private placements	Not Rated	5,110	0.4
Yankee bonds	BBB	3,256	0.3
Yankee bonds	B	1,155	0.1
International obligations	AAA	14,302	1.2
International obligations	AA	2,216	0.2
International obligations	A	8,733	0.7
International obligations	BBB	7,696	0.6
International obligations	BB	11,454	1.0
International obligations	B	964	0.1
International obligations	Not Rated	17,647	1.5
Convertible bonds	AAA	2,610	0.2
Convertible bonds	AA	1,796	0.1
Convertible bonds	A	9,420	0.8
Convertible bonds	BBB	11,462	1.0
Convertible bonds	BB	3,559	0.3
Convertible bonds	B	7,786	0.6
Convertible bonds	CCC & Below	1,189	0.1
Convertible bonds	Not Rated	24,274	2.0
Other short term	Not Rated	5,487	0.5
Total		<u>\$303,198</u>	<u>25.5%</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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Foreign Currency Risk

Foreign investments include equity and fixed income securities, convertible bonds, cash, and currency forward exchange contracts. The System's primary exposure to foreign currency risk at June 30, 2005 was:

<u>Investment Type</u>	<u>Currency</u>	<u>Fair Value (\$000s)</u>
Convertible bonds	Australian Dollar	\$1,361
Equity	Australian Dollar	3,005
Derivatives	Australian Dollar	5,016
Fixed Income	Brazilian Real	1,533
Fixed income	British Pound Sterling	4,328
Convertible bonds	British Pound Sterling	4,526
Equity	British Pound Sterling	19,812
Derivatives	British Pound Sterling	20,869
Fixed income	Canadian Dollar	12,966
Equity	Canadian Dollar	4,597
Derivatives	Canadian Dollar	(7,694)
Equity	Danish Krone	1,959
Fixed income	Euro	9,359
Convertible bonds	Euro	23,330
Equity	Euro	37,156
Derivatives	Euro	5,414
Equity	Hong Kong Dollar	1,741
Fixed income	Japanese Yen	4,469
Convertible bonds	Japanese Yen	3,282
Equity	Japanese Yen	22,375
Derivatives	Japanese Yen	(8,997)
Fixed Income	Mexican Peso	5,013
Fixed Income	New Zealand Dollar	7,600
Derivatives	New Zealand Dollar	2,932
Fixed income	Norwegian Krone	2,884
Equity	Norwegian Krone	2,915
Derivatives	Norwegian Krone	(13,021)
Fixed income	Swedish Krona	1,702
Fixed income	Swiss Franc	1,200
Convertible	Swiss Franc	1,522
Equity	Swiss Franc	10,185
Derivatives	Swiss Franc	(7,305)
Total		<u>\$186,034</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

E. Securities Lending

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. 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. All securities on loan are carried at fair value and no collateral received for securities on loan is listed as an asset of the Fund.

The System did not impose any restrictions during the period on the amounts of securities lending BoNY did on its behalf and BoNY indemnifies the System by agreeing to purchase replacement securities, or to remit the cash collateral held, in the event the borrower fails to return loaned securities. 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 a default of the borrower or lending agent.

The following table details the net income from securities lending for the fiscal year ending June 30, 2005:

Gross Income from Securities Lending	\$2,779,567
Less Expenses	2,302,739
Less Bank Fees	137,233
Net Income from Securities Lending	<u>\$339,595</u>

The following table presents the fair value of underlying securities and the value of the collateral pledged as of June 30, 2005:

Type of Securities Lent	Fair Value	Value of
		Cash Collateral
U.S. Government and Agency	\$14,888,609	\$15,199,054
Corporate Fixed Income	45,447,069	46,475,714
U.S. Equity	46,495,493	48,053,464
Non-U.S. Equity	4,392,937	4,594,686
Total	<u>\$111,224,108</u>	<u>\$114,322,918</u>

F. Commission Recapture Program

The System participates in a commission recapture program with Frank Russell Company. This program allows the System to recapture a portion of the commissions paid to broker/dealers with which the System has entered into an agreement. All trades are placed subject to the requirement for best execution. Earnings credited to commission recapture income for the fiscal year ending June 30, 2005, were \$49,373.

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NOTE 4. Receivables, net

Receivables at June 30, 2005 are summarized below.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Real estate taxes	\$185,584,545	\$-
Personal property taxes	5,204,171	-
Omitted business licenses tax	4,998,241	-
Omitted meals tax	280,242	-
Accounts receivable	30,090,082	12,303,009
Interest	446,724	32,836
Total	<u>226,604,005</u>	<u>12,335,845</u>
Less: Allowance for uncollectible accounts	<u>(3,602,735)</u>	<u>(170,000)</u>
Net receivables	<u>\$223,001,270</u>	<u>\$12,165,845</u>

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

The County Board establishes the tax rates on or about April 1 of each year, at which time the County has the legal right to request payment. Real Estate taxes are due in two equal installments on June 5 and October 5. Included in real estate taxes receivable is the unbilled October 5 installment. This October due amount, totaling \$183,982,909, has also been recorded as deferred revenue since these revenues are not considered to be available to finance current year expenditures.

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

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

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental and Internal Services activities:				
Capital assets, not being depreciated:				
Land	<u>\$83,761,542</u>	<u>\$648,074</u>	<u>\$-</u>	<u>\$84,409,616</u>
Capital assets, being depreciated:				
Infrastructure	336,410,748	9,541,726	1,245,118	344,707,356
Buildings	142,410,701	41,628,552	-	184,039,253
Furniture, fixtures and equipment	74,195,939	9,418,138	12,174,351	71,439,726
Total capital assets being depreciated	<u>553,017,388</u>	<u>60,588,420</u>	<u>13,419,469</u>	<u>600,186,335</u>
Less accumulated depreciation for:				
Infrastructure	218,713,462	8,482,812	1,073,914	226,122,360
Buildings	41,243,954	4,080,624	-	45,324,578
Furniture, fixtures and equipment	41,157,664	6,564,657	11,942,294	35,780,027
Total accumulated depreciation	<u>301,115,080</u>	<u>19,128,093</u>	<u>13,016,208</u>	<u>307,226,965</u>

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NOTES TO FINANCIAL STATEMENTS

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Total capital assets, being depreciated, net	251,902,308	41,460,327	403,261	292,959,370
Governmental activities capital assets, net	<u>\$335,663,850</u>	<u>\$42,108,401</u>	<u>\$403,261</u>	<u>\$377,368,986</u>

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$1,792,817	\$-	\$-	\$1,792,817
Construction in progress	43,129,441	36,109,622	15,396,989	63,842,074
Total capital assets, not being depreciated	<u>44,922,258</u>	<u>36,109,622</u>	<u>15,396,989</u>	<u>65,634,891</u>
Capital assets, being depreciated:				
Sewer system	264,288,686	5,113,761	-	269,402,447
Water system	110,863,713	14,596,779	-	125,460,492
Parking garage	22,569,391	12,458	253,504	22,328,345
Furniture and fixtures and equipment	1,793,267	247,492	167,849	1,872,910
Total capital assets being depreciated	<u>399,515,057</u>	<u>19,970,490</u>	<u>421,353</u>	<u>419,064,194</u>
Less accumulated depreciation for:				
Sewer system	55,153,139	3,557,852	-	58,710,991
Water system	23,266,025	1,575,456	-	24,841,481
Parking garage	8,422,738	244,697	-	8,667,435
Furniture and fixtures and equipment	931,285	167,295	167,849	930,731
Total accumulated depreciation	<u>87,773,187</u>	<u>5,545,299</u>	<u>167,849</u>	<u>93,150,637</u>
Total capital assets, being depreciated, net	<u>311,741,870</u>	<u>14,425,1901</u>	<u>167,849</u>	<u>325,913,558</u>
Business-type activities capital assets, net	<u>\$356,664,128</u>	<u>\$20,712,6343</u>	<u>\$167,849</u>	<u>\$391,548,449</u>

Discretely presented component units – Schools:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	<u>\$4,697,946</u>	<u>\$-</u>	<u>\$-</u>	<u>\$4,697,946</u>
Capital assets, being depreciated:				
Buildings	281,684,501	35,111,051	-	316,795,552
Furniture, fixtures and equipment	64,249,992	1,991,985	12,535,777	53,706,200
Total capital assets being depreciated	<u>345,934,493</u>	<u>37,103,036</u>	<u>12,535,777</u>	<u>370,501,752</u>
Less accumulated depreciation for:				
Buildings	64,929,554	7,504,563	-	72,434,117
Furniture, fixtures and equipment	36,863,593	5,087,978	12,535,777	29,415,794
Total accumulated depreciation	<u>101,793,147</u>	<u>12,592,451</u>	<u>12,535,777</u>	<u>101,849,911</u>
Total capital assets, being depreciated, net	<u>244,141,346</u>	<u>24,510,495</u>	<u>-</u>	<u>268,651,841</u>
Schools capital assets, net	<u>\$248,839,292</u>	<u>\$24,510,495</u>	<u>\$-</u>	<u>\$273,349,787</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

FUNCTION AND ACTIVITY	Depreciation Expense
Primary government:	
Government activities:	
General government	\$3,641,750
Public safety	1,115,850
Public works, including depreciation of infrastructure assets	9,128,341
Environmental services	12,215
Health and welfare	594,851
Libraries	189,501
Parks, recreation and culture	409,684
Planning and community development	337,693
	<hr/>
Total Depreciation Expense – Governmental Activities	15,429,885
Internal Service	3,682,446
	<hr/>
Total Depreciation Expense- Governmental and Internal Service Activities	\$19,121,039
	<hr/>
Business-type activities:	
Utilities	\$5,300,601
Ballston Public Parking Garage	503,698
	<hr/>
Total Depreciation Expense- Business-type Activities	\$5,804,299
	<hr/>
Component unit - Schools	\$12,592,541
	<hr/>
Total Depreciation Expense – Component unit - Schools	\$12,592,541
	<hr/>

NOTE 6. Risk Management

The County is exposed to various risks of loss relative to property, liability, revenue and personnel. The systematic identification and analysis of exposures to risk, implementation of risk control and loss mitigation techniques, and utilization of appropriate risk financing alternatives encompasses the management of these risks. It is the general philosophy of the County to retain risks internally up to economically prudent retention levels and account for necessary claim settlements in the General Fund. For excess exposure levels, specialized exposures and where commercial insurance is available at cost-effective premiums, the County will transfer some risk to commercial insurance carriers through the purchase of insurance policies, while maintaining the integrity of the County's strategic self-insurance objectives. The major self-insurance programs are workers' compensation, employees' health insurance, and the self-insured retention portion of general, automobile, and public officials' liability. For each major self-insurance program the County uses the professional services of a third-party administrator to adjudicate claims and recommend appropriate reserves for outstanding claims. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The amount of settlement did not exceed the insurance coverage for each of the last three years. At June 30, 2005 the current portion of these liabilities was \$3.150 million which represent an estimate of health insurance claims that have been incurred but not reported of \$2.875 million, and are included in the accrued payroll liabilities and the current portion of workers' compensation of \$.275 million. The non-current portion was \$2.474 million which represent an estimate of workers' compensation claims which are included in the long-term liabilities based on a history of such claims. These liabilities are the County's best estimate based on available information.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Changes in the reported liabilities since July 1, 2003 resulted from the following:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year- End
2003 – 2004				
Current	\$2,349,200	\$28,390,630	\$28,127,830	\$2,612,000
Long Term	3,967,461	1,592,322	2,391,216	3,168,567
2004 – 2005				
Current	2,612,000	32,088,045	31,550,197	3,149,848
Long Term	3,168,567	1,354,177	2,049,109	2,473,635

In addition, the County has designated a General Fund balance self-insurance reserve of \$3,500,000 as of June 30, 2005. The County maintains a General Fund operating reserve that totaled \$15,200,000 as of June 30, 2005. 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>
2006	\$10,767,876
2007	11,048,225
2008	11,335,582
2009	11,630,116
2010	11,124,195
2011-2015	38,751,812
2016-2019	28,599,526
	<u>\$123,257,332</u>

In FY 2003, the County renewed and amended the operating lease agreement of the Court House Plaza to include the ninth floor premises. Total square feet of office space under the new 15 year agreement is 208,433. As part of the Court House Plaza lease agreement, the County receives 50% of the net cash flow generated by office and residential buildings located in the Court House area, subject to a minimum of \$150,000 annually. During the fiscal year ended June 30, 2005 the County received \$87,992 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 \$4,881,932 and is accrued in the General Fund as of June 30, 2005. 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 8. Capital Leases

The annual future minimum lease payments as of June 30, 2005 are as follows:

General Government:

<u>Year Ending June 30,</u>	<u>Technology Services</u>	<u>Criminal Justice Academy</u>	<u>Human Services</u>	<u>Department of Public Works</u>	<u>Emergency Communication Center</u>
2006	\$784,288	\$196,134	\$497,278	\$582,647	\$257,187
2007	784,288	196,134	-	463,272	-
2008	703,876	196,139	-	194,675	-
2009	-	-	-	40,985	-
2010	-	-	-	40,984	-
<hr/>					
Total Minimum Lease Payments	2,272,452	588,407	497,278	1,322,653	257,187
Less Imputed Interest	<u>(137,222)</u>	<u>(186,274)</u>	<u>(14,622)</u>	<u>(50,961)</u>	<u>(7,562)</u>
Present Value of Minimum Payments	<u>\$2,135,230</u>	<u>\$402,133</u>	<u>\$482,656</u>	<u>\$1,271,602</u>	<u>\$249,625</u>
<u>Year Ending June 30,</u>	<u>Electoral Board</u>	<u>Fire</u>	<u>Environmental Services</u>	<u>Parks and Recreation</u>	<u>Total General Government</u>
2006	\$130,104	\$127,179	\$219,497	\$87,309	\$2,881,623
2007	130,105	127,179	219,497	87,309	2,007,783
2008	130,104	127,179	219,497	87,309	1,658,779
2009	-	127,179	219,497	87,309	474,970
2010	-	127,179	205,996	87,309	461,469
2011	-	127,179	134,118	87,309	348,606
2012	-	-	67,059	43,654	110,714
<hr/>					
Total Minimum Lease Payments	390,313	763,074	1,285,161	567,508	7,943,944
Less Imputed Interest	<u>(13,816)</u>	<u>(74,200)</u>	<u>(134,007)</u>	<u>(63,621)</u>	<u>(682,286)</u>
Present Value of Minimum Payments	<u>\$376,497</u>	<u>\$688,874</u>	<u>\$1,151,154</u>	<u>\$503,887</u>	<u>\$7,261,658</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Internal Service Funds:

<u>Year Ending June 30,</u>	<u>Internal Service Fund - Auto Equipment</u>
2006	\$804,837
2007	804,837
2008	804,836
2009	633,171
2010	461,506
Total Minimum Lease Payments	<u>3,509,187</u>
Less Imputed Interest	<u>(291,121)</u>
Present Value of Minimum Lease Payments	<u>\$3,218,066</u>

Component Unit – Schools:

<u>Year Ending June 30,</u>	<u>Component Unit – School Operations</u>
2006	\$614,994
2007	614,994
2008	378,397
Total Minimum Lease Payments	<u>1,608,385</u>
Less Imputed Interest	<u>(80,482)</u>
Present Value of Minimum Lease Payments	<u>\$1,527,903</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 referendum 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, 2005

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
2006	23,702,957	14,590,037	16,322,363	11,049,259	3,074,680	1,918,120	43,100,000	27,557,416
2007	24,725,302	13,906,944	16,252,318	10,437,590	3,487,380	1,520,843	44,465,000	25,865,377
2008	24,305,074	12,764,576	16,445,116	9,504,282	3,769,811	1,503,588	44,520,001	23,772,446
2009	24,201,407	11,649,458	16,407,486	8,782,997	3,756,108	1,341,122	44,365,001	21,773,577
2010	23,208,375	10,228,227	15,751,759	8,177,431	3,554,868	1,192,152	42,515,002	19,597,810
2011	23,163,679	9,086,883	15,736,300	7,389,684	3,540,022	996,725	42,440,001	17,473,292
2012	22,787,746	7,953,656	15,533,198	6,605,244	3,319,057	807,692	41,640,001	15,366,592
2013	19,544,589	6,805,933	14,321,616	5,838,263	2,923,797	638,022	36,790,002	13,282,218
2014	18,107,221	5,886,186	14,312,956	5,142,670	2,909,824	492,145	35,330,001	11,521,001
2015	17,315,777	4,956,771	12,865,768	4,462,663	1,103,456	312,674	31,285,001	9,732,108
2016	14,726,478	4,202,833	11,451,900	3,880,106	1,101,622	259,690	27,280,000	8,342,629
2017	14,659,777	3,548,758	11,401,963	3,374,359	1,098,259	208,276	27,159,999	7,131,393
2018	12,343,577	2,925,497	10,419,707	2,926,116	1,006,715	164,465	23,769,999	6,016,078
2019	11,537,276	2,366,363	9,667,457	2,462,278	645,268	125,063	21,850,001	4,953,704
2020	9,739,449	1,862,649	7,727,900	2,055,419	442,650	98,630	17,909,999	4,016,698
2021	9,037,495	1,391,033	7,151,308	1,683,505	406,198	76,498	16,595,001	3,151,036
2022	7,177,707	953,196	5,627,293	1,339,180	310,000	56,188	13,115,000	2,348,564
2023	6,155,000	602,375	4,590,000	1,066,600	310,000	40,688	11,055,000	1,709,663
2024	4,405,000	328,675	4,590,000	862,794	310,000	28,288	9,305,000	1,219,757
2025	2,730,000	136,500	4,590,000	660,250	310,000	15,500	7,630,000	812,250
2026			2,775,000	439,025			2,775,000	439,025
2027			2,775,000	308,550			2,775,000	308,550
2028			2,775,000	180,875			2,775,000	180,875
2029			1,120,000	53,200			1,120,000	53,200
	313,573,886	116,146,550	240,611,408	98,682,340	37,379,715	11,796,369	591,565,009	226,625,259

B. Advance Refunding

On September 1, 2004 the County issued \$81.005 million in Refunding Bonds with an average interest rate of 3.54 percent. The bonds were issued to advance refund \$79.625 million of outstanding 1996 Series, 1997 Series, 1999 Series and 2002 Series ("Old Bonds") with an average interest rate of 5.18 percent. The net proceeds of \$86.832 million 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 liabilities 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 \$1.380 million. The difference reported in the accompanying financial statements as a deduction from bonds payable is being charged to operations through year 2019 using the effective interest method. The County completed the advance refunding to reduce its total debt service payments over the next 14 years by \$6.239 million and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$4.094 million.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Refunding Bonds

	Total Refunding Bonds	Percent of Allocations	Savings from Refunding	Present Value of Savings from Refunding
General Government	\$44,489,382	54.92%	\$3,426,529	\$2,248,745
Schools	<u>33,598,820</u>	<u>41.48%</u>	<u>2,587,748</u>	<u>1,698,275</u>
Total	78,088,202	96.40%	6,014,277	3,947,020
Utilities	<u>2,916,798</u>	<u>3.60%</u>	<u>224,649</u>	<u>147,431</u>
Grand Total	<u>\$81,005,000</u>	<u>100%</u>	<u>\$6,238,926</u>	<u>\$4,094,451</u>

C. Revenue Bonds – Ballston Public Parking Garage

Revenue Bonds of \$22,300,000 were issued by the County in 1984 to provide for the acquisition and construction of a public parking garage facility. The bonds were issued in the form of Variable Rate Revenue Bonds to mature on August 1, 2017, and are subject to redemption as a whole or in part, at any time, at the principal amount thereof, plus accrued interest at the County's discretion. The bonds 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, 2005, \$14,800,000 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 1.87% in FY 2005. 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. On September 26, 2004, a new Letter of Credit (LOC) was issued by Bank of America to support the garage activities. The LOC is valid for a term of five years. This replaced the prior LOC issued by Citibank, N.A. which expired in September 2004. Interest on drawings is payable at an interest rate publicly announced by the bank. When interest is due to the bondholders, the direct pay letter of credit pays the bondholders by drawing down on the letter of credit and then immediately seeking reimbursement from garage revenues.

Using a usual and customary direct-pay letter of credit mechanism, during FY 2005, the County drew from the letter of credit \$263,359 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 \$41,321 in FY 2005. Also in FY 2005, \$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, 2005, all payments have been deferred. The long-term portion of this mortgage payable at June 30, 2005 was \$1,884,645.

E. Notes Payable

The County entered into a Credit Facility Agreement ("Credit Agreement") dated November 22, 2002 with Fannie Mae Corporation to pay the acquisition costs in connection with the purchase of Gates of Arlington, a 465-unit rental apartment complex for a total note payable of \$10,000,000. A payment of \$1,200,000 was made in FY 2004 with the remaining balance of \$8,200,000 payable

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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. At June 30, 2005, the County paid off the remaining balance with Fannie Mae for Gates of Arlington project.

F. Virginia Resources Authority Note Payable

In June 2004, the County entered into a Financing Agreement with the Virginia Resources Authority (VRA). VRA agreed to issue \$100,000,000 Wastewater System Revenue Bonds, Series 2004 (VRA Bonds) and lend the proceeds to the County for the acquisition and improvements to the County's water pollution control plant and wastewater system. The VRA Bonds are secured by a pledge of County sewer revenues. At June 30, 2005, VRA had provided a loan of VRA bond proceeds in the amount of \$24,933,850 to the County. Interest will be charged at a rate of 3.10%.

G. IDA Lease Revenue Bonds

On August 1, 2004, the Industrial Development Authority of Arlington County, Virginia (the "Authority") and U.S. Bank Trust National Association, the Trustee, made an agreement to finance the acquisition, construction, improvement, furnishing and equipping of various capital projects, including the Emergency Communication Center, the Trade Center Project, the George Mason Center Project, and the Enterprise Resource Planning Project. The Authority issued 20 year Lease Revenue Bonds in the amount of \$60,540,000 to finance these projects. The County will start to make debt payments on August 1, 2005.

H. Changes in Long-Term Liabilities

During the year ended June 30, 2005, the following changes occurred in liabilities reported in the County and Schools Long-term Obligations.

	Balance July 1	Additions	Reductions	Balance June 30	Due in one Year
Primary Government					
Compensated absences	\$24,442,690	\$25,588,125	\$(22,761,076)	\$27,269,739	\$2,726,974
Workers' compensation	3,168,567	1,856,700	(2,276,784)	2,748,483	274,848
General obligation bonds- County	284,212,847	96,784,382	(67,423,343)	313,573,886	23,702,957
General obligation bonds- Schools	217,539,411	69,828,820	(46,756,823)	240,611,408	16,322,363
Long-term Notes payable	8,200,000	-	(8,200,000)	-	-
Capital leases	5,507,995	3,962,112	(2,208,449)	7,261,658	2,612,939
Deferred cost on refunding-County	442,182	127,967	(49,131)	521,018	58,271
Deferred cost on refunding-Schools	(537,983)	(1,390,053)	59,776	(1,868,260)	(159,066)
Bond premium to be amortized- County	2,212,334	4,217,116	(110,617)	6,318,833	321,473
Bond premium to be amortized- Schools	1,452,371	2,927,166	(72,619)	4,306,918	218,977
Total General Government	<u>548,640,414</u>	<u>203,902,335</u>	<u>(149,799,066)</u>	<u>600,743,683</u>	<u>46,079,736</u>
Internal Service					
Compensated absences	501,486	471,587	(429,059)	544,014	54,401
Capital leases	1,621,565	1,936,484	(339,983)	3,218,066	697,312
Total Internal Services	<u>2,123,051</u>	<u>2,408,071</u>	<u>(769,042)</u>	<u>3,762,080</u>	<u>751,713</u>
Total Governmental Activities	<u>548,763,465</u>	<u>206,310,406</u>	<u>(150,568,108)</u>	<u>604,505,763</u>	<u>46,831,449</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Component Unit: Schools

Compensated absences	21,232,256	2,768,270	-	24,000,526	2,400,053
Capital lease	-	1,743,358	(215,455)	1,527,903	569,298
Total Component Unit-Schools	<u>21,232,256</u>	<u>4,511,628</u>	<u>(215,455)</u>	<u>25,528,429</u>	<u>2,969,351</u>

Business -type Activities

Compensated absences	1,289,521	1,265,787	(1,161,329)	1,393,979	139,398
General obligation bonds	34,392,756	8,916,798	(5,929,839)	37,379,715	3,074,680
Bond and mortgage interest	11,348,406	1,607,706	(539,716)	12,416,396	12,416,396
Revenue bonds	15,300,000	-	(500,000)	14,800,000	500,000
Long-term notes payable	9,629,679	-	(6,200,000)	3,429,679	1,545,034
VRA loan payable	8,749,767	16,184,083	-	24,933,850	-
Deferred cost of refunding	821,129	(117,908)	(91,237)	611,984	99,659
Bond premiums to be amortized - Utilities	42,358	484,779	(2,966)	524,171	27,205
Bond premiums to be amortized - IDA Revenue Bond	-	3,806,292	-	3,806,292	313,865
IDA Revenue Bond	-	60,540,000	-	60,540,000	2,455,000
Total Business-type Activities	<u>81,573,616</u>	<u>92,687,537</u>	<u>(14,425,087)</u>	<u>159,836,066</u>	<u>20,571,237</u>
Grand Total	<u>\$651,569,337</u>	<u>\$303,509,571</u>	<u>\$(165,208,650)</u>	<u>\$789,870,258</u>	<u>\$70,372,037</u>

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

Virginia state law provides that a school board is a separate legal entity and school boards hold title to all school assets. However, whether separately elected or appointed by the governing body, Virginia's local school boards do not have the power to levy and collect taxes or issue debt. Purchases of school equipment, buildings or improvements (capital assets) to be funded by debt financing require the local government to issue the debt. Accordingly, in the government-wide financial statements, the "school debt" is reflected in Exhibit 1 "Statement of Net Assets" in the governmental activities column of the primary government. The net 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 \$240,611,408 for the Primary Government and the Schools. The effect on the Statement of Activities includes \$21.7 million which represents the net of school bond proceeds less principal payments on school bonds. This election has no effect on the combined total of the overall government.

NOTE 11. Interfund Receivables and Payables

The County has numerous transactions among Funds and Component Units to finance operations, provide services, and construct assets. Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). The amounts of such transactions not received or paid at June 30, 2005 are reflected in current due to/from accounts of each Fund/Component Unit, as summarized below:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Due to/from other funds:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$2,630,169	\$-
Internal Service Funds		
Printing Fund	-	101,560
Jail Industries	-	72,000
Urban Area Security Initiative	-	1,289,450
Drug Task Force	-	1,167,159
	<u>\$2,630,169</u>	<u>\$2,630,169</u>

Due to/from primary government and component units:

	<u>Primary Government</u>	<u>Component Unit</u>
General Fund	\$2,892,407	\$44,998,338
School Funds:		
Operating		
Primary Government	34,085,109	-
Other School Funds	1,174,650	1,291,431
Cafeteria		
Other School Funds	90,106	241,346
Community Activities		
Primary Government	3,992,833	-
Other School Funds	11,591	3,206,262
School – Special & In-Service		
Other School Funds	-	909,761
Chapter 1		
Pay-As-You-Go	6,920,396	-
Other School Funds	1,803,841	-
School Capital Bond		
Other School Funds	-	4,476
School Debt Service		
Primary Government	-	2,573,088
Other School Funds	2,573,088	-
CSA	-	319,319
	<u>\$53,544,021</u>	<u>\$53,544,021</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Interfund transfers:

Transfer In							
Transfer From General Fund	General Fund	Special Revenue Fund	Internal Service Fund	Capital Projects Fund	Trust & Agency Fund	Component Unit	Total Transfer Out
	\$-	\$247,000	\$337,113	\$17,587,502	\$92,500	\$273,354,436	\$291,618,552
Special Revenue	9,958	-	-	-	-	-	9,958
Internal Service Fund	130,000	-	-	-	-	-	130,000
Capital Project Funds	1,814,836	-	-	-	-	-	1,814,836
Trust & Agency Fund	2,985,226	-	-	-	-	-	2,985,226
Component Unit	543,705	-	-	-	-	-	543,705
Total Transfer In	<u>\$5,483,726</u>	<u>\$247,000</u>	<u>\$337,113</u>	<u>\$17,587,502</u>	<u>\$92,500</u>	<u>\$273,354,436</u>	<u>\$297,102,277</u>

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 - \$15,200,000 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 \$14,400,000 to \$15,200,000 during FY 2005.
- 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 2006 Budget - \$2,197,843 designated by the County Board at the time of the adoption of the FY 2006 budget to be one of the elements that financed the FY 2006 Adopted General Fund budget.
- e. **General Fund** - Designated for Incomplete Projects - \$23,068,480 designated by the County Board to fund in FY 2006 projects approved by the County Board in FY 2005 but not yet completed at the close of FY 2005.
- f. **General Fund** - Designated for Schools - \$20,310,020 designated by the County Board at the time of the reappropriation to the FY 2005 budget to be one of the elements which is planned to finance part of the FY 2006 Adopted School Fund budgets.
- g. **School Funds** - Construction funds - \$25,841,460 reserved for project construction expenditures and encumbrances.
- h. **Special Revenue Funds** - Section 8 Housing - \$1,302,388 reserve equivalent to the net difference between earned Section 8 Housing administrative revenues and actual administrative expenditures since inception of the program.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

- i. **Capital Projects Funds** - Construction funds - \$116,574,136 reserved for project construction expenditures and encumbrances. Of these funds, \$88,741,430 is reserved in construction bond funds and represents bond proceeds.
- j. **Trust Fund** - Reserved for Trusts - \$8,418,152 reserved to be held by the Alexandria/Arlington Waste Disposal Trust fund for future plant expenditures and cover any shortfalls should they occur.
- k. **Trust Fund** - Net Assets Held in Trust for Pension Benefits - \$1,198,057,918 reserved to fund the Arlington County Employee's Supplemental Retirement System.

NOTE 13. Commitments and Contingencies

A. Washington Metropolitan Area Transit Authority

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

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

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

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

In addition, the County shares the costs of capital expenditures for the WMATA bus system as well as operating costs for WMATA's combined bus and rail system. State aid and Northern Virginia Transportation Commission funds have been utilized to help finance these costs. During FY 2005, the County paid \$11.8 million from its General Fund to subsidize WMATA's bus and rail operating costs.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

B. Construction Commitments

As of June 30, 2005 contractual commitments were outstanding in the following funds for the amounts indicated:

Capital Projects Funds	\$38,078,865
Utilities Fund	<u>9,300,128</u>
	<u>\$47,378,993</u>

These projects include the design and construction of the Wastewater Treatment Plant Improvements, Transportation Capital Assets Preservation Programs, and Facility Maintenance Capital Assets Preservation Programs.

C. Waste-to-Energy Facility

Arlington Solid Waste Authority

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

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

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

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

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

Because the ASWA Board is essentially the same as the Arlington County Board and the financing agreements require the capital assets built with the Series 1998 B bonds to belong to the ASWA (60% ownership), the County had to record these assets in its financial statements for FY 1999 and FY 2000. Cash, capital assets (construction-in-progress), and the promissory note signed by the ASWA were displayed with the County's Enterprise Funds. The retrofitting of the Facility's boiler units with certain air pollution control equipment was made necessary by the EPA regulations adopted

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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 2005 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 \$2,461,406 were collected and project-related expenditures of \$2,671,144 were incurred in FY 2005.

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 FY 2005, the Trust has been used to pay consulting fees to an engineering firm for operations and maintenance audits of the facility and for oversight of any remaining retrofit issues.

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 2005 \$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. Industrial Development Authority Ice Skating Facility

The County is committed to encouraging continuing economic development, including the area around Ballston, inducing the relocation to the County of private businesses to strengthen the business climate, and to making sports and recreation facilities available to the citizens of the County. To further these ends, on December 14, 2004, the County Board approved a resolution to assist the Washington Capitals Hockey Club (the "Capitals"), a professional team of the National Hockey League, in the development and construction of a skating facility and related improvements (the "Skating Facility"). The Skating Facility is being built on the eighth (top) level of the existing Ballston Public Parking Garage (the "Garage"), which is owned by the County, adjacent to the Ballston Commons Mall. In 1984, the County had assisted in the development of Ballston Commons Mall, by constructing the existing seven-level parking garage. Under the current arrangements, the County leases the land on which the Garage is built and owns certain rights in the Garage pursuant to a ground lease between the May Department Stores Company ("May"), as lessor, and the County, as lessee.

ARLINGTON COUNTY, VIRGINIA

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JUNE 30, 2005

The Skating Facility will contain approximately 95,000 square feet of constructed space and will house, among other amenities, two ice sheets suitable for National Hockey League use, one of which will be convertible to host sports and events that do not require the ice surface; locker rooms and other training facilities for the Capitals; changing rooms for youth and adult hockey teams and figure skaters; a pro shop; rooms for public use; and corporate office space for the Capitals. The proposed development will also include public parking (the "Parking Facilities").

As part of the agreement, the County agreed to construct an eighth level slab (the "Eighth Level Slab") on top of the Garage, to lease the Eighth Level Slab to the Industrial Development Authority of Arlington County, Virginia (the "IDA"), and to acquire the rights necessary to assist the development and construction of the project on the Garage pursuant to a Skating Facility Agreement (the "Skating Facility Agreement"), among the County, May, and certain other parties.

The IDA agreed to acquire the rights necessary to undertake development and construction of the Skating Facility pursuant to the Deed of Lease and Grant of Air Rights, and, as third party beneficiary, under the Skating Facility Agreement. The County will lease the Eighth Level Slab to the IDA and the IDA will lease back to the County a portion of the Eighth Level Slab on which the County will construct and operate the Parking Facilities.

The IDA has negotiated with the Capitals a Development Agreement under which the IDA will develop and construct the Skating Facility and has issued \$35,700,000 in taxable revenue bonds (the "Bonds") to provide financing for the Skating Facility and, if necessary, the Parking Facilities.

A Cooperation Agreement between the County and the IDA states that, subject to appropriation of funds by the County Board, the County will deliver to the IDA sufficient funds so that the IDA can, among other things, make payments with respect to the Bonds and otherwise carry out its obligations under the Development Agreement if necessary.

The IDA will own the Skating Facility and lease it to the Capitals, or an affiliate, pursuant to a Deed of Lease (the "Capitals Lease"), between the IDA and the Capitals, under which the Capitals will furnish, equip and operate the Skating Facility. Under the Capitals Lease, the Capitals will make quarterly payments of rent that are approximately equal to debt service on the Bonds. Under the Cooperation Agreement, the IDA will agree to remit to the County all revenues received from the leasing of the Skating Facility, including those derived under the Capitals Lease.

To further secure its obligations to make payments with respect to the Bonds, the IDA will, if required, grant a lien on and security interest in all of its right, title and interest in the Project, including its leasehold interest in the Eighth Level Slab, under a Leasehold Deed of Trust and Security Agreement between the IDA and certain individual trustees for the benefit of the trustee for the Bonds.

Construction on the project started in February of 2005 and is expected to be completed by 2007.

F. 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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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 2005, the County paid \$556,587 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 2005, the County paid \$ 811,152 for capital and operating costs. Financial statements may be obtained from the Peumansend Creek Regional Jail Authority, P. O. Box 1460, Bowling Green, Virginia, 22427.

NOTE 15. Deferred Compensation Plan

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

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

NOTE 16. Employee Retirement Systems

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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Complete financial statements of the system may be obtained from the Arlington County Employee Retirement System, 2100 Clarendon Boulevard, Suite 511, 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, 2004, the date of the most recent actuarial valuation, System membership consisted of the following:

	<u>General</u>	<u>Uniformed</u>	<u>School</u>	<u>Total</u>
Current Employees:				
Vested	1,707	541	216	2,464
Non-Vested	1,149	306	-	1,455
Total	<u>2,856</u>	<u>847</u>	<u>216</u>	<u>3,919</u>
Retirees and Beneficiaries	1,535	618	1,296	3,449

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 \$22,013,828 (\$13,853,234 of Employer contributions, \$8,152,479 of Employee contributions, and \$8,115 other contributions) were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2004. Member contributions are established by Arlington County Code, and are deducted from the members' salaries. For FY 2005, the member contribution rates varied up to 6.62% of their salary depending on the chapter of the plan they were covered under.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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, 2005. Three-year trend information is presented below.

Schedule of Employer Contributions

Year Ended <u>June 30</u>	Annual Pension Cost (APC) (in million)	Percentage of <u>APC Contributed</u>
2003	6.6	100.0%
2004	9.0	100.0%
2005	13.9	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, 2004 actuarial valuation.

Actuarial Assumptions

The information presented below are the significant actuarial assumptions.

Valuation date	07/01/04
Actuarial cost method	Entry Age Normal
Remaining amortization period	7.3 years
Asset valuation method	5 year, smoothed
Actuarial assumptions	
Assumed inflation rate	4.5%
Investment rate of return	8.0%
Projected salary increases	4.5%
Cost of living adjustments	
Chapter 21	1.5%
Chapter 46	100% CPI-U increase to a maximum of 3% plus ½ CPI-U increase for next 9% (max 7 ½% increase for 12% increase in CPI-U)

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
7/1/02	\$1,167.7	\$969.1	\$(198.6)	120.5%	\$202.2	(98.2)%
7/1/03	1,171.5	969.8	(174.7)	117.5%	203.8	(85.7)%
7/1/04	1,179.0	1,103.3	(75.7)	106.9%	222.1	(34.1)%

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.

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 deaths benefits to plan members and beneficiaries. The VRS issues a publicly available annual report that includes financial statements and required supplementary information for the VRS; this report can be obtained by writing the Virginia Retirement System, Attention: William Sullivan, P.O. Box 2500, Richmond, Virginia, 23218-2500.

Funding Policy

Retirement benefits are funded by employer contributions and by investment earnings. In accordance with State statute, the County is required to contribute at an actuarially determined rate. VRS changed rates for both employee and employer contributions in FY 2002. State statute may be amended only by the Commonwealth of Virginia General Assembly. In FY 2005, the contribution rate was 11.58%. The County's contributions to the VRS for the years ended June 30, 2005, 2004 and 2003 were \$22.3 million, \$15.9 million and \$13.8 million respectively, which were equal to the required contributions for each year.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Supplemental Schedule of Funding Progress (\$ in millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (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)
Virginia Retirement System (VRS)						
2003	\$39,243	\$40,698	\$1,455	96.4%	\$10,885	13.4%
2002	38,957	38,265	(692)	101.8%	10,669	(6.5%)
2001	37,968	35,384	(2,584)	107.3%	10,145	(25.5%)
State Police Officers' Retirement System (SPORS)						
2003	\$509	\$616	\$107	82.6%	\$79	135.4%
2002	508	595	87	85.4%	81	107.4%
2001	495	557	62	88.9%	83	74.7%
Virginia Law Officers' Retirement System (VaLORS)						
2003	\$458	\$854	\$396	53.6%	\$292	135.6%
2002	418	806	388	51.9%	306	126.8%
2001	393	628	235	62.6%	320	73.4%
Judicial Retirement System (JRS)						
2003	\$282	\$348	\$66	81.0%	\$48	137.5%
2002	281	352	71	79.8%	48	147.9%
2001	277	342	55	81.0%	47	138.3%

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, 2005, 1,271, and 1,364 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 \$5,732,906 were recognized for post-employment health care benefits.



OTHER SUPPLEMENTARY INFORMATION

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



Combined Financial Statements - Overview

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

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

ARLINGTON COUNTY, VIRGINIA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2005

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS							Total Non-Major Governmental Funds
	Travel & Tourism Promotion	Special Assessment District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Higher Educ. & University Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	
ASSETS												
Equity in pooled cash and investments	\$289,652	\$110,936	\$2,005,885	\$1,633,089	\$8,112,814	\$20,854,977	\$-	\$46,156,588	\$11,832,319	\$4,138,677	\$15,356,038	\$110,490,975
Receivables, net	45,667	-	17,233,086	1,080,707	-	-	-	-	-	-	-	18,359,460
Receivables from other governments	-	-	642,815	133,867	-	-	-	-	-	-	-	776,682
Total assets	\$335,319	\$110,936	\$19,881,786	\$2,847,663	\$8,112,814	\$20,854,977	\$-	\$46,156,588	\$11,832,319	\$4,138,677	\$15,356,038	\$129,627,117
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts Payable	\$40,670	\$-	\$109,465	\$9,362	\$486,342	\$422,939	\$-	\$697,966	\$71,620	\$415,116	\$-	\$2,253,480
Other liabilities	-	-	-	-	125,007	9,837	-	587,756	-	-	-	722,600
Deferred Revenue	-	-	6,066,360	1,484,397	-	-	-	-	-	-	-	7,550,757
Long-term liabilities	-	-	13,705,961	51,516	-	-	-	-	-	-	-	13,757,477
Total liabilities	40,670	-	19,881,786	1,545,275	611,349	432,776	-	1,285,722	71,620	415,116	-	24,284,314
FUND BALANCES												
Reserved for encumbrances	53,706	-	-	-	2,168,228	4,898,516	-	6,435,784	611,887	778,985	-	\$14,947,106
Rereserved for construction	-	-	-	-	5,333,237	15,523,685	-	38,435,082	11,148,812	2,944,576	15,356,038	88,741,430
Unreserved-special revenue	240,943	110,936	-	1,302,388	-	-	-	-	-	-	-	1,654,267
Total fund balances	294,649	110,936	-	1,302,388	7,501,465	20,422,201	-	44,870,866	11,760,699	3,723,561	15,356,038	105,342,803
Total liabilities and fund balances	\$335,319	\$110,936	\$19,881,786	\$2,847,663	\$8,112,814	\$20,854,977	\$-	\$46,156,588	\$11,832,319	\$4,138,677	\$15,356,038	\$129,627,117

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2005

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS							Total Non-Major Governmental Funds
	Travel & Tourism Promotion	Special Assessment District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Higher Educ. & University Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	
REVENUES:												
Other local taxes	\$872,869	\$995,783	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$1,868,652
Intergovernmental	86,053	-	2,069,122	14,458,816	-	-	-	-	-	-	-	16,613,991
Interest income	-	-	-	-	318,741	383,163	3,277	572,165	135,277	120,386	281,827	1,814,836
Total revenues	958,922	995,783	2,069,122	14,458,816	318,741	383,163	3,277	572,165	135,277	120,386	281,827	20,297,479
EXPENDITURES:												
Planning and community development	-	966,011	2,069,122	14,302,549	-	-	-	-	-	-	-	17,337,682
Parks recreation and culture	1,050,466	-	-	-	-	-	-	-	-	-	-	1,050,466
Capital outlay	-	-	-	-	6,619,993	5,338,374	4,000,000	15,074,536	2,259,355	3,417,727	4,012,589	40,722,574
Total expenditures	1,050,466	966,011	2,069,122	14,302,549	6,619,993	5,338,374	4,000,000	15,074,536	2,259,355	3,417,727	4,012,589	59,110,722
Revenues over (under) expenditures	(91,544)	29,772	-	156,267	(6,301,252)	(4,955,211)	(3,996,723)	(14,502,371)	(2,124,078)	(3,297,341)	(3,730,762)	(38,813,243)
OTHER FINANCING SOURCES(USES):												
Proceeds from sale of bonds	-	-	-	-	-	8,271,724	1,000,000	29,810,850	7,694,238	-	5,518,188	52,295,000
Transfers in	247,000	-	-	-	-	-	-	-	-	-	-	247,000
Transfers out	-	(9,958)	-	-	(318,741)	(383,163)	(3,277)	(572,165)	(135,277)	(120,386)	(281,827)	(1,824,794)
Total Other financing sources (uses)	247,000	(9,958)	-	-	(318,741)	7,888,561	996,723	29,238,685	7,558,961	(120,386)	5,236,361	50,717,206
Net change in fund balances	155,456	19,814	-	156,267	(6,619,993)	2,933,350	(3,000,000)	14,736,314	5,434,883	(3,417,727)	1,505,599	11,903,963
FUND BALANCE, beginning of year	139,193	91,122	-	1,146,121	14,121,458	17,488,851	3,000,000	30,134,552	6,325,816	7,141,288	13,850,439	93,438,840
FUND BALANCE, end of year	\$294,649	\$110,936	\$-	\$1,302,388	\$7,501,465	\$20,422,201	\$-	\$44,870,866	\$11,760,699	\$3,723,561	\$15,356,038	\$105,342,803



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, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	2005	2004
ASSETS		
Equity in pooled cash and investments	\$119,856,868	\$102,970,829
Petty cash	6,195	13,695
Cash with fiscal agents	255,257	255,257
Receivables(net, where applicable, of allowance for uncollectibles):		
Taxes	192,464,465	178,907,600
Accounts	10,735,217	8,452,155
Accrued interest	446,723	343,313
Due from other governments	5,454,785	8,508,112
Due from other funds	2,630,169	2,084,284
Due from component unit	2,892,407	517,155
Other assets	15,128,133	22,810,103
Total Assets	\$349,870,219	\$324,862,503
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accrued payroll liabilities	\$16,839,782	\$15,607,036
Vouchers payable	9,681,841	8,997,143
Current maturities of interest payable	267,305	267,305
Other current liabilities	84,544	158,944
Deferred revenue	208,928,470	200,510,383
Due to component unit	44,998,338	37,146,159
Total Liabilities	280,800,280	262,686,970
FUND BALANCE:		
Reserved -		
For Encumbrances	4,293,596	4,037,272
For Self Insurance	3,500,000	3,500,000
For Four Mile Run	500,000	500,000
Unreserved -		
Designated for operating reserve	15,200,000	14,400,000
Designated for FY 2006 budget	2,197,843	11,203,957
Designated for FY 2006 School budget	20,310,166	15,497,638
Designated for debt service of E-911		
Communications Center	869,344	-
Designated for capital improvement	4,218,132	-
Designated for public safety pay enhancements	1,514,323	-
Designated for incomplete projects:		
AHIF	12,368,764	-
Recommended items	4,097,771	13,036,666
Total Fund Balance	69,069,939	62,175,533
Total Liabilities and Fund Balance	\$349,870,219	\$324,862,503

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	2005		VARIANCE OVER (UNDER)	2004 ACTUALS
	BUDGET	ACTUAL		
REVENUES:				
Taxes	\$567,734,674	\$573,679,827	\$5,945,153	\$535,263,166
Licenses and permits	11,707,746	12,504,677	796,931	11,244,520
From the Commonwealth of Virginia	60,305,098	59,426,395	(878,703)	58,693,884
From the federal government	39,260,470	24,743,726	(14,516,744)	25,859,325
Charges for services	33,327,246	34,495,625	1,168,379	30,458,553
Fines and forfeitures	9,273,000	8,427,464	(845,536)	9,357,346
Use of money and property	5,968,255	2,605,403	(3,362,852)	4,541,314
Miscellaneous revenues	2,505,875	11,733,637	9,227,762	2,636,223
Total Revenues	730,082,364	727,616,754	(2,465,610)	678,054,331
EXPENDITURES:				
Current:				
General government	40,017,239	37,518,944	2,498,295	45,424,539
Judicial administration	36,438,727	36,035,607	403,120	34,337,169
Public safety	88,112,898	82,055,248	6,057,650	76,414,954
Environmental services	51,866,732	51,312,988	553,744	10,734,107
Public works	-	-	-	28,257,443
Health and welfare	103,842,392	91,439,050	12,403,342	88,197,009
Parks and recreation	29,135,324	28,531,608	603,716	27,450,241
Libraries	11,998,151	11,779,451	218,700	11,290,850
Planning and community development	15,054,322	13,595,934	1,458,388	12,654,493
Non-departmental	33,268,111	35,591,400	(2,323,289)	25,299,164
Contributions to regional agencies	18,581,674	18,595,865	(14,191)	17,392,524
Debt service:				
Principal	23,021,196	22,805,993	215,203	22,728,755
Interest on serial bonds	14,199,459	13,287,924	911,535	11,971,729
Other costs	100,000	216,738	(116,738)	115,756
Total Expenditures	465,636,225	442,766,750	22,869,475	412,268,733
Revenues over Expenditures	264,446,139	284,850,004	20,403,865	265,785,598
OTHER FINANCING SOURCES(USES):				
Transfers in	511,411	4,940,021	4,428,610	1,455,160
Transfers from component unit	-	543,705	543,705	357,253
Transfers out	(18,264,116)	(18,264,116)	0	(9,821,540)
Transfers to component unit	(290,468,989)	(273,354,436)	17,114,553	(258,194,496)
Proceeds from capital lease	-	3,962,112	3,962,112	1,179,948
Premium on sale of bonds	-	4,217,116	4,217,116	2,212,334
Total Other Financing Sources(Uses)	(308,221,694)	(277,955,598)	30,266,096	(262,811,341)
Revenues Over (Under) Expenditures and Other Sources(Uses)	(43,775,555)	6,894,406	50,669,961	2,974,257
FUND BALANCE, beginning of year	62,175,533	62,175,533	-	59,201,276
FUND BALANCE, end of year	\$18,399,978	\$69,069,939	\$50,669,961	\$62,175,533



Special Revenue Funds

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

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

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

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

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	Travel & Tourism Promotion	Special Assessment District	Community Dev. Grants	Section 8 Housing Program	Totals	
					June 30, 2005	June 30, 2004
ASSETS						
Equity in pooled cash and investments	\$289,652	\$110,936	\$2,005,885	\$1,633,089	\$4,039,562	\$625,646
Receivable from other government	-	-	642,815	133,867	776,682	923,722
Other current receivables	-	-	-	-	-	2,106
Long-term receivables	45,667	-	17,233,086	1,080,707	18,359,460	19,232,402
Total Assets	\$335,319	\$110,936	\$19,881,786	\$2,847,663	\$23,175,704	\$20,783,876
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Vouchers payable	40,670	-	109,465	9,362	159,497	147,689
Due to primary government	-	-	-	-	-	94,727
Deferred Revenues	-	-	6,066,360	1,484,397	7,550,757	-
Long-term liabilities	-	-	13,705,961	51,516	13,757,477	19,165,024
Total Liabilities	40,670	-	19,881,786	1,545,275	21,467,731	19,407,440
FUND BALANCES						
Reserved for encumbrances	53,706	-	-	-	53,706	114,822
Unreserved- special revenue	240,943	110,936	-	1,302,388	1,654,267	1,261,614
Total Fund Balances	294,649	110,936	-	1,302,388	1,707,973	1,376,436
Total Liabilities and Fund Balances	\$335,319	\$110,936	\$19,881,786	\$2,847,663	\$23,175,704	\$20,783,876

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

					Totals	
	Travel & Tourism Promotion	Special Assessment District	Community Dev. Grants	Section 8 Housing Program	June 30, 2005	June 30, 2004
REVENUES:						
Other local taxes	\$872,869	\$995,783	\$-	\$-	\$1,868,652	\$1,749,693
From the federal government	86,053	-	2,069,122	14,458,816	16,613,991	16,853,970
Total revenues	958,922	995,783	2,069,122	14,458,816	18,482,643	18,603,663
EXPENDITURES:						
Current -						
Community development	-	966,011	2,069,122	-	3,035,133	3,832,273
Housing program	-	-	-	14,302,549	14,302,549	13,845,952
Travel and tourism	1,050,466	-	-	-	1,050,466	1,071,964
Total expenditures	1,050,466	966,011	2,069,122	14,302,549	18,388,148	18,750,189
Revenues over (under) expenditures	(91,544)	29,772	-	156,267	94,495	(146,526)
OTHER FINANCING SOURCES(USES):						
Transfers out	-	(9,958)	-	-	(9,958)	(9,818)
Transfers in	247,000	-	-	-	247,000	247,000
Total other financing sources(uses)	247,000	(9,958)	-	-	237,042	237,182
Revenues and other financing sources (uses) over expenditures	155,456	19,814	-	156,267	331,537	90,656
FUND BALANCES, beginning of year	139,193	91,122	-	1,146,121	1,376,436	1,285,780
FUND BALANCES, end of year	\$294,649	\$110,936	\$-	\$1,302,388	\$1,707,973	\$1,376,436

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
TRAVEL AND TOURISM PROMOTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
For the Yerr Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Other local taxes	\$763,900	\$872,869	\$108,969
Revenue from federal government	<u>70,200</u>	<u>86,053</u>	<u>15,853</u>
Total revenue	<u>834,100</u>	<u>958,922</u>	<u>124,822</u>
EXPENDITURES:			
Travel and tourism promotion	<u>1,193,186</u>	<u>1,050,466</u>	<u>142,720</u>
Revenues over(under) expenditures	<u>(359,086)</u>	<u>(91,544)</u>	<u>267,542</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	(112,086)	155,456	267,542
FUND BALANCE, beginning of year	<u>139,193</u>	<u>139,193</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$27,107</u>	<u>\$294,649</u>	<u>\$267,542</u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
SPECIAL ASSESSMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Other local taxes	<u>\$1,001,239</u>	<u>\$995,783</u>	<u>(\$5,456)</u>
Total revenue	<u>1,001,239</u>	<u>995,783</u>	<u>(5,456)</u>
EXPENDITURES:			
Special real estate tax assessments	<u>1,006,110</u>	<u>966,011</u>	<u>40,099</u>
Revenues over(under) expenditures	<u>(4,871)</u>	<u>29,772</u>	<u>34,643</u>
OTHER FINANCING SOURCES(USES):			
Transfers out	<u>-</u>	<u>(9,958)</u>	<u>(9,958)</u>
Total other financing sources(uses)	<u>-</u>	<u>(9,958)</u>	<u>(9,958)</u>
Revenues and other financing sources(uses)	<u>(4,871)</u>	<u>19,814</u>	<u>24,685</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>91,122</u>	<u>91,122</u>
FUND BALANCE, end of year	<u><u>(\$4,871)</u></u>	<u><u>\$110,936</u></u>	<u><u>\$115,807</u></u>

ARLINGTON COUNTY, VIRGINIA
 SPECIAL REVENUE FUNDS
 COMMUNITY DEVELOPMENT GRANTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET (GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
From the federal government	<u>\$5,799,927</u>	<u>\$2,069,122</u>	<u>(\$3,730,805)</u>
Total Revenues	<u>5,799,927</u>	<u>2,069,122</u>	<u>(3,730,805)</u>
EXPENDITURES:			
Community development	<u>5,799,927</u>	<u>2,069,122</u>	<u>3,730,805</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
SECTION 8 HOUSING PROGRAM
SCHEDULE OF REVENUES, EXPENDITURE AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
From the federal government	<u>\$14,138,654</u>	<u>\$14,458,817</u>	<u>\$320,163</u>
EXPENDITURES:			
Housing program	<u>14,138,654</u>	<u>14,302,549</u>	<u>(163,895)</u>
Revenues over expenditures	<u>-</u>	<u>156,268</u>	<u>156,268</u>
FUND BALANCE, beginning of year	<u>1,146,121</u>	<u>1,146,121</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$1,146,121</u></u>	<u><u>\$1,302,389</u></u>	<u><u>\$156,268</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, 2005
 (WITH COMPARATIVE TOTALS FOR 2004)

	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, 2005	June 30, 2004
ASSETS:										
Equity in pooled cash and investments	\$52,622,311	\$8,112,814	\$20,854,977	\$-	\$46,156,588	\$11,832,319	\$4,138,677	\$15,356,038	\$159,073,724	\$134,738,249
Due from other government	1,918,531	-	-	-	-	-	-	-	1,918,531	2,283,555
Accounts receivable - other	206,456	-	-	-	-	-	-	-	206,456	391,108
Total Assets	\$54,747,298	\$8,112,814	\$20,854,977	\$-	\$46,156,588	\$11,832,319	\$4,138,677	\$15,356,038	\$161,198,711	\$137,412,912
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Vouchers payable	\$2,702,149	\$486,342	\$422,939	\$-	\$697,966	\$71,620	\$415,116	\$-	\$4,796,132	\$3,152,030
Contracts payable-retainage	169,876	125,007	9,837	-	587,756	-	-	-	892,476	286,469
Other liabilities	857,091	-	-	-	-	-	-	-	857,091	660,597
Total Liabilities	3,729,116	611,349	432,776	-	1,285,722	71,620	415,116	-	6,545,699	4,099,096
FUND BALANCES:										
Reserved for encumbrances	23,185,476	2,168,228	4,898,516	-	6,435,784	611,887	778,985	-	38,078,876	35,864,949
Reserved for construction	27,832,706	5,333,237	15,523,685	-	38,435,082	11,148,812	2,944,576	15,356,038	116,574,136	97,448,867
Total Fund Balances	51,018,182	7,501,465	20,422,201	-	44,870,866	11,760,699	3,723,561	15,356,038	154,653,012	133,313,816
Total Liabilities and Fund Balances	\$54,747,298	\$8,112,814	\$20,854,977	\$-	\$46,156,588	\$11,832,319	\$4,138,677	\$15,356,038	\$161,198,711	\$137,412,912

ARLINGTON COUNTY, VIRGINIA
 CAPITAL PROJECT FUNDS
 COMBINING STATEMENT OF REVENUES
 EXPENDITURES AND CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2005
 (WITH COMPARATIVE TOTALS FOR 2004)

	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, 2005	June 30, 2004
REVENUES:										
From the Commonwealth of Virginia	\$4,967,005	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$4,967,005	\$510,312
From the federal government	6,131,466	-	-	-	-	-	-	-	6,131,466	\$2,947,831
Charges for services	8,801,302	-	-	-	-	-	-	-	8,801,302	1,776,748
Use of money and property	-	318,741	383,163	3,277	572,165	135,277	120,386	281,827	1,814,836	954,355
Miscellaneous revenue	5,450	-	-	-	-	-	-	-	5,450	200,000
Total Revenues	19,905,223	318,741	383,163	3,277	572,165	135,277	120,386	281,827	21,720,059	6,389,246
EXPENDITURES-Capital outlay	27,725,954	6,619,993	5,338,374	4,000,000	15,074,536	2,259,355	3,417,727	4,012,589	68,448,528	46,733,174
Revenues Over/(Under) Expenditures	(7,820,731)	(6,301,252)	(4,955,211)	(3,996,723)	(14,502,371)	(2,124,078)	(3,297,341)	(3,730,762)	(46,728,469)	(40,343,928)
OTHER FINANCING SOURCES/(USES):										
Proceeds from sale of bonds	-	-	8,271,724	1,000,000	29,810,850	7,694,238	-	5,518,188	52,295,000	32,070,000
Proceeds of refunding bonds	-	14,619,115	9,027,864	113,540	15,693,125	282,185	1,056,398	3,697,155	44,489,382	-
Payments to refunded bond escrow agent	-	(14,661,085)	(9,053,711)	(113,795)	(15,739,191)	(282,952)	(1,059,212)	(3,707,397)	(44,617,343)	-
Deferred cost of refunding	-	41,970	25,847	255	46,066	767	2,814	10,242	127,961	-
Transfers in	17,587,502	-	-	-	-	-	-	-	17,587,502	9,205,000
Transfers out	-	(318,741)	(383,163)	(3,277)	(572,165)	(135,277)	(120,386)	(281,827)	(1,814,836)	(943,355)
Total Other Financing Sources/(Uses)	17,587,502	(318,741)	7,888,561	996,723	29,238,685	7,558,961	(120,386)	5,236,361	68,067,666	40,331,645
Revenues and Other Financing Sources (Uses) Over/(Under) Expenditures	9,766,771	(6,619,993)	2,933,350	(3,000,000)	14,736,314	5,434,883	(3,417,727)	1,505,599	21,339,197	(12,283)
FUND BALANCE, beginning of year	41,251,411	14,121,458	17,488,851	3,000,000	30,134,552	6,325,816	7,141,288	13,850,439	133,313,815	133,326,099
FUND BALANCE, end of year	\$51,018,182	\$7,501,465	\$20,422,201	\$-	\$44,870,866	\$11,760,699	\$3,723,561	\$15,356,038	\$154,653,012	\$133,313,816

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Enterprise Funds

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

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

IDA Revenue Bond Funds – to account for the construction and operations of the Emergency Communication Center, the Trade Center Project, the George Mason Center Project, and the Enterprise Resource Planning Project.

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2005

ASSETS

	IDA REVENUE BOND FUNDS						Totals		
	Utilities	Ballston Public Parking Garage	Trade Center	George Mason	ERP	Emergency Comm. Center	Total IDA Revenue Bonds	June 30, 2005	June 30, 2004
CURRENT ASSETS:									
Equity in pooled cash and investments	\$31,681,516	\$12,925,727	\$14,605,973	\$1,933,095	\$6,756,847	\$28,926,937	\$52,222,852	\$96,830,095	\$41,620,995
Cash with fiscal agents	25,221	-	-	-	-	-	-	25,221	25,221
Accounts receivable:									
Water-sewer charges	2,914,062	-	-	-	-	-	-	2,914,062	2,055,272
Estimated unbilled service charges	6,799,723	-	-	-	-	-	-	6,799,723	5,828,791
Other	2,419,224	-	-	-	-	-	-	2,419,224	2,141,560
Interest receivable	32,836	-	-	-	-	-	-	32,836	28,954
Prepaid expenses	2,447,864	187,880	-	-	-	-	-	2,635,744	2,635,744
Inventories	838,384	-	-	-	-	-	-	838,384	848,644
Total current assets	47,158,830	13,113,607	14,605,973	1,933,095	6,756,847	28,926,937	52,222,852	112,495,289	55,185,181
CAPITAL ASSETS:									
Land	1,792,817	-	-	-	-	-	-	1,792,817	1,792,817
Sewer system	269,402,447	-	-	-	-	-	-	269,402,447	264,288,686
Water system	125,460,492	-	-	-	-	-	-	125,460,492	110,863,713
Furniture and fixtures	1,872,910	-	-	-	-	-	-	1,872,910	1,793,267
Parking garage	-	22,315,887	-	-	-	-	-	22,315,887	22,315,887
Garage equipment	-	12,458	-	-	-	-	-	12,458	253,504
Construction in progress	50,091,381	-	4,851,513	2,394,885	1,863,956	4,640,339	13,750,693	63,842,074	43,129,441
Less accumulated depreciation	(84,483,201)	(8,667,435)	-	-	-	-	-	(93,150,636)	(87,773,187)
Total capital assets (net of accumulated depreciation)	364,136,846	13,660,910	4,851,513	2,394,885	1,863,956	4,640,339	13,750,693	391,548,449	356,664,128
Deferred bond issuance costs	56,388	76,803	140,293	27,370	61,582	242,046	471,291	604,482	142,881
Total noncurrent assets	364,193,234	13,737,713	4,991,806	2,422,255	1,925,538	4,882,385	14,221,984	392,152,931	356,807,009
Total assets	\$411,352,064	\$26,851,320	\$19,597,779	\$4,355,350	\$8,682,385	\$33,809,322	\$66,444,836	\$504,648,220	\$411,992,190

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2005

LIABILITIES AND EQUITY

	IDA REVENUE BOND FUNDS						Totals		
	Utilities	Ballston Public Parking Garage	Trade Center	George Mason	ERP	Emergency Comm. Center	Total IDA Revenue Bonds	June 30, 2005	June 30, 2004
CURRENT LIABILITIES:									
Payable from current assets:									
General obligation bonds payable	\$3,074,680	\$-	\$-	\$-	\$-	\$-	\$-	\$3,074,680	\$3,130,951
Bond and mortgage interest payable	581,769	11,834,627	-	-	-	-	-	12,416,396	11,348,406
Vouchers payable	4,267,887	74,552	899,554	814,519	94,632	93,061	1,901,766	6,244,205	5,233,664
Contracts payable-retainage	382,437	-	-	-	-	-	-	382,437	38,624
Revenue bonds payable-current	-	500,000	-	-	-	-	-	500,000	500,000
Mortgage /notes payable	-	1,545,034	-	-	-	-	-	1,545,034	1,337,415
Suntrust Notes payable	-	-	-	-	-	-	-	-	6,200,000
Other accrued liabilities	448,686	4,881,932	-	-	-	-	-	5,330,618	4,884,352
Total current liabilities	8,755,459	18,836,145	899,554	814,519	94,632	93,061	1,901,766	29,493,370	32,673,412
LONG-TERM LIABILITIES:									
Compensated absences	1,393,979	-	-	-	-	-	-	1,393,979	1,289,521
General obligation bonds payable	2,379,142	-	-	-	-	-	-	2,379,142	2,537,805
Revenue bonds payable	-	14,300,000	18,640,293	3,529,870	8,561,582	33,614,546	64,346,291	78,646,291	14,800,000
VRA Loan payable	24,933,850	-	-	-	-	-	-	24,933,850	8,749,767
Mortgage payable	-	1,884,645	-	-	-	-	-	1,884,645	2,092,264
Bonds payable	33,062,049	-	-	-	-	-	-	33,062,049	29,587,490
Total long-term liabilities	61,769,020	16,184,645	18,640,293	3,529,870	8,561,582	33,614,546	64,346,291	142,299,956	59,056,847
Total liabilities	70,524,479	35,020,790	19,539,847	4,344,389	8,656,214	33,707,607	66,248,057	171,793,326	91,730,259
NET ASSETS:									
Invested in capital assets, net of related debt	300,667,125	(4,568,769)	(13,788,780)	(1,134,985)	(6,697,626)	(28,974,207)	(50,595,598)	245,522,758	283,382,773
Restricted net assets	-	(3,600,701)	13,846,712	1,145,946	6,723,797	29,075,922	50,792,377	47,191,676	-
Unrestricted	40,140,460	-	-	-	-	-	-	40,140,460	36,879,158
Total net assets	340,827,585	(8,169,470)	57,932	10,961	26,171	101,715	196,779	332,854,894	320,261,931
Total liabilities and net assets	\$411,352,064	\$26,851,320	\$19,597,779	\$4,355,350	\$8,682,385	\$33,809,322	\$66,444,836	\$504,648,220	\$411,992,190

ARLINGTON COUNTY, VIRGINIA
 ENTERPRISE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 For the Year Ended June 30, 2005
 (WITH COMPARATIVE TOTALS FOR 2004)

	IDA REVENUE BOND FUNDS						Totals		
	Utilities	Ballston Public Parking Garage	Trade Center	George Mason	ERP	Emergency Comm. Center	Total IDA Revenue Bonds	June 30, 2005	June 30, 2004
OPERATING REVENUES:									
Water-sewer service charges	\$44,779,175	\$-	\$-	\$-	\$-	\$-	\$-	\$44,779,175	\$38,085,984
Water-service hook-up charges	4,539,968	-	-	-	-	-	-	4,539,968	3,575,011
Water-service connection charges	547,212	-	-	-	-	-	-	547,212	520,992
Sewage treatment service charges	7,867,530	-	-	-	-	-	-	7,867,530	5,533,881
Other	1,380,820	-	-	-	-	-	-	1,380,820	1,964,017
Parking charges	-	3,765,054	-	-	-	-	-	3,765,054	4,021,351
Total Operating Revenues	59,114,705	3,765,054	-	-	-	-	-	62,879,759	53,701,236
OPERATING EXPENSES:									
Personnel services	11,272,856	-	-	-	-	-	-	11,272,856	11,321,070
Fringe benefits	2,546,841	-	-	-	-	-	-	2,546,841	2,424,419
Contractual services	8,742,286	2,873,223	-	-	-	-	-	11,615,509	10,319,502
Purchases of water	6,794,242	-	-	-	-	-	-	6,794,242	6,500,908
Materials and supplies	3,858,969	63,127	-	-	-	-	-	3,922,096	4,103,353
Deferred rent	-	405,000	-	-	-	-	-	405,000	405,000
Depreciation	5,300,601	503,698	-	-	-	-	-	5,804,299	5,606,135
Equipment (Construction Contracts)	6,098,234	-	-	-	-	-	-	6,098,234	-
Miscellaneous	2,503,989	242,523	-	-	-	-	-	2,746,512	2,563,162
Total Operating Expenses	47,118,018	4,087,571	-	-	-	-	-	51,205,589	43,243,549
Operating Income	11,996,688	(322,517)	-	-	-	-	-	11,674,171	10,457,687
NON-OPERATING REVENUES(EXPENSES):									
Interest income and other income	303,042	161,250	57,932	10,961	26,171	101,715	196,779	661,071	642,326
Interest expense and fiscal charges	(2,079,850)	(1,435,980)	-	-	-	-	-	(3,515,830)	(2,829,200)
Contributions from developers and other sources	3,773,550	-	-	-	-	-	-	3,773,550	2,343,910
Federal & State grant	-	-	-	-	-	-	-	-	506,339
Total Non-Operating Revenues(Expenses)	1,996,742	(1,274,730)	57,932	10,961	26,171	101,715	196,779	918,791	663,375
Change in net assets	13,993,430	(1,597,247)	57,932	10,961	26,171	101,715	196,779	12,592,962	11,121,062
Net assets, beginning of year	326,834,154	(6,572,223)	-	-	-	-	-	320,261,931	309,140,869
Net assets, end of year	\$340,827,585	(\$8,169,470)	\$57,932	\$10,961	\$26,171	\$101,715	\$196,779	\$332,854,894	\$320,261,931

ARLINGTON COUNTY, VIRGINIA
 ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2005
 (WITH COMPARATIVE TOTALS FOR 2004)

	IDA REVENUE BOND FUNDS						Totals		
	Utilities	Ballston Public Parking Garage	Trade Center	George Mason	ERP	Emergency Comm. Center	Total IDA Revenue Bonds	June 30 2005	June 30 2004
	CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers	\$57,004,239	\$3,768,134	\$-	\$-	\$-	\$-	\$-	\$60,772,373	\$54,562,460
Cash paid to suppliers	(28,253,332)	(3,431,803)	-	-	-	-	-	(31,685,135)	(19,735,553)
Cash paid to employees	(13,715,239)	-	-	-	-	-	-	(13,715,239)	(13,636,274)
Net cash flows from operating activities	15,035,667	336,331	-	-	-	-	-	15,371,998	21,190,633
CASH FLOWS FROM INVESTING ACTIVITIES:									
Interest received	266,223	161,250	57,932	10,961	26,171	101,715	196,779	624,252	456,117
Net cash flows from investing activities	266,223	161,250	57,932	10,961	26,171	101,715	196,779	624,252	456,117
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
State grant	-	-	-	-	-	-	-	-	506,339
Net cash flows from non-capital financing activities	-	-	-	-	-	-	-	-	506,339
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Principal payments - bonds	(3,130,952)	(500,000)	-	-	-	-	-	(3,630,952)	(4,242,624)
Payments to bonds redeemed	(2,798,890)	-	-	-	-	-	-	(2,798,890)	-
Proceeds of bond refunding	2,916,798	-	-	-	-	-	-	2,916,798	-
Proceeds from bonds	6,484,779	-	\$18,500,000	\$3,502,500	\$8,500,000	\$33,372,500	63,875,000	70,359,779	-
Payment of Suntrust notes payable	(6,200,000)	-	-	-	-	-	-	(6,200,000)	6,200,000
Proceeds of VRA loan	16,184,083	-	-	-	-	-	-	16,184,083	8,749,767
Contributions from other sources	3,773,550	-	-	-	-	-	-	3,773,550	2,343,910
Interest and other loan expenses paid	(2,033,402)	(410,044)	-	-	-	-	-	(2,443,446)	(1,772,491)
Purchases of property	(27,099,145)	-	(3,951,959)	(1,580,366)	(1,769,324)	(4,547,278)	(11,848,927)	(38,948,072)	(29,843,758)
Net cash flows from capital and related financing activities	(11,903,179)	(910,044)	14,548,041	1,922,134	6,730,676	28,825,222	52,026,073	39,212,850	(18,565,196)
Net increase(decrease) in cash and cash equivalents	3,398,711	(412,463)	14,605,973	1,933,095	6,756,847	28,926,937	52,222,852	55,209,100	3,587,893
Cash and cash equivalents at beginning of year	28,308,026	13,338,190	-	-	-	-	-	41,646,216	38,058,323
Cash and cash equivalents at end of year	\$31,706,737	\$12,925,727	\$14,605,973	\$1,933,095	\$6,756,847	\$28,926,937	\$52,222,852	\$96,855,316	\$41,646,216
Reconciliation of operating income to net cash flow from operations:									
Operating Income	\$11,996,688	(\$322,517)	\$-	\$-	\$-	\$-	\$-	\$11,674,171	\$10,457,687
Adjustments to reconcile operating income to net cash provided by operating activities:									
Depreciation	5,300,601	503,698	-	-	-	-	-	5,804,299	5,606,135
(Increase)Decrease in accounts receivable	(2,110,466)	3,080	-	-	-	-	-	(2,107,386)	(16,869)
(Increase)Decrease in due from primary government	-	-	-	-	-	-	-	-	878,093
(Increase)Decrease in inventories	10,260	-	-	-	-	-	-	10,260	5,785
Increase(Decrease) in vouchers payable	(650,953)	(252,930)	-	-	-	-	-	(903,883)	2,967,893
Increase(Decrease) in compensated absences	104,458	-	-	-	-	-	-	104,458	109,215
Increase(Decrease) in contract retainage	343,813	-	-	-	-	-	-	343,813	(32,881)
Increase(Decrease) in prepaid expenses	-	-	-	-	-	-	-	-	960,000
Increase(Decrease) in other accrued liabilities	41,266	405,000	-	-	-	-	-	446,266	255,575
Net cash flows from operations	\$15,035,667	\$336,331	\$-	\$-	\$-	\$-	\$-	\$15,371,998	\$21,190,633



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, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30 2005	June 30 2004
ASSETS					
CURRENT ASSETS:					
Equity in pooled cash and investments	\$4,265,162	\$-	\$268,807	\$4,533,969	\$1,091,101
Accounts receivable	788,761	188	-	788,949	89,865
Due from component unit	-	-	-	-	2,899,265
Inventories	578,612	38,051	-	616,663	592,539
Total Current Assets	5,632,535	38,239	268,807	5,939,581	4,672,770
CAPITAL ASSETS:					
Equipment and other capital assets	39,350,707	276,060	-	39,626,767	36,602,312
Less-allowance for depreciation	(19,257,454)	(255,107)	-	(19,512,561)	(18,616,421)
Net Capital Assets	20,093,253	20,953	-	20,114,206	17,985,891
Total Assets	\$25,725,788	\$59,192	\$268,807	\$26,053,787	\$22,658,661
LIABILITIES AND NET ASSETS:					
CURRENT LIABILITIES:					
Vouchers payable	\$428,717	\$45,443	\$9,739	\$483,899	\$333,368
Capital lease - current portion	697,312	-	-	697,312	339,983
Due to primary government	-	101,560	72,000	173,560	194,245
Total Current Liabilities	1,126,029	147,003	81,739	1,354,771	867,596
LONG-TERM LIABILITIES					
Compensated absences	431,792	97,338	14,883	544,013	501,486
Capital lease	2,520,755	-	-	2,520,755	1,281,582
Total Long-Term Liabilities	2,952,547	97,338	14,883	3,064,768	1,783,068
Total liabilities	4,078,576	244,341	96,622	4,419,539	2,650,664
Net assets	21,647,212	(185,149)	172,185	21,634,248	20,007,997
Total Liabilities and Net Assets	\$25,725,788	\$59,192	\$268,807	\$26,053,787	\$22,658,661

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30 2005	June 30 2004
OPERATING REVENUES:					
Charges for services	\$14,107,783	\$1,770,822	\$207,005	\$16,085,610	\$15,737,715
OPERATING EXPENSES:					
Cost of store issuances	3,093,069	613,281	-	3,706,350	3,439,257
Personnel services	3,168,624	475,662	157,502	3,801,788	3,900,394
Fringe benefits	772,455	118,947	43,917	935,319	930,075
Material and supplies	309,153	192,991	964	503,108	516,704
Utilities	94,532	4,781	136	99,449	109,297
Outside services	905,617	484,065	5,214	1,394,896	1,287,567
Depreciation	3,665,373	17,073	-	3,682,446	3,330,022
Insurance and other	562,177	185	276	562,638	313,065
Total Operating Expenses	12,571,000	1,906,985	208,009	14,685,994	13,826,381
Operating Income (Loss)	1,536,783	(136,163)	(1,004)	1,399,616	1,911,334
NON-OPERATING REVENUES (EXPENSES):					
Interest payment on capital lease	(53,890)	(302)	-	(54,192)	(66,550)
Gain/(Loss) on disposal of assets	73,714	-	-	73,714	116,861
Total Non-operating Revenues (Expenses)	19,824	(302)	-	19,522	50,311
Income Before Transfers	1,556,607	(136,465)	(1,004)	1,419,138	1,961,645
TRANSFERS IN (OUT):					
Transfers in	192,458	144,655	-	337,113	369,540
Transfers out	(130,000)	-	-	(130,000)	(130,000)
Total Operating Transfers	62,458	144,655	-	207,113	239,540
Change in Net Assets	1,619,065	8,190	(1,004)	1,626,251	2,201,185
Net Assets, beginning of year	20,028,147	(193,339)	173,189	20,007,997	17,806,812
Net Assets, end of year	\$21,647,212	(\$185,149)	\$172,185	\$21,634,248	\$20,007,997

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30, 2005	June 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$139,579	\$116,591	\$207,005	\$463,175	\$906,573
Cash received from interfund charges	16,104,613	1,718,003	-	17,822,616	14,258,808
Cash paid to suppliers	(4,799,010)	(1,337,946)	(3,081)	(6,140,037)	(5,573,891)
Cash paid to employees	(3,898,057)	(604,798)	(191,724)	(4,694,579)	(4,872,479)
Net cash provided (used) by operating activities	<u>7,547,125</u>	<u>(108,150)</u>	<u>12,200</u>	<u>7,451,175</u>	<u>4,719,011</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Payment of temporary loan	-	(122,245)	-	(122,245)	-
Temporary loan from general fund	-	101,560	-	101,560	122,245
Operating transfers in	192,459	144,655	-	337,114	369,540
Operating transfers out	(130,000)	-	-	(130,000)	(130,000)
Net cash provided by financing activities	<u>62,459</u>	<u>123,970</u>	<u>-</u>	<u>186,429</u>	<u>361,785</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital lease	1,936,484	-	-	1,936,484	-
Principal payment on capital lease	(324,464)	(15,518)	-	(339,982)	(339,787)
Payment of interest on capital lease	(53,890)	(302)	-	(54,192)	(66,550)
Purchases of equipment and other fixed assets	(6,058,579)	-	-	(6,058,579)	(4,110,126)
Proceeds from sale of equipment	321,533	-	-	321,533	244,056
Net cash used by capital and related financing activities	<u>(4,178,916)</u>	<u>(15,820)</u>	<u>-</u>	<u>(4,194,736)</u>	<u>(4,272,407)</u>
Net increase (decrease) in cash and cash equivalents	<u>3,430,668</u>	<u>-</u>	<u>12,200</u>	<u>3,442,868</u>	<u>808,389</u>
Cash and cash equivalents at beginning of year	<u>834,494</u>	<u>-</u>	<u>256,607</u>	<u>1,091,101</u>	<u>282,712</u>
Cash and cash equivalents at end of period	<u>\$4,265,162</u>	<u>\$-</u>	<u>\$268,807</u>	<u>\$4,533,969</u>	<u>\$1,091,101</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$1,536,782	(\$136,163)	(\$1,004)	\$1,399,615	\$1,911,334
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	3,665,373	17,073	-	3,682,446	3,330,022
(Increase)Decrease in accounts receivable	2,136,409	63,772	-	2,200,181	(572,334)
(Increase)Decrease in inventories	(10,450)	(13,675)	-	(24,125)	7,101
Increase(Decrease) in vouchers payable	175,989	(28,969)	3,510	150,530	84,897
Increase(Decrease) in compensated absences	43,022	(10,188)	9,694	42,528	(42,009)
Net cash provided (used) by operating activities	<u>\$7,547,125</u>	<u>(\$108,150)</u>	<u>\$12,200</u>	<u>\$7,451,175</u>	<u>\$4,719,011</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.

IDA- Ballston Skating Facility Fund – to account for the Ballston Skating Facility which is funded and owned by the Arlington Industrial Development Authority.

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.

Urban Area Security Initiative Fund – to account for funding provided by the U.S. Department of Homeland Security to develop and implement plans for terrorism prevention, preparedness, response and/or recovery.

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

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

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2005

	Private Purpose Trust				Agency Funds						Total Fiduciary Funds
	Pension Trust	Alex/Arlington Waste Disposal Trust	IDA - Ballston Skating Facility	Other Private Purpose Trusts	Total Private Purpose Trust	Commonwealth of Virginia	Urban Area Security Initiative	Drug Task Force Grant	Other Agency Funds	Total Agency Funds	
ASSETS											
Equity in pooled cash and investments	\$126,387,792	\$462,372	\$34,622,217	\$42,264	\$35,126,853	\$18,425	\$-	\$-	\$15,581,569	\$15,599,994	\$177,114,639
Contributions Receivable:											
Employer	1,039,551	-	-	-	-	-	-	-	-	-	1,039,551
Employee	747,145	-	-	-	-	-	-	-	-	-	747,145
Accrued Interest and Other Receivables	5,013,416	-	-	-	-	-	-	-	-	-	5,013,416
Bond Issuance Costs	-	-	425,000	-	425,000	-	-	-	-	-	425,000
Construction in progress	-	-	1,053,489	-	1,053,489	-	-	-	-	-	1,053,489
Receivable from other government investments, at fair value	-	-	-	-	-	-	1,289,450	1,167,115	-	2,456,565	2,456,565
Foreign, Municipal and U.S. Government Obligations, including Fixed Instruments in Pooled Funds	84,227,980	-	-	-	-	-	-	-	-	-	84,227,980
Corporate Fixed Income Obligations	138,316,308	-	-	-	-	-	-	-	-	-	138,316,308
Domestic and Foreign Equities, including Equities in Pooled Funds	695,750,810	8,416,871	-	-	8,416,871	-	-	-	-	-	704,167,681
Other Investments	131,810,171	-	-	-	-	-	-	-	-	-	131,810,171
Real Estate Funds	17,973,407	-	-	-	-	-	-	-	-	-	17,973,407
Total assets	1,201,266,580	8,879,243	36,100,706	42,264	45,022,213	18,425	1,289,450	1,167,115	15,581,569	18,056,559	1,264,345,352
LIABILITIES											
Accounts payable and accrued liabilities	3,208,662	461,091	35,700,000	-	36,161,091	18,425	-	(44)	15,581,569	15,599,950	54,969,703
Due to primary government	-	-	-	-	-	-	1,289,450	1,167,159	-	2,456,609	2,456,609
Total liabilities	3,208,662	461,091	35,700,000	-	36,161,091	18,425	1,289,450	1,167,115	15,581,569	18,056,559	57,426,312
NET ASSETS	\$1,198,057,918	\$8,418,152	\$400,706	\$42,264	\$8,861,122	\$-	\$-	\$-	\$-	\$-	\$1,206,919,040

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2005

	Private Purpose Trusts				Total Private Purpose Trusts
	Pension Trust	Alex/Arlington Waste Disposal Trust	IDA - Ballston Skating Facility	Other Private Purpose Trusts	
ADDITIONS					
Contributions and Revenues					
Employer/ Employee contributions	\$22,013,828	\$-	\$-	\$-	\$-
Revenue from Commonwealth of Virginia	-	-	-	-	-
Revenue from federal government	-	-	-	-	-
Shared revenues	-	2,299,259	-	-	2,299,259
Private donations- Others	-	-	-	51,336	51,336
Total contributions	22,013,828	2,299,259	-	51,336	2,350,595
Investment earnings:					
Interest and other	25,847,581	190,916	56,515	-	247,431
Securities lending	476,828	-	-	-	-
Commissions recapture	49,373	-	-	-	-
Net change in fair value of investments	77,905,641	(28,769)	-	-	(28,769)
Class action recovery	86,518	-	-	-	-
Total investment earnings	104,365,941	162,147	56,515	-	218,662
Less investment expenses	6,065,100	-	80,809	-	80,809
Net investment earnings	98,300,841	162,147	(24,294)	-	137,853
Bond issuance costs	-	-	425,000	-	425,000
Total additions	120,314,669	2,461,406	400,706	51,336	2,913,448
DEDUCTIONS					
Administrative expenses	1,159,056	2,671,144	-	-	2,671,144
Retirees pension expense	54,057,207	-	-	37,025	37,025
Total deductions	55,216,263	2,671,144	-	37,025	2,708,169
Change in net assets	65,098,406	(209,738)	400,706	14,311	205,279
Net assets- Beginning of the year	1,132,959,512	8,627,890	-	27,953	8,655,843
Net assets- Ending of the year	\$1,198,057,918	\$8,418,152	\$400,706	\$42,264	\$8,861,122

ARLINGTON COUNTY, VIRGINIA
PENSION TRUST FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Year Ended June 30, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	<u>2005</u>	<u>2004</u>
ADDITIONS:		
Member contributions	\$8,152,479	\$8,290,871
Employer contributions	13,853,234	8,952,509
Other contributions	8,115	52,933
Investment income:		
Interest and dividends	25,847,581	29,874,306
Net appreciation (depreciation) in fair value	77,905,641	134,891,467
Commission recapture	49,373	48,946
Securities lending	476,828	449,085
Class action recovery	86,518	26,382
Investment expense	<u>(6,065,100)</u>	<u>(6,249,609)</u>
 Total Additions	 <u>120,314,669</u>	 <u>176,336,890</u>
DEDUCTIONS:		
Members' benefits	52,300,938	48,651,821
Refund of members' contributions	1,756,269	1,639,429
Administrative expenses	448,134	512,022
Pension Gold	188,484	397,345
Other operating expenses	<u>522,438</u>	<u>381,373</u>
 Total Deductions	 <u>55,216,263</u>	 <u>51,581,990</u>
 Net Increase	 65,098,406	 124,754,900
 Net Assets Held in Trust for Plan Benefits, beginning of year	 <u>1,132,959,512</u>	 <u>1,008,204,612</u>
 Net Assets Held in Trust for Plan Benefits, end of year:		
Undesignated	<u>\$1,198,057,918</u>	<u>\$1,132,959,512</u>

ARLINGTON COUNTY, VIRGINIA
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<u>Commonwealth of Virginia</u>				
ASSETS:				
Cash	\$15,632	\$2,793	\$-	\$18,425
Receivable from other government	-	-	-	-
Total Assets	\$15,632	\$2,793	\$-	\$18,425
LIABILITIES:				
Due to other government	\$15,632	\$2,793	-	\$18,425
Total Liabilities	\$15,632	\$2,793	\$-	\$18,425
<u>Urban Area Security Initiative</u>				
ASSETS:				
Cash & cash equivalents	\$-	\$-	\$-	\$-
Due from other government	-	1,289,450	-	1,289,450
Total Assets	\$-	\$1,289,450	\$-	\$1,289,450
LIABILITIES:				
Vouchers payable	\$-	\$-	\$-	\$-
Due to primary government	-	1,289,450	-	1,289,450
Deferred revenue	-	-	-	-
Total Liabilities	\$-	\$1,289,450	\$-	\$1,289,450
<u>Drug Task Force Fund</u>				
ASSETS:				
Cash & cash equivalents	\$-	\$-	\$-	\$-
Due from other government	1,988,553	-	821,438	1,167,115
Total Assets	\$1,988,553	\$-	\$821,438	\$1,167,115
LIABILITIES:				
Vouchers payable	\$303,402	\$-	\$193,285	\$110,117
Due to primary government	1,795,312	-	628,153	1,167,159
Deferred revenue	(110,161)	-	-	(110,161)
Total Liabilities	\$1,988,553	\$-	\$821,438	\$1,167,115
<u>Other Agency Fund</u>				
ASSETS:				
Cash & cash equivalents	\$22,415,965	\$-	\$6,834,396	\$15,581,569
Accrued receivables	1,005	-	1,005	-
Total Assets	\$22,416,970	\$-	\$6,835,401	\$15,581,569
LIABILITIES:				
Vouchers payable	\$89,816	\$433,666	\$-	\$523,482
Deferred revenue	22,327,154	-	7,269,067	15,058,087
Total Liabilities	\$22,416,970	\$433,666	\$7,269,067	\$15,581,569
<u>Total All Agency Funds</u>				
ASSETS:				
Cash	\$22,431,597	\$2,793	\$6,834,396	\$15,599,994
Receivable from other government	1,988,553	1,289,450	821,438	2,456,565
Accrued receivables	1,005	-	1,005	-
Total Assets	\$24,421,155	\$1,292,243	\$7,656,839	\$18,056,559
LIABILITIES:				
Due to primary government	\$1,795,312	\$1,292,243	\$628,153	\$2,459,402
Due to other government	15,632	-	-	15,632
Vouchers Payable	393,218	433,666	193,285	633,599
Deferred revenue	22,216,993	-	7,269,067	14,947,926
Total Liabilities	\$24,421,155	\$1,725,909	\$8,090,505	\$18,056,559



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, 2005
 (WITH COMPARATIVE TOTALS FOR 2004)

	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, 2005	June 30, 2004
ASSETS										
Equity in pooled cash and investments	\$2,871,304	\$-	\$-	\$-	\$45,815,674	\$-	\$-	\$-	\$48,686,978	\$47,116,540
Petty cash	200	163	75	-	-	-	-	-	438	275
Accounts receivable	391,509	255,913	46,692	2,846,935	-	25,086	-	319,319	3,885,454	4,666,474
Due from other funds	1,174,650	90,106	11,591	-	-	1,803,841	2,573,088	-	5,653,276	1,216,161
Due from primary government	34,085,109	-	3,992,833	-	-	6,920,396	-	-	44,998,338	37,146,159
Inventories	-	245,548	-	-	-	-	-	-	245,548	286,415
Total Assets	\$38,522,772	\$591,730	\$4,051,191	\$2,846,935	\$45,815,674	\$8,749,323	\$2,573,088	\$319,319	\$103,470,032	\$90,432,024
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accrued salaries payable	\$25,515,382	\$265,629	\$475,617	\$136,040	\$6,267	\$-	\$-	\$-	\$26,398,935	\$24,618,119
Vouchers payable	2,275,821	73,577	156,345	271,148	3,605,870	522,029	-	-	6,904,790	8,884,695
Other liabilities	2,170,585	-	-	-	-	-	-	-	2,170,585	2,254,241
Deferred revenue	480,801	-	191,395	-	-	-	-	-	672,196	656,732
Due to other funds	1,291,431	241,346	3,206,262	909,761	4,476	-	-	-	5,653,276	1,216,161
Due to primary government	-	-	-	-	-	-	2,573,088	319,319	2,892,407	3,416,420
Total Liabilities	31,734,020	580,552	4,029,619	1,316,949	3,616,613	522,029	2,573,088	319,319	44,692,189	41,046,368
FUND EQUITY AND OTHER CREDITS										
Reserved for encumbrances	2,788,752	5,941	21,572	65,450	16,357,601	8,227,294	-	-	27,466,610	38,197,659
Reserved for construction	-	-	-	-	25,841,460	-	-	-	25,841,460	5,713,911
Unreserved	4,000,000	5,237	-	1,464,536	-	-	-	-	5,469,773	5,474,086
Total Fund Equity and Other Credits	6,788,752	11,178	21,572	1,529,986	42,199,061	8,227,294	-	-	58,777,843	49,385,656
Total Liabilities, Fund Equity and Other Credits	\$38,522,772	\$591,730	\$4,051,191	\$2,846,935	\$45,815,674	\$8,749,323	\$2,573,088	\$319,319	\$103,470,032	\$90,432,024

ARLINGTON COUNTY, VIRGINIA
Reconciliation of the Fund Balances of Component Unit - Schools
to Net Assets of Component Unit - Schools
June 30, 2005

Total-component unit-Schools fund balances	\$58,777,843
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	273,349,787
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds	(25,528,427)
Net assets of component unit-Schools	<hr/> <u><u>\$306,599,203</u></u>

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, 2005
 (WITH COMPARATIVE TOTALS FOR 2004)

	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, 2005	June 30, 2004
REVENUES:										
Sales tax	\$15,409,432	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$15,409,432	\$13,222,628
State/local government	21,811,824	72,170	-	2,117,642	-	597,920	-	1,646,260	26,245,816	24,176,374
Federal	84,272	3,005,347	-	11,378,152	-	-	-	-	14,447,771	13,869,071
Charges for services	4,697,750	2,325,128	4,285,030	2,134,291	-	-	-	-	13,442,199	11,407,742
Use of money and property	-	-	-	-	543,705	-	-	-	543,705	357,253
Total revenues	41,983,278	5,402,645	4,285,030	15,630,085	543,705	597,920	-	1,646,260	70,088,923	63,033,068
EXPENDITURES:										
Current -										
Parks and recreation	-	-	12,311,529	-	-	-	-	-	12,311,529	12,021,687
Education	270,532,374	5,397,937	-	16,584,828	-	-	-	3,276,661	295,791,800	280,654,517
Capital projects	-	-	-	-	34,597,277	5,918,169	-	-	40,515,446	37,104,759
Debt service -										
Principal	-	-	-	-	-	-	14,548,056	-	14,548,056	13,413,620
Interest	-	-	-	-	-	-	9,600,537	-	9,600,537	8,690,613
Other	-	-	-	-	-	-	(1,286,544)	-	(1,286,544)	-
Total expenditures	270,532,374	5,397,937	12,311,529	16,584,828	34,597,277	5,918,169	22,862,049	3,276,661	371,480,824	351,885,196
Excess (deficiency) of revenues over expenditures	(228,549,096)	4,708	(8,026,499)	(954,743)	(34,053,572)	(5,320,249)	(22,862,049)	(1,630,401)	(301,391,901)	(288,852,128)
Other financing sources(uses):										
Transfers in	229,653,042	-	8,039,091	857,656	-	10,312,197	22,862,049	1,630,401	273,354,436	258,194,496
Transfers out	-	-	-	-	(543,705)	-	-	-	(543,705)	(357,253)
Proceeds of refunding bonds	-	-	-	-	33,598,820	-	-	-	33,598,820	-
Payments to refunded bond escrow agent	-	-	-	-	(32,208,767)	-	-	-	(32,208,767)	-
Deferred cost of refunding	-	-	-	-	(1,390,053)	-	-	-	(1,390,053)	-
School Construction Funding	-	-	-	-	-	-	-	-	-	28,000,000
Proceeds from sale of bonds	-	-	-	-	36,230,000	-	-	-	36,230,000	-
Proceeds from leases	548,357	-	-	-	-	1,195,000	-	-	1,743,357	-
Total other financing sources(uses)	230,201,399	-	8,039,091	857,656	35,686,295	11,507,197	22,862,049	1,630,401	310,784,088	285,837,243
Excess (deficiency) of Revenues and other sources over expenditures and other uses	1,652,303	4,708	12,592	(97,087)	1,632,723	6,186,948	-	-	9,392,187	(3,014,885)
FUND BALANCES, beginning of year	5,136,449	6,470	8,980	1,627,073	40,566,338	2,040,346	-	-	49,385,656	52,400,541
FUND BALANCES, end of year	\$6,788,752	\$11,178	\$21,572	\$1,529,986	\$42,199,061	\$8,227,294	\$-	\$-	\$58,777,843	\$49,385,656

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, 2005

Net change in fund balances - component unit-Schools \$9,392,189

Amounts reported for governmental activities in the Statement
 of Activities are different because:

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

Add: Capital acquisitions	37,103,036	
Less Depreciation expense	<u>(12,592,541)</u>	24,510,495

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.

-

Lease proceeds provide current financial resources to the
 governmental funds, but capital leases increases long-term
 liabilities in the Statement of Net Assets. Repayment of
 capital leases is an expenditure in the governmental funds,
 but the repayment reduces long term liabilities in the
 Statement of Net Assets.

Add: Repayment of capital leases	215,455	
Less Proceeds from capital leases	<u>(1,743,357)</u>	(1,527,902)

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

(2,768,271)

Change in net assets of component unit-Schools \$29,606,511

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, 2005

	School Operating Fund			School Cafeteria Fund			School Community Activities Fund		
	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
REVENUES:									
Sales tax	\$15,524,354	\$15,409,432	(\$114,922)	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental									
State	22,560,757	21,811,824	(748,933)	71,013	72,170	1,157	-	-	-
Federal	-	64,272	-	3,167,531	3,005,347	(162,184)	-	-	-
Charges for services	1,562,700	4,697,750	3,135,050	2,128,924	2,325,128	196,204	4,355,675	4,285,030	(70,645)
Use of money and property	-	-	-	-	-	-	-	-	-
Total revenues	<u>39,647,811</u>	<u>41,983,278</u>	<u>2,271,195</u>	<u>5,367,468</u>	<u>5,402,645</u>	<u>35,177</u>	<u>4,355,675</u>	<u>4,285,030</u>	<u>(70,645)</u>
EXPENDITURES:									
Education	276,050,225	270,532,374	5,517,851	5,367,468	5,397,937	(30,469)	-	-	-
Parks & recreation	-	-	-	-	-	-	12,579,621	12,311,529	268,092
Capital projects	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total expenditures	<u>276,050,225</u>	<u>270,532,374</u>	<u>5,517,851</u>	<u>5,367,468</u>	<u>5,397,937</u>	<u>(30,469)</u>	<u>12,579,621</u>	<u>12,311,529</u>	<u>268,092</u>
Excess (deficiency) of revenues over expenditures	<u>(236,402,414)</u>	<u>(228,549,096)</u>	<u>7,789,046</u>	<u>-</u>	<u>4,708</u>	<u>4,708</u>	<u>(8,223,946)</u>	<u>(8,026,499)</u>	<u>197,447</u>
Other financing sources(uses):									
Transfers in	235,265,965	229,653,042	(5,612,923)	-	-	-	8,214,966	8,039,091	(175,875)
Transfers out	-	-	-	-	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Deferred cost of refunding	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	548,357	548,357	-	-	-	-	-	-
Total other financing sources(uses)	<u>235,265,965</u>	<u>230,201,399</u>	<u>(5,064,566)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,214,966</u>	<u>8,039,091</u>	<u>(175,875)</u>
Excess (deficiency) of Revenues and other sources over expenditures and other uses	<u>(1,136,449)</u>	<u>1,652,303</u>	<u>2,724,480</u>	<u>-</u>	<u>4,708</u>	<u>4,708</u>	<u>(8,980)</u>	<u>12,592</u>	<u>21,572</u>
FUND BALANCES, beginning of year	<u>5,136,449</u>	<u>5,136,449</u>	<u>-</u>	<u>6,470</u>	<u>6,470</u>	<u>-</u>	<u>8,980</u>	<u>8,980</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$4,000,000</u>	<u>\$6,788,752</u>	<u>\$2,788,752</u>	<u>\$6,470</u>	<u>\$11,178</u>	<u>\$4,708</u>	<u>\$-</u>	<u>\$21,572</u>	<u>\$21,572</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, 2005

	School Special Grants Fund			School Debt Service Fund			School Capital Projects Bond Fund		
	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
REVENUES:									
Sales tax	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental									
State	1,583,378	2,117,642	534,264	-	-	-	-	-	-
Federal	14,044,122	11,378,152	(2,665,970)	-	-	-	-	-	-
Charges for services	4,336,980	2,134,291	(2,202,689)	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	543,705	543,705
Total revenues	<u>19,964,480</u>	<u>15,630,085</u>	<u>(4,334,395)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>543,705</u>	<u>543,705</u>
EXPENDITURES:									
Education	20,873,366	16,584,828	4,288,538	-	-	-	-	-	-
Parks & recreation	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	76,796,338	34,597,277	42,199,061
Debt service:									
Principal retirement	-	-	-	14,548,057	14,548,056	1	-	-	-
Interest and fiscal charges	-	-	-	9,606,167	9,600,537	5,630	-	-	-
Other	-	-	-	(1,286,544)	(1,286,544)	-	-	-	-
Total expenditures	<u>20,873,366</u>	<u>16,584,828</u>	<u>4,288,538</u>	<u>22,867,680</u>	<u>22,862,049</u>	<u>5,631</u>	<u>76,796,338</u>	<u>34,597,277</u>	<u>42,199,061</u>
Excess (deficiency) of revenues over expenditures	<u>(908,886)</u>	<u>(954,743)</u>	<u>(45,857)</u>	<u>(22,867,680)</u>	<u>(22,862,049)</u>	<u>5,631</u>	<u>(76,796,338)</u>	<u>(34,053,572)</u>	<u>42,742,766</u>
Other financing sources(uses):									
Transfers in	908,886	857,656	(51,230)	22,867,680	22,862,049	(5,631)	36,230,000	36,230,000	-
Transfers out	-	-	-	-	-	-	-	(543,705)	(543,705)
Proceeds of refunding bonds	-	-	-	-	-	-	-	33,598,820	(33,598,820)
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	(32,208,767)	32,208,767
Deferred cost of refunding	-	-	-	-	-	-	-	(1,390,053)	1,390,053
Proceeds of capital lease	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	<u>908,886</u>	<u>857,656</u>	<u>(51,230)</u>	<u>22,867,680</u>	<u>22,862,049</u>	<u>(5,631)</u>	<u>36,230,000</u>	<u>35,686,295</u>	<u>(543,705)</u>
Excess (deficiency) of Revenues and other sources over expenditures and other uses	-	(97,087)	(97,087)	-	-	-	(40,566,338)	1,632,723	42,199,061
FUND BALANCES, beginning of year	<u>1,627,073</u>	<u>1,627,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,566,338</u>	<u>40,566,338</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$1,627,073</u>	<u>\$1,529,986</u>	<u>(\$97,087)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$42,199,061</u>	<u>\$42,199,061</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, 2005

	School Capital Projects (Pay-as-you-go) Fund			School Comprehensive Services Act			Totals		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
REVENUES:									
Sales tax	\$-	\$-	\$-	\$-	\$-	\$-	\$15,524,354	\$15,409,432	(\$114,922)
Intergovernmental									
State	573,955	597,920	23,965	1,842,500	1,646,260	(196,240)	26,631,603	26,245,816	(385,787)
Federal	-	-	-	-	-	-	17,211,653	14,447,771	(2,763,882)
Charges for services	-	-	-	-	-	-	12,384,279	13,442,199	1,057,920
Use of money and property	-	-	-	-	-	-	-	543,705	543,705
Total revenues	<u>573,955</u>	<u>597,920</u>	<u>23,965</u>	<u>1,842,500</u>	<u>1,646,260</u>	<u>(196,240)</u>	<u>71,751,889</u>	<u>70,088,923</u>	<u>(1,662,966)</u>
EXPENDITURES:									
Education	-	-	-	3,750,000	3,276,661	473,339	306,041,059	295,791,800	10,249,259
Parks & recreation	-	-	-	-	-	-	12,579,621	12,311,529	268,092
Capital projects	26,022,180	5,918,169	20,104,011	-	-	-	102,818,518	40,515,446	62,303,072
Debt service:									
Principal retirement	-	-	-	-	-	-	14,548,057	14,548,056	-
Interest and fiscal charges	-	-	-	-	-	-	9,606,167	9,600,537	5,630
Other	-	-	-	-	-	-	(1,286,544)	(1,286,544)	0
Total expenditures	<u>26,022,180</u>	<u>5,918,169</u>	<u>20,104,011</u>	<u>3,750,000</u>	<u>3,276,661</u>	<u>473,339</u>	<u>444,306,878</u>	<u>371,480,824</u>	<u>72,826,053</u>
Excess (deficiency) of revenues over expenditures	<u>(25,448,225)</u>	<u>(5,320,249)</u>	<u>20,127,976</u>	<u>(1,907,500)</u>	<u>(1,630,401)</u>	<u>277,099</u>	<u>(372,554,989)</u>	<u>(301,391,901)</u>	<u>71,163,087</u>
Other financing sources(uses):									
Transfers in	22,212,879	10,312,197	(11,900,682)	1,907,500	1,630,401	(277,099)	327,607,876	309,584,436	(18,023,440)
Transfers out	-	-	-	-	-	-	-	(543,705)	(543,705)
Proceeds of refunding bonds	-	-	-	-	-	-	-	33,598,820	33,598,820
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	(32,208,767)	(32,208,767)
Deferred cost of refunding	-	-	-	-	-	-	-	(1,390,053)	(1,390,053)
Proceeds from capital lease	1,195,000	1,195,000	-	-	-	-	-	1,743,357	1,743,357
Total other financing sources(uses)	<u>23,407,879</u>	<u>11,507,197</u>	<u>(11,900,682)</u>	<u>1,907,500</u>	<u>1,630,401</u>	<u>(277,099)</u>	<u>327,607,876</u>	<u>310,784,088</u>	<u>(16,823,788)</u>
Excess (deficiency) of Revenues and other sources over expenditures and other use:	<u>(2,040,346)</u>	<u>6,186,948</u>	<u>8,227,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,947,113)</u>	<u>9,392,187</u>	<u>54,339,299</u>
FUND BALANCES, beginning of year	<u>2,040,346</u>	<u>2,040,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,385,656</u>	<u>49,385,656</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$-</u>	<u>\$8,227,294</u>	<u>\$8,227,294</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$4,438,543</u>	<u>\$58,777,843</u>	<u>\$54,339,299</u>



Supplemental Schedules

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 statement users in the analysis of the County's financial activities.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY TO THE COUNTY- ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	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	\$102,984,524	\$625,646	\$134,738,249	\$41,646,216	\$1,091,101	\$30,578,367	\$47,116,540	\$358,780,643
Receipts (net):								
Taxes	573,679,827	1,868,652	-	-	-	-	15,409,432	590,957,911
Licenses and permits	12,504,677	-	-	-	-	-	-	12,504,677
Fines and forfeitures	8,427,464	-	-	-	-	-	-	8,427,464
Revenue from use of money and property	2,605,403	-	1,814,836	661,071	-	-	543,705	5,625,015
Charges for services	34,495,625	-	8,801,302	62,879,759	16,085,610	2,461,405	13,442,199	138,165,900
Miscellaneous	11,733,637	-	5,450	3,773,550	-	2,789,021	-	18,301,658
Intergovernmental	84,170,121	16,613,991	11,098,471	-	-	6,512,089	40,693,587	159,088,259
Proceeds from indebtedness	3,962,112	-	52,295,000	9,984,083	-	-	36,230,000	102,471,195
Proceeds from sale of land	-	-	-	-	73,714	-	-	73,714
Total Receipts	731,578,866	18,482,643	74,015,059	77,298,464	16,159,324	11,762,515	106,318,923	1,035,615,794
Total Receipts and Balance	834,563,390	19,108,289	208,753,308	118,944,680	17,250,425	42,340,882	153,435,463	1,394,396,437
Disbursements (net):								
Warrants(checks)issued	356,491,478	18,429,073	47,463,414	60,546,274	14,879,390	8,347,111	328,768,190	834,924,930
Retirement of indebtedness	22,805,993	-	-	3,630,952	339,982	-	14,548,056	41,324,983
Interest and other debt costs	13,504,662	-	-	3,515,830	54,192	-	9,600,537	26,675,221
Total Disbursements	392,802,133	18,429,073	47,463,414	67,693,056	15,273,564	8,347,111	352,916,783	902,925,134
Interfund Transfers:								
Transfers in	5,483,726	247,000	17,587,502	-	337,113	92,500	273,354,436	297,102,277
Transfers out	(291,618,552)	(9,958)	(1,814,836)	-	(130,000)	(2,985,226)	(543,705)	(297,102,277)
BALANCE, end of year	\$155,626,431	\$916,258	\$177,062,560	\$51,251,624	\$2,183,974	\$31,101,045	\$73,329,411	\$491,471,303

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ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY
June 30, 2005

Assets Held by the Treasurer	
Cash on Hand	<u>\$28,997</u>
Cash in Banks:	
Checking	
BB & T	845,773
Burke & Herbert	85,159
James Monroe Bank	9,451,145
Wachovia Bank	4,764,534
SunTrust	7,339,744
Bank of America	248,824
United Bank	8,213
Virginia Commerce Bank	<u>19,579</u>
Total Checking Account	<u>22,762,971</u>
Savings:	
Wachovia Bank	<u>4,893</u>
Total Savings Account	<u>4,893</u>
Certificates of Deposit:	
James Monroe Bank	5,500,000
BB&T	1,000,000
Virginia Commerce Bank	<u>8,000,000</u>
Total Certificates of Deposit	<u>14,500,000</u>
Held with Trustee:	
Federal Agency Bonds & Municipal Securities	25,812,480
Commercial Paper	10,000,000
Repurchase Agreements	10,587,287
Capital Reserve Fund	<u>35,256,083</u>
Total Held with Trustee	<u>81,655,850</u>
Cash and Investments with Trustees:	
SunTrust, Ballston Garage Accounts	13,429,419
SunTrust, (Ballston Parking Garage)	69,336
SunTrust Solid Waste	8,879,243
Wells Fargo - IDA Ballston Skating Facility	34,622,217
U.S. Bank - IDA Lease Revenue Bonds (County)	<u>58,970,287</u>
Total Cash and Investments with Trustee	<u>115,970,502</u>
State Treasurer's Local Government Investment Pool	59,050,594
James Monroe T-Fund	134,144
James Monroe Money Market	26,108,230
Virginia Commerce Money Market	84,439
State Non Arbitrage Investment Program (SNAP)	170,508,705
Commonwealth Cash Reserve (Cap. Res. Fund)	<u>661,978</u>
Total Cash & Investment Balances, June 30, 2005	<u><u>\$491,471,303</u></u>

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
June 30, 2005

	INTEREST RATE	MATURITY DATE	COST
Repurchase Agreements:			
Bank of America	2.77%	07/01/05	\$10,587,287
TOTAL REPURCHASE AGREEMENTS			<u>10,587,287</u>
Certificates of Deposit :			
Virginia Commerce Bank	2.65%	09/17/05	1,000,000
Virginia Commerce Bank	2.65%	10/22/05	3,000,000
Virginia Commerce Bank	2.65%	10/29/05	500,000
Virginia Commerce Bank	3.00%	01/04/06	500,000
James Monroe Bank	3.00%	01/08/06	500,000
James Monroe Bank	3.00%	01/10/06	1,000,000
Virginia Commerce Bank	3.00%	01/10/06	500,000
Virginia Commerce Bank	3.00%	01/21/06	500,000
Virginia Commerce Bank	3.00%	03/15/06	1,500,000
James Monroe Bank	4.00%	06/16/06	1,000,000
James Monroe Bank	4.00%	06/16/06	1,000,000
James Monroe Bank	4.00%	06/16/06	1,000,000
James Monroe Bank	4.00%	06/16/06	1,000,000
BB&T	3.75%	06/20/06	1,000,000
Virginia Commerce Bank	3.50%	06/26/06	<u>500,000</u>
TOTAL CERTIFICATES OF DEPOSIT			<u>14,500,000</u>
Federal Agency Bonds & Municipal Securities :			
Commercial Paper-American Gen Finance	3.35%	09/20/05	10,000,000
FHLMC	2.20%	08/08/05	2,989,800
FHLB	2.25%	10/20/05	2,988,750
FHLB	2.64%	11/23/05	1,993,120
FHLMC	3.75%	07/24/06	3,995,760
FNMA	2.90%	09/22/06	2,968,140
FHLB	2.81%	10/25/06	1,974,380
FHLB	3.00%	11/02/06	2,968,140
FHLB	3.00%	11/24/06	2,966,250
FHLB	3.04%	11/24/06	<u>2,968,140</u>
TOTAL FEDERAL AGENCY BONDS AND MUNICIPAL SECURITIES			<u>35,812,480</u>
Capital Reserve Fund:			
Corporate Notes:			
General Electric Cap Corp Notes	3.13%	11/09/06	494,715
Citigroup, Inc., Senior Debs	8.63%	02/01/07	267,164
US Bank NA Notes	3.70%	08/01/07	994,610
Citigroup, Inc. Corp Notes	6.50%	02/15/08	428,697
General Electric Cap Corp Notes	4.13%	03/04/08	1,001,118

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
June 30, 2005

<u>Federal Agency Bond/Notes:</u>			
FHLB Notes (Callable)	1.50%	07/15/05	99,938
FNMA Notes (Callable)	1.63%	07/21/05	99,906
FNMA Float Qrtly T-Bill+15	3.30%	10/07/05	100,026
FNMA Notes	2.00%	05/04/06	98,563
FHLMC Float 6/16/04 Step (callable)	2.55%	06/16/06	988,560
FHLMC Notes (callable)	3.00%	06/29/06	1,486,964
FHLMC Global Reference Notes	5.50%	07/15/06	1,525,781
FHLB Notes (Callable)	1.82%	07/24/06	979,688
FNMA Notes	3.25%	07/31/06	1,799,819
FHLB TAP Notes	3.50%	08/15/06	996,875
FHLB TAP Notes	4.13%	11/15/06	1,018,806
FHLB TAP Notes	4.13%	11/15/06	1,104,125
FHLB Notes	3.10%	12/04/06	990,313
FHLMC Notes (callable)	2.45%	12/11/06	1,471,517
FHLB TAP Notes	4.88%	02/15/07	975,600
FHLB TAP Notes	3.50%	05/15/07	2,229,566
FHLB Notes	3.75%	05/15/07	2,170,242
FHLB Notes (Callable) Step 3.7	2.75%	07/27/07	935,006
FNMA Notes (Callable)	3.41%	08/30/07	1,374,363
FHLB Tap Notes	3.50%	11/15/07	981,956
<u>US Treasury Bond/Notes:</u>			
US Treasury Notes	2.50%	09/30/06	1,988,239
US Treasury Notes	2.50%	09/30/06	1,968,504
US Treasury Notes	2.50%	09/30/06	1,114,992
US Treasury Notes	2.63%	11/15/06	1,480,254
US Treasury Notes	3.13%	01/31/07	1,190,531
US Treasury Notes	3.00%	11/15/07	985,469
US Treasury Notes	3.75%	05/15/08	1,914,179
 TOTAL CAPITAL RESERVE FUND			<u>35,256,083</u>
 Virginia State Non-Arbitrage Program (SNAP)			170,508,705
James Monroe T-Fund			134,144
James Monroe Money Market			26,108,230
Virginia Commerce Money Market			84,439
Commonwealth Investment Fund (Cap. Res. Fund)			661,978
State Treasurer's Local Government Investment Pool			59,050,594
 TOTAL			<u>\$352,703,940</u>

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2005

EXHIBIT S-3
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	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
General Obligation Debt:						
Serviced by General Fund:						
G.O. Public Improvement (\$11,000,000)						
Central Library	3,462,000	01/17/87	5.90	1,100,000	550,000	06/01/06-07
Community Conservation	1,440,000					
Local & Regional Parks	4,170,000			\$1,100,000		
Street & Highway	1,928,000					
	\$11,000,000					
G.O. Refunding (\$42,075,000)						
Police & Jail	17,449,353	11/15/93	4.60	1,331,250	1,331,250	06/01/06
Local & Regional Parks	1,299,365		4.70	1,311,181	1,311,181	06/01/07
Community Conservation	467,340		4.80	4,538,961	4,538,961	06/01/08
Streets & Highways	3,754,697		4.75	4,468,720	4,468,720	06/01/09
Fire Station	814,316		5.00	9,643,202	3,227,780	06/01/10
Central Library	4,361,839		6.00		3,214,401	06/01/11
	\$28,146,910				3,201,021	06/01/12
				\$21,293,314		
G.O. Public Improvement (\$54,745,000)						
Higher Education	3,000,000	07/12/94	5.50	2,785,000	2,785,000	08/01/05
Local & Regional Parks	6,934,000					
Metrorail	13,900,000					
Streets & Highway	7,911,000			\$2,785,000		
Jail	23,000,000					
	\$54,745,000					
G.O. Public Improvement (\$41,700,000)						
Street & Highway	4,500,000	06/01/95	5.00	615,000	615,000	06/01/06
Community & Conservation	1,027,800					
Community & Conservation (DPW)	1,672,200			\$615,000		
Local & Regional Parks	4,500,000					
	\$11,700,000					
G.O. Public Improvement (\$25,955,000)						
Street & Highway	6,237,000	10/15/96	5.00	1,032,720	1,032,720	12/01/05
Community & Conservation	3,097,200		5.00	1,036,545	1,036,545	12/01/06
Community & Conservation (DPW)	1,155,800					
Local & Regional Parks	9,365,000					
	\$19,855,000			\$2,069,265		
G.O. Public Improvement (\$34,200,000)						
Street & Highway	5,900,000	06/01/97	5.00	2,406,667	1,203,333	06/01/06-07
Community & Conservation	2,700,000					
Community & Conservation (DPW)	3,800,000					
Local & Regional Parks	8,200,000			\$2,406,667		
Metrorail	2,200,000					
	\$22,800,000					

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2005

EXHIBIT S-3
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	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
G.O. Public Improvement & Refunding (\$87,740,000)						
Street & Highway	3,630,000	05/01/98	4.75	4,948,170	4,948,170	10/01/05
Community Conservation	2,215,000		4.75	5,913,290	5,913,290	10/01/06
Local & Regional Parks	4,000,000		4.75	4,690,730	4,690,730	10/01/07
Metro Rail	4,800,000		5.00	4,667,915	4,667,915	10/01/08
	<u>\$14,645,000</u>		5.00	4,649,570	4,649,570	10/01/09
			5.00	4,620,299	4,620,299	10/01/10
			5.00	4,269,799	4,269,799	10/01/11
			5.00	4,234,799	4,234,799	10/01/12
			5.00	2,804,799	2,804,799	10/01/13
			5.00	2,779,799	2,779,799	10/01/14
			5.00	2,309,400	769,799	10/01/15-17
				<u>\$45,888,570</u>		
G.O. Public Improvement (\$79,750,000)						
Street & Highway	15,807,000	06/17/99	5.00	7,600,000	1,900,000	06/01/06-09
Central Library	300,000					
Community Conservation	6,423,000					
Local & Regional Parks	10,760,000					
Metro Rail	3,100,000					
	<u>\$36,390,000</u>			<u>\$7,600,000</u>		
G.O. Public Improvement (\$90,325,000)						
Street & Highway	8,222,000	06/18/01	4.50	7,678,796	2,559,598	02/01/06-08
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>\$40,200,908</u>		
G.O. Public Improvement (\$39,545,000)						
Central Library	5,800,000	06/11/02	3.00	1,025,189	1,025,189	02/01/06
Local & Regional Parks	5,330,000		3.20	1,025,189	1,025,189	02/01/07
Metro Rail	5,983,500		3.40	1,025,189	1,025,189	02/01/08
Fire Station	1,800,000		3.60	1,025,189	1,025,189	02/01/09
Higher Education/University	719,000		3.80	1,025,189	1,025,189	02/01/10
	<u>\$19,632,500</u>		4.00	2,050,378	1,025,189	02/01/11-12
			4.10	1,025,189	1,025,189	02/01/13
			4.25	1,025,189	1,025,189	02/01/14
			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>\$14,350,171</u>		
G.O. Public Improvement (\$75,000,000)						
Local & Regional Parks	17,768,000	05/01/03	4.00	1,755,000	1,755,000	01/15/06
Street, Highway	7,182,000		5.00	1,755,000	1,755,000	01/15/07
Higher Education/University	281,000		4.00	3,510,000	1,755,000	01/15/08-09
Central Library	880,388		5.00	8,775,000	1,755,000	01/15/10-14
Fire Station	1,000,000		4.00	8,775,000	1,755,000	01/15/15-19
Metrorail	15,210		4.125	1,755,000	1,755,000	01/15/20
Community Conservation	6,355,000		4.20	1,755,000	1,755,000	01/15/21
General Capital Projects	118,402		4.30	1,750,000	1,750,000	01/15/22
	<u>\$33,600,000</u>		4.375	1,750,000	1,750,000	01/15/23
				<u>\$31,580,000</u>		

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2005

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 Refunding (\$65,775,000)						
	05/01/03					
Street & Highway						
3,223,616						
Community Conservation		4.00	1,650,302	1,650,302		01/15/06
1,746,416		5.00	3,683,770	3,683,770		01/15/07
Higher Education		4.00	1,395,033	1,395,033		01/15/08
562,909		4.00	1,390,215	1,390,215		01/15/09
Parks & Recreation		5.00	1,371,741	1,371,741		01/15/10
3,648,420		5.00	1,368,086	1,368,086		01/15/11
Libraries		5.00	1,363,073	1,363,073		01/15/12
522,701		5.00	1,357,104	1,357,104		01/15/13
Jail		5.00	1,351,177	1,351,177		01/15/14
4,573,199		4.00	540,108	540,108		01/15/15
Metrorail						
3,204,385						
<u>\$17,481,646</u>						
			<u>15,470,609</u>			
G.O. Public Improvement (\$60,070,000)						
	05/12/04					
Fire Station		5.00	1,280,000	1,280,000		06/30/06
2,760,000		5.00	25,125,000	1,675,000		06/30/07-21
Higher Education		5.25	3,350,000	1,675,000		06/30/22-23
3,000,000		4.75	1,675,000	1,675,000		06/30/24
Community Conservation						
3,010,000						
Parks and Recreation						
12,267,000						
Metrorail						
11,033,000						
<u>\$32,070,000</u>						
			<u>\$31,430,000</u>			
G.O. Public Improvement Refunding (\$81,005,000)						
	08/19/04					
Street & Highway		3.00	22,394	22,394		6/30/06
14,619,000		3.00	22,394	22,394		6/30/07
Neighborhood Conservation		5.00	2,030,561	2,030,561		6/30/08
9,027,730		5.00	2,027,437	2,027,437		6/30/09
Libraries		5.00	4,212,164	4,212,164		6/30/10
1,056,200		5.00	4,213,774	4,213,774		6/30/11
Fire Station		5.00	4,211,734	4,211,734		6/30/12
282,150		5.00	4,210,567	4,210,567		6/30/13
Higher Education		5.00	4,209,126	4,209,126		6/30/14
113,500		5.00	5,278,939	5,278,939		6/30/15
Parks and Recreation		3.80	5,242,418	5,242,418		6/30/16
15,694,000		3.90	5,175,718	5,175,718		6/30/17
3,696,802		4.00	1,834,330	1,834,330		6/30/18
Metrorail		4.10	1,797,826	1,797,826		6/30/19
44,489,382						
<u>\$44,489,382</u>						
			<u>\$44,489,382</u>			
G.O. Public Improvement (\$94,525,000)						
	06/01/05					
Parks and Recreation		4.00	2,090,000	2,090,000		5/15/07
29,810,850		4.00	2,735,000	2,735,000		5/15/08
Neighborhood Conservation		5.00	8,205,000	2,735,000		5/15/09-11
8,271,724		5.00	30,030,000	2,730,000		5/15/12-22
Higher Education		4.00	2,730,000	2,730,000		5/15/23
1,000,000		4.13	2,730,000	2,730,000		5/15/24
Fire Station		5.00	2,730,000	2,730,000		5/15/25
7,694,238						
Metrorail						
5,518,188						
<u>\$2,295,000</u>						
			<u>\$52,295,000</u>			
			<u>\$313,573,886</u>			
SUBTOTAL:						

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2005

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		
FY 2003 Deferred cost/premium of bond refunding (net)			\$393,051			
FY 2004 Bond premium (net)			\$2,101,717			
FY 2005 Deferred cost/premium of bond refunding			\$127,967			
FY 2005 Bond premium to be amortized			\$4,217,116			
Total GO Bonds Serviced by General Fund:			\$320,413,737			
IDA Revenue Bonds (\$60,540,000)		08/01/04	3.00	2,455,000	2,455,000	8/1/05
Trade Center Bond	17,825,000		3.00	2,870,000	2,870,000	8/1/06
George Mason Center Bond	3,375,000		3.0/5.0	3,035,000	3,035,000	8/1/07
Emergency Communication Center Bond	31,290,000		3.0/5.0	5,060,000	5,060,000	8/1/08
Enterprise Resource Planning Bond	8,050,000		3.25/5.0	5,220,000	5,220,000	8/1/09
	<u>60,540,000</u>		3.5/5.0	5,385,000	5,385,000	8/1/10
			3.75/5.0	5,570,000	5,570,000	8/1/11
			4.0/5.0	5,760,000	5,760,000	8/1/12
			5.00	5,890,000	5,890,000	8/1/13
			5.00	6,255,000	6,255,000	8/1/14
			4.00	1,305,000	1,305,000	8/1/15
			5.00	9,135,000	1,305,000	8/1/16-22
			5.00	1,300,000	1,300,000	8/1/23
			4.625	1,300,000	1,300,000	8/1/24
Total IDA Revenue Bonds Serviced by General Fund				<u>\$60,540,000</u>		
IDA Revenue Bonds premium				\$3,806,292		
Compensated Absences				\$27,269,739		
Estimated Liability for Workers' Comp Claims & Other Judgments				\$2,748,483		
Serviced by General Fund-Capital Leases				<u>\$7,261,658</u>		
Total General Obligation Debt Serviced by General Fund:				\$422,039,909		
Due in one year				(\$32,466,327)		
Total Long Term Liabilities - General Fund				<u><u>\$389,573,582</u></u>		

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2005

	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 Refunding \$42,075,000		11/15/93					
School Improvements	<u>\$10,573,454</u>		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>\$7,998,881</u>			
School share of \$41,700,000		06/01/95					
School Improvements	<u>\$30,000,000</u>		5.00	1,575,000	1,575,000	06/01/06	
				<u>\$1,575,000</u>			
School share of \$25,955,000		10/15/96					
School Improvements	<u>\$6,100,000</u>		5.00	317,280	317,280	12/01/05	
			5.00	318,455	318,455	12/01/06	
				<u>\$635,735</u>			
School share of \$34,200,000		06/01/97					
School Improvements	<u>\$10,000,000</u>		5.00	1,055,556	527,778	06/01/06-07	
				<u>\$1,055,556</u>			
School share of \$87,740,000 Refunding bonds		05/01/98					
School Improvements	<u>\$13,560,000</u>		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>\$12,290,198</u>			
School share of \$79,750,000		06/17/99					
School Improvements	<u>\$39,360,000</u>		5.00	8,240,000	2,060,000	06/01/06-09	
				<u>\$8,240,000</u>			

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2005

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	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
School share of \$90,325,000		06/18/01				
School Improvements	<u>\$39,605,000</u>		4.50	6,307,423	2,102,474	02/01/06-08
			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>\$33,021,340</u>		
School share of \$39,545,000		06/11/02				
School Improvements	<u>\$19,912,500</u>		3.00	1,039,811	1,039,811	02/01/06
			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
			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>\$14,554,830</u>		
School share of \$75,000,000		05/01/03				
School Improvements	<u>\$41,400,000</u>		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>\$38,085,000</u>		
School share of Refunding \$65,775.00		05/01/03				
School Improvements	<u>\$28,877,529</u>		4.00	1,862,479	1,862,479	01/15/06
			5.00	3,174,357	3,174,357	01/15/07
			4.00	2,907,843	2,907,843	01/15/08
			4.00	2,897,025	2,897,025	01/15/09
			5.00	2,860,054	2,860,054	01/15/10
			5.00	2,854,466	2,854,466	01/15/11
			5.00	2,845,483	2,845,483	01/15/12
			5.00	2,834,914	2,834,914	01/15/13
			5.00	2,824,535	2,824,535	01/15/14
			4.00	1,384,892	1,384,892	01/15/15
				<u>\$26,446,048</u>		

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2005

EXHIBIT S-3
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	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
School share of \$60,070,000						
School Improvements	<u>\$28,000,000</u>	05/12/04	5.00	17,920,000	1,120,000	06/30/06-21
			5.00	2,240,000	1,120,000	06/30/22-23
			4.75	1,120,000	1,120,000	06/30/24
			5.00	2,240,000	1,120,000	06/30/25-26
			4.75	3,360,000	1,120,000	06/30/27-29
				<u>\$26,880,000</u>		
School share of \$81,005,000 refunding t	<u>\$33,598,820</u>	08/19/04	3.00	16,191	16,191	6/30/06
School Improvements			3.00	16,191	16,191	6/30/07
			5.00	1,125,803	1,125,803	6/30/08
			5.00	1,133,256	1,133,256	6/30/09
			5.00	3,041,784	3,041,784	6/30/10
			5.00	3,045,227	3,045,227	6/30/11
			5.00	3,047,385	3,047,385	6/30/12
			5.00	3,048,842	3,048,842	6/30/13
			5.00	3,050,562	3,050,562	6/30/14
			5.00	4,082,829	4,082,829	6/30/15
			3.80	4,056,045	4,056,045	6/30/16
			3.90	4,006,108	4,006,108	6/30/17
			4.00	1,984,040	1,984,040	6/30/18
			4.10	1,944,557	1,944,557	6/30/19
				<u>\$33,598,820</u>		
School share of \$94,525,000						
School Improvements	<u>\$36,230,000</u>	06/01/05	3.00	1,810,000	1,810,000	5/15/06
			4.00	3,620,000	1,810,000	5/15/07-08
			5.00	19,910,000	1,810,000	5/15/09-19
			5.00	5,445,000	1,815,000	5/15/20-22
			4.00	1,815,000	1,815,000	5/15/23
			4.13	1,815,000	1,815,000	5/15/24
			5.00	1,815,000	1,815,000	5/15/25
				<u>\$36,230,000</u>		
SUB TOTAL				<u>\$240,611,408</u>		
FY 2003 deferred cost/premium of bond refunding (net)				(\$478,207)		
FY 2004 bond premium (net)				\$1,379,752		
FY 2005 deferred cost/premium of bond refunding				(\$1,390,053)		
FY 2005 bond premium to be amortized				<u>\$2,927,166</u>		
Total Serial Bonds Serviced by School Operating Fund:				<u>\$243,050,066</u>		
Compensated Absences				\$24,000,526		
Capital Leases Serviced by Schools				<u>\$1,527,903</u>		
Total General Obligation Debt Serviced by School Operating Fund:				<u>\$268,578,495</u>		
Due in one year				(\$19,351,625)		
Total Long Term Liabilities- Schools				<u>\$249,226,870</u>		
Total General Obligation Debt Serviced by General Fund and School Operating Fund:				<u>\$638,800,452</u>		

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2005

	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 Refunding \$42,075,000		11/15/93	4.80	158,663	158,663		06/01/06
Sewage	<u>\$3,354,635</u>		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>\$2,537,805</u>			
Water share of \$34,200,000		06/01/97					
Public Improvement Bonds	<u>\$1,400,000</u>		5.00	147,778	73,889		06/01/06-07
				<u>\$147,778</u>			
Refunding bonds		05/01/98	4.75	405,566	405,566		10/01/05
			4.75	596,006	596,006		10/01/06
Water share	1,800,000		4.75	575,156	575,156		10/01/07
Advanced Water Treatment	<u>5,000,000</u>		5.00	573,656	573,656		10/01/08
	<u>\$6,800,000</u>		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>\$5,786,239</u>			
Water/Sewer share of \$79,750,000		06/15/99					
Water share	500,000		5.00	820,000	205,000		06/01/06-09
Advanced Water Treatment	<u>3,500,000</u>						
	<u>\$4,000,000</u>			<u>\$820,000</u>			
Water share of \$99,815,000		06/18/01					
Water share	<u>\$2,504,000</u>		4.50	398,782	132,928		02/01/06-08
			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>\$2,087,752</u>			

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2005

EXHIBIT S-3
 Page 9 of 9

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
Water/Sewer share of Refunding \$65,775,000		05/01/03	4.00	1,977,219	1,977,219	01/15/06
Water/Sewer share	\$19,415,825		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
				<u>\$17,083,343</u>		
Water/sewer share of \$81,005,000 refunding bonds		08/19/04	3.00	1,415	1,415	6/30/06
Water/sewer share	\$2,916,798		3.00	1,415	1,415	6/30/07
			5.00	98,636	98,636	6/30/08
			5.00	99,307	99,307	6/30/09
			5.00	286,051	286,051	6/30/10
			5.00	285,999	285,999	6/30/11
			5.00	285,881	285,881	6/30/12
			5.00	285,591	285,591	6/30/13
			5.00	285,312	285,312	6/30/14
			5.00	298,232	298,232	6/30/15
			3.80	296,537	296,537	6/30/16
			3.90	293,174	293,174	6/30/17
			4.00	201,630	201,630	6/30/18
			4.10	197,618	197,618	6/30/19
				<u>\$2,916,798</u>		
Water share of \$94,525,000						
Public Improvement bonds	\$6,000,000	06/01/05	3.00	120,000	120,000	5/15/06
			4.00	240,000	240,000	5/15/07
			4.00	315,000	315,000	5/15/08
			5.00	3,465,000	315,000	5/15/09-19
			5.00	930,000	310,000	5/15/20-22
			4.00	310,000	310,000	5/15/23
			4.13	310,000	310,000	5/15/24
			5.00	310,000	310,000	5/15/25
				<u>\$6,000,000</u>		
SUBTOTAL:				\$37,379,715		
FY2003 deferred cost/premium of bond refunding (net)				\$729,892		
FY 2005 deferred amount on refunding				(\$117,908)		
FY2005 bond premium to be amortized				\$524,171		
Compensated Absences				\$1,393,979		
Bond and mortgage interest payable				\$581,769		
VRA Loans payable				\$24,933,850		
Total Long Term Obligations serviced by Utilities Fund:				\$65,425,468		
Compensated Absences - Internal Service Funds				\$544,014		
Serviced by Auto Equipment Fund-Capital Leases				\$3,218,066		
SUBTOTAL:				\$69,187,548		
Revenue Bonds-Serviced by Ballston Public Garage Fund				\$14,800,000		
Bond and mortgage interest payable				\$11,834,627		
Mortgage Payable-Ballston Public Garage Fund				\$3,429,679		
Total Business-type Activities Obligations:				\$99,251,854		
Due in one year				(\$18,554,085)		
Total Business-type Activities Long Term Obligations:				\$80,697,769		
TOTAL LONG TERM OBLIGATIONS				\$719,498,221		

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE
 June 30, 2005

FISCAL YEAR	REAL ESTATE	PERSONAL PROPERTY	TOTAL
\$2,005	\$85,594	\$1,455,704	\$1,541,298
2004	69,211	1,075,181	1,144,392
2003	28,557	932,086	960,643
2002	14,572	938,366	952,938
2001	3,936	802,833	806,769
2000	2,465	-	2,465
1999	1,439	-	1,439
1998	1,327	-	1,327
1997	628	-	628
1996	619	-	619
1995	599	-	599
1994	96	-	96
1993	93	-	93
TOTAL	\$209,136	\$5,204,170	\$5,413,306

NOTES:

The amounts of delinquent real and personal property taxes receivable at June 30, 2004, 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 \$17,823 and \$785,327.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
 June 30, 2005

PER GASB 34

Primary Government

General Capital Assets:

Land	\$84,409,616
Infrastructure	344,707,357
Buildings	184,039,255
Furniture, fixtures and equipment	31,812,960
	<hr/>
Total General Capital Assets	<u>\$644,969,188</u>

Investment in General Capital Assets by Source:

General obligation bonds/ leases	\$584,897,718
Federal grants	14,907,105
State literary loans	1,664,496
Donated assets	5,795,926
General fund revenues	37,703,943
	<hr/>
Total Investment in General Capital Assets	<u>\$644,969,188</u>

Internal Services Fund

Auto Equipment Fund	\$39,350,707
Printing Fund	276,061
	<hr/>
Total Internal Services Fund	<u>\$39,626,768</u>

Investment in Internal Services Fund by Source:

General Fund revenues	<u>\$39,626,768</u>
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Component Unit: School Board

School Capital Assets:

Land	\$4,697,946
Buildings	316,795,552
Furniture, fixtures and equipment	53,706,200
	<hr/>
Total school capital assets	<u>\$375,199,698</u>

Investment in School Capital Assets by Source:

General obligation bonds	\$267,797,517
Federal grants	7,289,268
State literary loans	484,498
General fund revenues	99,628,415
	<hr/>
Total investment in school capital assets	<u>\$375,199,698</u>

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS- BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2005

FUNCTION AND ACTIVITY:	General Capital Assets			FY2005 Ending Balance
	FY2005 Beginning Balance	Additions	Deletions	
<u>Primary Government</u>				
Primary Government:				
General Government	\$126,997,674	\$3,401,934	(\$9,140,227)	\$121,259,381
Public Safety	20,317,925	2,337,864	-	22,655,789
Public Works	371,868,089	11,584,957	(1,245,118)	382,207,928
Health and Public Welfare	6,994,334	22,381,134	-	29,375,468
Libraries	3,294,533	6,667,702	-	9,962,235
Parks and Recreation	57,514,637	8,335,483	-	65,850,120
Planning and Community Development	13,189,426	468,841	-	13,658,267
Total primary government	600,176,618	55,177,915	(10,385,345)	644,969,188
Internal Services Fund				
Auto Equipment Fund	36,326,251	6,058,579	(3,034,123)	39,350,707
Printing Fund	276,061	-	-	276,061
Total Internal Services Fund	36,602,312	6,058,579	(3,034,123)	39,626,768
Component Unit - Schools	350,632,439	37,103,036	(12,535,777)	375,199,698
Total Capital Assets	\$987,411,369	\$98,339,530	(\$25,955,245)	\$1,059,795,654

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF GENERAL CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
June 30, 2005

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	1,130,274	-	-	-	1,130,274
Total Control	1,396,408	-	-	-	1,396,408
Staff Agencies-					
Elections	120,906	-	-	-	120,906
Management and Finance	209,227	-	-	-	209,227
Office of Support Services	92,027,986	11,780,043	-	78,913,488	1,334,455
Real Estate Assessment	45,717	-	-	-	45,717
Civil Service	704	-	-	-	704
Personnel Department	146,253	-	-	-	146,253
Office of County Attorney	34,067	-	-	-	34,067
Commissioner of the Revenue	42,503	-	-	-	42,503
Treasurer	696,245	-	-	-	696,245
Department of Technology Services	10,279,481	-	-	-	10,279,481
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	122,290,980	18,595,636	-	89,849,591	13,845,753
Total General Government	123,687,388	18,595,636	-	89,849,591	15,242,161
Public Safety:					
Police protection	15,625,622	-	-	7,984,640	7,640,982
Fire protection	6,451,228	429,296	-	4,207,331	1,814,601
Emergency communication	37,578	-	-	-	37,578
Total Public Safety	22,114,428	429,296	-	12,191,971	9,493,161
Public Works	381,224,120	17,255,861	344,707,357	16,334,843	2,926,059
Environmental Services	244,290	-	-	-	244,290
Health	28,886,702	43,862	-	26,752,103	2,090,737
Public Welfare	355,650	225,235	-	130,415	-
Libraries	9,731,968	133,552	-	9,000,472	597,944
Recreation	65,139,947	47,723,542	-	16,285,573	1,130,832
Community Development	13,584,695	2,632	-	13,494,287	87,776
Total General Capital Assets	\$644,969,188	\$84,409,616	\$344,707,357	\$184,039,255	\$31,812,960
Internal Services Fund					
Auto Equipment Fund	\$39,350,707	\$-	\$-	\$-	\$39,350,707
Printing Fund	276,061	-	-	-	276,061
Total Internal Services Fund	\$39,626,768	\$-	\$-	\$-	\$39,626,768
Component Unit: School Board					
Schools	\$375,199,698.00	\$4,697,946	\$-	\$316,795,552	\$53,706,200
GRAND TOTALS	\$1,059,795,654.00	\$89,107,562	\$344,707,357	\$500,834,807	\$125,145,928

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT S-8
Page 1 of 2

	2005		VARIANCE POSITIVE (NEGATIVE)	2004 ACTUALS
	BUDGET	ACTUAL		
GENERAL FUND				
General Property taxes:				
Real estate	\$349,454,424	\$354,179,286	\$4,724,862	\$325,543,791
Personal	86,574,955	78,051,224	(8,523,731)	79,602,097
Total General Property Taxes	436,029,379	432,230,510	(3,798,869)	405,145,888
Other Local Taxes	131,705,295	141,449,317	9,744,022	130,117,278
Total taxes	567,734,674	573,679,827	5,945,153	535,263,166
License, permits and fees	11,707,746	12,504,677	796,931	11,244,520
Fines and forfeitures	9,273,000	8,427,464	(845,536)	9,357,346
Charges for Services	33,327,246	34,495,625	1,168,379	30,458,553
Grants:				
State grants	60,305,098	59,426,395	(878,703)	58,693,884
Federal grants	39,260,470	24,743,726	(14,516,744)	25,859,325
Total grants	99,565,568	84,170,121	(15,395,447)	84,553,209
Use of money and property	5,968,255	2,605,403	(3,362,852)	4,541,314
Miscellaneous revenue	2,505,875	19,912,865	17,406,990	6,028,505
GRAND TOTALS FOR GENERAL FUND	\$730,082,364	\$735,795,982	\$5,713,618	\$681,446,613
GENERAL FUND TRANSFERS FROM OTHER FUNDS:				
Automotive Equipment Fund	-	-	-	-
General Capital Projects Fund	-	-	-	-
Street & Highway Bond Fund	-	318,741	318,741	228,907
Neighborhood Conservation Bond Fund	-	383,163	383,163	221,323
Higher Education Bond Fund	-	3,278	3,278	2,797
Public Recreation Bond Fund	-	572,165	572,165	274,847
Fire Facilities Bond Fund	-	135,277	135,277	58,668
Library Bond Fund	-	120,386	120,386	85,569
Transit Facilities Bond Fund	-	281,827	281,827	71,244
School Capital Improvement Bond Fund	-	543,705	543,705	357,253
Trust & Agency Fund	511,411	3,125,186	2,613,775	511,805
Total transfers	\$511,411	\$5,483,726	\$4,972,315	\$1,812,413
GRAND TOTALS	\$730,593,775	\$741,279,708	\$10,685,933	\$683,259,026

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

SPECIAL REVENUE FUNDS:

Travel & Tourism Fund	1,159,069	1,205,922	46,853	1,015,177
Special Assessment District	1,001,239	995,783	(5,456)	981,915
Community Development Block Grant Fund	5,799,927	2,069,122	(3,730,805)	2,951,298
Section 8 Housing	14,138,654	14,393,007	254,353	13,902,273
 Total Special Revenue Funds	 \$22,098,889	 \$18,663,834	 (\$3,435,055)	 \$18,850,663

BREAKDOWN OF REVENUE BY FUNCTION:

	Charges for services	Operating grants/Contributions		Capital Grants
	Includes licenses & fees	State	Federal	Contributions
General government	\$19,103,334	\$35,881,584	\$2,938,985	\$1,808,660
Public safety	8,476,590	1,471,751	1,111,671	-
Public works	-	-	-	-
Environmental services	14,612,976	3,561,974	171,623	-
Health & welfare	2,826,805	16,443,497	20,353,711	-
Libraries	468,016	210,307	-	-
Planning & community development	5,414,424	3,179	132,736	-
Parks & recreation	4,525,622	45,443	35,000	-
 Total General Fund	 \$55,427,766	 \$57,617,735	 \$24,743,726	 \$1,808,660

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	2005		VARIANCE OVER (UNDER)	2004 ACTUALS
	BUDGET	ACTUAL		
General Government Administration:				
County Board	\$773,425	\$770,927	\$2,498	\$710,493
County Manager	3,383,877	3,319,541	64,336	3,356,409
Financial Management	4,530,722	4,308,946	221,776	4,320,037
Civil Service	17,468	1,385	16,083	13,099
Human Resources	5,766,129	5,571,340	194,789	4,762,755
Technology Services	14,109,037	12,325,444	1,783,593	12,183,583
County Attorney	1,509,391	1,515,159	(5,768)	1,464,543
DES- General Services	-	-	-	9,466,048
Commissioner of Revenue	3,911,261	3,929,746	(18,485)	3,625,294
Treasurer	5,257,531	4,911,124	346,407	4,913,547
Electoral Board	758,398	865,332	(106,934)	608,731
Total General Government	40,017,239	37,518,944	2,498,295	45,424,539
Judicial Administration:				
Circuit Court	2,709,834	2,573,776	136,058	2,323,538
District Court	274,984	209,198	65,786	228,353
Juvenile & Domestic Relations Court	4,641,467	4,492,660	148,807	4,524,502
Commonwealth Attorney	3,381,686	3,177,103	204,583	2,984,055
Sheriff & Jail	25,430,756	25,582,870	(152,114)	24,276,721
Total Judicial Administration	36,438,727	36,035,607	403,120	34,337,169
Public Safety:				
Police	44,520,353	41,233,056	3,287,297	40,623,125
Emergency Communications Center	11,759,417	8,473,176	3,286,241	4,779,799
Fire	31,833,128	32,349,016	(515,888)	31,012,030
Total Public Safety	88,112,898	82,055,248	6,057,650	76,414,954
Department of Environmental Services				
DES-Public works	-	-	-	28,257,443
DES-Environmental Services	51,866,732	51,312,988	553,744	10,734,107
Total Public Works	51,866,732	51,312,988	553,744	38,991,550
Health & Welfare:				
Human Services	103,842,392	91,439,050	12,403,342	88,197,009
Libraries:	11,998,151	11,779,451	218,700	11,290,850
Planning & Community Development:				
Economic Development	3,095,440	2,578,193	517,247	2,693,229
Community Planning Housing & Development	11,958,882	11,017,741	941,141	9,961,264
Total Planning & Community Development	15,054,322	13,595,934	1,458,388	12,654,493
Parks & Recreation:	29,135,324	28,531,608	603,716	27,450,241
Non-Departmental:				
Non-Departmental	33,268,111	35,591,400	(2,323,289)	25,299,164
Debt Service				
Principal payment	23,021,196	22,805,993	215,203	22,728,755
Interest payment	14,199,459	13,287,924	911,535	11,971,729
Other costs	100,000	216,738	(116,738)	115,756
Regionals/Contributions	6,781,674	6,795,865	(14,191)	6,342,024
METRO	11,800,000	11,800,000	-	11,050,500
Total Non-Departmental	89,170,440	90,497,920	(1,327,480)	77,507,928
Total Expenditures before transfers-out	465,636,225	442,766,750	22,869,475	412,268,733

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	2005		VARIANCE OVER (UNDER)	2004 ACTUALS
	BUDGET	ACTUAL		
Transfers -Out				
Travel & Tourism	247,000	247,000	-	247,000
Auto Equipment Fund	192,459	192,459	-	244,384
Printing Fund	144,655	144,655	-	125,156
General Capital Projects Fund	17,587,502	17,587,502	-	9,205,000
Trust & Agency	92,500	92,500	-	-
Schools:				
General Operating	235,265,965	229,653,042	5,612,923	218,592,534
Community Activities/Cable TV	8,214,965	8,039,091	175,874	8,012,630
Special Grants Fund	-	857,656	(857,656)	1,023,302
Pay-As-You-Go	22,212,879	10,312,197	11,900,682	6,781,545
Debt Service	22,867,680	22,862,049	5,631	22,104,233
Comprehensive Services Act	1,907,500	1,630,401	277,099	1,680,252
Total Transfers-Out	<u>308,733,105</u>	<u>291,618,552</u>	<u>17,114,553</u>	<u>268,016,036</u>
GRAND TOTALS EXPENDITURES	<u>\$774,369,330</u>	<u>\$734,385,302</u>	<u>\$39,984,028</u>	<u>\$680,284,769</u>
SPECIAL REVENUE FUNDS:				
Travel & Tourism Promotion	<u>1,193,186</u>	<u>1,050,465</u>	<u>142,721</u>	<u>1,071,965</u>
Special Assessment District	<u>1,006,110</u>	<u>975,969</u>	<u>30,141</u>	<u>890,793</u>
Community Development Block Grant	<u>5,799,927</u>	<u>2,069,122</u>	<u>3,730,805</u>	<u>2,951,298</u>
Section 8 Housing	<u>14,138,654</u>	<u>14,302,549</u>	<u>(163,895)</u>	<u>13,845,952</u>
Total Special Revenue Funds	<u>22,137,877</u>	<u>18,398,105</u>	<u>3,739,772</u>	<u>18,760,008</u>
TOTAL GENERAL AND SPECIAL REVENUE FUNDS	<u>\$796,507,207</u>	<u>\$752,783,407</u>	<u>\$43,723,800</u>	<u>\$699,044,777</u>

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CAPITAL OUTLAYS AND CAPITAL PROJECTS
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT S-10

FUND AND FUNCTION	AMOUNT
GENERAL FUND:	
Capital Outlays:	
General Government	\$3,401,934
Public Safety	2,337,864
Public Works	11,584,957
Health & Public Welfare	22,381,134
Libraries	6,667,702
Parks & Recreation	8,335,483
Planning & Community development	468,841
Total General Fund	\$55,177,915
 CAPITAL PROJECTS FUNDS:	
General Capital Projects Fund:	
Public Works:	
Transportation Projects	7,891,072
Government Facilities	13,624,052
Cultural & Recreation - Community Affairs:	
Government Facilities	1,684,588
Parks	1,014,020
Public Safety	2,442,272
Contributions to Regional Agencies	1,069,950
Total General Capital Projects Funds	27,725,954
 Street & Highway Bond Fund:	
Capital Projects - Public Works/Transportation/ Street & Highway Improvements	6,619,993
 Neighborhood Conservation Bond Fund:	
Neighborhood Capital Projects	5,338,374
 Higher Education Bond Fund:	
University Capital Projects	-
 Public Recreation Bond Fund:	
Capital Projects Parks & Recreation facilities	15,074,536
 Fire Station Bond Fund:	
Fire Station Facilities	2,259,355
 Library Bond Fund:	
Public Library Facilities	3,417,727
 Transit Facilities Bond Fund:	
Capital Projects - Transit Facilities	4,012,589
 SCHOOL BOARD:	
School Capital Projects Bond Fund	34,597,277
Capital Projects - Education Facilities	5,918,169
TOTAL CAPITAL PROJECTS FUNDS	104,963,974
GRAND TOTAL	\$160,141,889



STATISTICAL (Unaudited)

TABLE I

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

Fiscal Year	General Government	Public Safety	Public Works/ Environmental Services	Health & Welfare	Culture/ Recreation (2)	Education	Non-Departmental	Debt Service(3)	Contributions to Regional Agencies		Total
									Transit	Other	
1995	49,604,703	53,994,269	24,537,461	59,774,295	52,008,169	160,246,190	18,158,578	27,955,949	8,801,103	7,142,466	462,223,183
1996	49,850,265	53,801,668	24,753,204	60,947,297	48,768,959	165,953,881	21,514,090	33,325,025	8,499,999	10,946,601	478,360,989
1997	52,295,069	56,264,061	24,295,803	62,353,877	52,778,277	175,477,281	16,534,672	34,312,104	6,800,000	10,435,437	491,546,581
1998	52,507,401	55,803,956	24,741,982	58,758,808	58,283,472	185,114,708	16,915,459	36,696,621	8,925,000	3,968,888	501,716,295
1999	55,582,978	59,558,807	26,345,066	61,248,081	60,501,139	198,435,631	21,126,245	38,127,637	6,667,076	4,741,372	532,334,032
2000	54,228,208	59,726,299	26,470,488	63,957,515	62,628,500	212,818,415	22,582,602	43,977,853	7,020,365	4,738,554	558,148,799
2001	65,602,564	58,605,311	28,956,294	66,893,055	64,609,246	225,705,274	24,125,346	46,015,005	9,331,780	5,031,548	594,875,423
2002	77,764,679	64,110,185	32,244,012	78,421,925	70,343,780	239,520,885	26,888,560	49,181,927	9,669,124	5,514,061	653,659,138
2003	78,823,839	70,738,944	35,263,026	85,636,626	75,834,775	260,566,240	38,196,161	52,520,484	10,010,200	5,996,099	713,586,394
2004	79,761,708	76,414,954	38,991,550	88,197,009	82,167,460	280,654,517	25,299,164	56,920,473	11,050,500	6,342,024	745,799,359
2005	73,554,551	82,055,248	51,312,988	91,439,050	84,606,670	295,791,800	35,591,400	59,172,704	11,800,000	6,795,865	792,120,276

NOTES:

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

TABLE II

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

Fiscal Year	Taxes	Licenses and Permits	Inter Governmental Revenue	Charges for Services	Fines and Forfeitures	Miscellaneous Revenues	Total
1995	292,045,127	38,579,603	92,148,882	19,256,773	7,133,621	9,502,084	458,666,090
1996	302,040,849	38,320,489	99,232,946	22,235,236	7,071,879	9,363,927	478,265,326
1997	319,453,873	39,125,537	105,780,935	23,622,491	8,447,673	6,770,717	503,201,226
1998	331,868,850	40,362,470	99,433,931	25,051,214	8,522,820	8,737,739	513,977,024
1999	346,548,301	41,242,844	108,118,048	26,199,338	8,716,479	11,119,497	541,944,507
2000	369,262,476	48,065,489	113,747,563	29,761,955	8,264,814	13,199,742	582,302,039
2001	401,300,500	52,458,599	118,445,842	31,390,069	8,687,912	14,358,977	626,641,899
2002	427,671,852	57,199,326	131,178,526	33,374,694	9,199,674	18,782,613	677,406,685
2003	465,032,899	54,319,921	136,280,607	36,163,036	8,882,272	21,083,036	721,761,771
2004	505,225,405	56,334,983	139,452,624	38,314,445	9,357,346	12,186,207	760,871,010
2005	590,957,911	12,504,677	141,477,699	47,937,824	8,427,464	18,844,857	820,150,432

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	Commertia Utility	Short Term		Estate Taxes	Total
									Meals	Rental		
1995	222,353,795	21,784,558	712,745	10,952,615	1,106,336	874,412	3,739,632	6,557,000	13,473,420	58,656	49,090	281,662,259
1996	229,667,033	22,438,640	680,626	11,216,628	1,264,134	957,272	3,788,483	7,079,091	14,120,686	56,781	52,753	291,322,127
1997	243,077,055	23,928,258	667,810	12,531,316	1,244,670	1,108,127	4,591,434	6,921,431	14,731,340	56,867	59,726	308,918,034
1998	253,253,825	24,758,041	637,912	13,355,887	1,166,413	1,273,248	4,134,543	7,349,992	15,566,447	54,838	69,441	321,620,587
1999	265,296,810	25,835,931	613,199	13,998,663	1,421,760	1,847,738	4,571,080	6,359,817	15,546,488	56,356	59,978	335,607,820
2000	283,488,904	26,747,767	594,342	15,035,762	1,208,122	1,444,117	4,642,029	6,930,552	16,919,947	60,311	65,471	357,137,324
2001	308,487,574	29,398,278	662,578	15,954,344	1,165,841	1,781,317	5,102,470	7,249,558	17,995,106	65,278	69,243	387,931,587
2002	338,979,390	26,993,321	554,424	13,328,856	1,196,542	2,298,390	4,268,185	7,159,253	19,102,649	48,064	68,101	413,997,175
2003	371,634,386	27,752,102	642,660	14,615,818	1,049,928	3,781,826	4,285,596	7,609,033	20,045,524	56,520	69,917	451,543,310
2004	405,226,269	34,058,784	691,269	15,745,665	1,269,547	3,619,361	4,687,693	7,632,495	21,928,701	38,885	68,152	494,966,821
2005	432,318,650	35,455,512	1,925,743	18,109,804	1,480,360	7,089,601	4,486,018	7,802,051	23,844,071	67,756	75,672	532,655,237

NOTES:

(1) Includes Sidewalk Assessments

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

TABLE IV

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

Fiscal Year	Total Current Tax Levy	Current Taxes Not Collected	Current Taxes Collected	Percent of Levy Collected	Collection of Prior Year's Taxes In Current Year	Total Taxes Collected	Total Collections AS % of Current Levy	Write-Offs and Adjustments	Deferred Taxes	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as % of Total Levy
1995	220,824,238	1,411,697	219,412,541	99.36%	773,661	220,186,202	99.71%	581,954	612,321	3,733,959	1.69%
1996	231,105,324	1,850,816	229,254,508	99.20%	816,226	230,070,734	99.55%	703,309	674,783	3,716,673	1.61%
1997	242,045,913	2,076,421	239,969,492	99.14%	1,472,963	241,442,455	99.75%	1,278,402	755,524	3,991,193	1.65%
1998	256,629,325	1,973,283	254,656,042	99.23%	1,781,706	256,437,748	99.93%	709,475	765,452	4,275,180	1.67%
1999	263,965,348	1,999,162	261,966,186	99.24%	1,876,592	263,842,778	99.95%	663,641	813,860	4,321,567	1.64%
2000	283,767,875	2,968,825	280,799,050	98.95%	2,420,898	283,219,948	99.81%	820,752	797,274	4,753,609	1.68%
2001	309,676,367	2,962,538	306,713,829	99.04%	2,756,158	309,469,987	99.93%	568,475	798,198	5,002,218	1.62%
2002	335,968,016	3,624,563	332,343,453	98.92%	3,151,222	335,494,675	99.86%	1,149,446	839,328	5,409,628	1.61%
2003	373,883,498	3,443,379	370,440,119	99.08%	3,193,196	373,633,315	99.93%	1,712,034	688,928	5,569,351	1.49%
2004	406,389,307	3,305,311	403,083,996	99.19%	3,172,229	406,256,225	99.97%	1,194,439	750,170	5,664,046	1.39%
2005	435,567,836	2,953,943	432,613,894	99.32%	3,139,508	435,753,402	100.04%	1,003,191	874,009	5,413,308	1.24%

NOTES:

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

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

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

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

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

TABLE V

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

Fiscal Year	Real Property		Personal Property		Public Property		Total		Ratio of Total Assessed to Total Estimated Actual
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1995	17,808,388,000	17,808,388,000	1,110,204,490	1,110,204,490	858,131,766	858,131,766	19,776,724,256	19,776,724,256	100%
1996	18,150,077,200	18,150,077,200	1,227,189,540	1,227,189,540	828,010,705	828,010,705	20,205,277,445	20,205,277,445	100%
1997	18,545,587,900	18,545,587,900	1,359,844,756	1,359,844,756	826,704,180	826,704,180	20,732,136,836	20,732,136,836	100%
1998	19,049,629,300	19,049,629,300	1,362,069,818	1,362,069,818	878,118,532	878,118,532	21,289,817,650	21,289,817,650	100%
1999	19,987,442,600	19,987,442,600	1,444,383,443	1,444,383,443	927,234,534	927,234,534	22,359,060,577	22,359,060,577	100%
2000	21,366,860,900	21,366,860,900	1,562,454,963	1,562,454,963	914,769,846	914,769,846	23,844,085,709	23,844,085,709	100%
2001	23,509,214,100	23,509,214,100	1,701,074,975	1,701,074,975	865,677,147	865,677,147	26,075,966,222	26,075,966,222	100%
2002	27,188,419,400	27,188,419,400	1,825,845,935	1,825,845,935	849,211,626	849,211,626	29,863,476,961	29,863,476,961	100%
2003	31,680,369,900	31,680,369,900	1,848,433,415	1,848,433,415	908,256,294	908,256,294	34,437,059,609	34,437,059,609	100%
2004	35,563,288,500	35,563,288,500	1,732,447,799	1,732,447,799	766,769,599	766,769,599	38,062,505,898	38,062,505,898	100%
2005	42,275,421,900	42,275,421,900	1,759,391,742	1,759,391,742	682,583,199	682,583,199	44,717,396,841	44,717,396,841	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.

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

Tax Rates (2)

Public Service Corporations

Fiscal Year	Real Property	Personal Property	Real Property	Personal Property Vehicles	Other
1995	.897/.94	4.40	.897/.94	4.40	1
1996	.94/.96	4.40	.94/.96	4.40	0.940
1997	.96/.986	4.40	.96/.986	4.40	0.960
1998	.986/.998	4.40	.986/.998	4.40	1
1999	.998/.998	4.40	.998/.998	4.40	1
2000	.998/1.023	4.40	.998/1.023	4.40	1
2001	1.023/1.023	4.40	1.023/1.023	4.40	1
2002	1.023/.993	4.40	1.023/.993	4.40	1
2003	.993/.978	4.40	.993/.978	4.40	1
2004	.978/.958	4.40	.978/.958	4.40	1
2005	.958/.878	4.40	.958/.878	4.40	1

NOTES:

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

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

TABLE VII

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

Fiscal Year	Population (1)	Assessed Value (2)	Net Bonded Debt (3)	Percentage of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995	184,000	19,776,724,256	300,546,595	1.52%	1,633
1996	185,500	20,205,277,445	283,303,309	1.40%	1,527
1997	186,400	20,732,136,836	323,712,875	1.56%	1,737
1998	187,100	21,289,817,650	334,926,746	1.57%	1,790
1999	188,100	22,359,060,577	388,737,364	1.74%	2,067
2000	189,000	23,844,085,709	387,860,653	1.73%	2,052
2001	190,848	26,075,966,222	425,075,792	1.63%	2,227
2002	193,639	29,863,476,961	435,059,318	1.35%	2,285
2003	196,837	34,437,059,609	441,873,629	1.28%	2,245
2004	198,739	38,062,505,888	467,794,521	1.23%	2,354
2005	198,267	44,717,396,841	563,463,803	1.26%	2,842

NOTES:

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

TABLE VIII

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

Fiscal Year	Principal	Interest	Total Debt Service (1)	Total General Expenditures (2)	Percentage of Debt Service to Total General Expenditures
1995	13,970,267	13,985,681	27,955,948	463,432,245	6.03%
1996	17,243,286	16,081,739	33,325,025	478,360,989	6.97%
1997	18,345,435	15,966,669	34,312,104	491,546,581	6.98%
1998	20,258,251	16,188,256	36,446,507	500,546,672	7.28%
1999	21,939,381	16,188,256	38,127,637	532,334,032	7.16%
2000	24,661,711	19,316,142	43,977,853	558,148,799	7.88%
2001	26,820,862	19,194,143	46,015,005	594,875,423	7.74%
2002	29,561,475	19,620,452	49,181,927	653,659,138	7.52%
2003	32,622,059	19,898,425	52,520,484	713,586,394	7.36%
2004	36,142,375	20,778,098	56,920,473	745,799,359	7.63%
2005	37,354,049	23,105,199	60,459,248	792,120,276	7.63%

NOTES:

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

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

TABLE IX

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	3,333,448	1,531,254	1,802,194	-	890,767	890,767	2.023
1996	3,571,375	1,716,978	1,854,397	1,000,000	926,931	1,926,931	0.962
1997	3,665,118	1,772,917	1,893,201	1,000,000	876,352	1,876,352	1.009
1998	3,771,522	1,793,090	1,978,432	1,000,000	921,358	1,921,358	1.030
1999	3,941,202	2,072,851	1,868,351	1,000,000	739,784	1,739,784	1.074
2000	4,509,638	1,952,953	2,556,685	1,000,000	810,400	1,810,400	1.412
2001	4,732,975	3,583,026	1,149,949	500,000	829,929	1,329,929	0.865
2002	4,407,342	2,186,610	2,220,732	500,000	514,255	1,014,255	2.190
2003	4,140,918	2,176,060	1,964,858	500,000	343,091	843,091	2.331
2004	4,080,739	2,543,137	1,537,602	500,000	290,122	790,122	1.946
2005	3,926,304	3,583,873	342,431	500,000	410,044	910,044	0.376

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	
1995	40,134,807	28,703,119	11,431,688	3,750,983	3,839,842	7,590,825	1.51
1996	44,678,384	28,368,485	16,309,899	4,407,964	2,769,148	7,177,112	2.27
1997	39,590,983	27,187,448	12,403,535	3,575,815	2,586,177	6,161,992	2.01
1998	40,360,537	26,813,364	13,547,173	4,007,999	2,425,547	6,433,546	2.11
1999	43,152,479	27,759,811	15,392,668	2,941,870	2,629,714	5,571,584	2.76
2000	46,895,562	27,244,943	19,650,619	3,429,539	2,614,425	6,043,964	3.25
2001	47,233,296	30,192,015	17,041,281	3,797,788	2,588,040	6,385,828	2.67
2002	45,972,198	29,896,133	16,076,065	3,597,275	2,101,071	5,698,346	2.82
2003	45,309,573	37,404,255	7,905,318	3,636,691	2,095,078	5,731,769	1.38
2004	49,679,885	40,197,960	9,481,925	3,742,624	1,482,369	5,224,993	1.81
2005	59,114,705	47,118,018	11,996,688	3,130,952	2,033,402	5,164,354	2.32

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, 2005

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
PROPERTY POLICIES				
<u>Property</u> Lexington--Primary Landmark--Excess 1A	1374244 LHD336140	7/10/2004 7/1/2005	All Risk Package Policy coverage on real and personal property, valuable papers and records Inland Marine equipments, extra expense and business interruptions, Theatrical Equipment Floater, Fine Arts, Property Floater, EDP, Voting Machines and off premises power failures \$50,000 deductible. Policy limits \$618 + million also include flood earthquakes & sewer backup & Primary garage keepers and auto physical damage covers for parked vehicles.	\$ 444,961
<u>Boiler & Machinery</u> Hartford Steam Boiler 1B		7/1/2004 7/1/2005	Jurisdictional inspection of required pressured vessels, including boilers, HVAC etc. Included in property premium policy 1A.	INCL. IN ABOVE
<u>Crime & Fidelity Bonds</u> Hartford Fire Insurance Co. 2	42BPEAY0913	7/1/2004 7/1/2005	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
<u>FINE ARTS INSURANCE</u> CIGNA Fire Insurance Company 3	IMCI2014578A	7/1/2004 7/1/2005	Exhibition property at scheduled locations and while in transit. Limits: \$150,000 at locations; \$2,500 in transit. Deductible \$1,000.	\$ 800
VEHICLE POLICIES				
<u>WASH/BALT HIDTA TASK FORCE</u> Twin City Fire Ins. Co. 4	42UEK UD6236	7/1/2004 7/1/2005	Auto policy covering vehicles used in task force operations. Deductible \$250	\$ 11,957
<u>PHYSICAL DAMAGE (EXCEPT COLL.)</u> LANDMARK American Ins. Co. 5	LHQ336214	7/1/2004 7/1/2005	All risk physical damage covering county vehicles while "garaged".	\$ 50,029

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ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2005

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
CONST. OFFICERS-AUTO LIAB. Twin City Fire Ins. Co. 6 42 UEN DE2638	7/1/2004	7/1/2005	Autos used by the sheriff's dept. Liability \$1 million per occurrence. UM/MP	\$ 45,431
PHYSICAL DAMAGE FIRE VEHICLES LONG & FOSTER AGENCY AMERICAN ALTERNATIVE INS. Corp.. 7 VFIS-CM-1012432	10/27/2004	7/1/2005	Deductible \$ 1,000/per unit.	\$ 24,546
INLAND MARINE COVERAGE PORTABLE FIRE EQUIP. LONG & FOSTER AGENCY AMERICAN ALTERNATIVE INS. Corp. 8 VFISTR0400894	10/27/2004	7/1/2005	Covers all portable equipment on firetrucks	\$ 6,422
INLAND MARINE/PHYSICAL DAMAGE--POLICE COMMAND VEHICLE LONG & FOSTER AGENCY THE HARTFORD 9 42 MS UG3055 K3	7/7/2004	7/1/2005	Physical damage and equipment coverage for the Police Command Vehicle. Deductible: \$ 50k--Collision \$ 25k--all other	\$ 7,106
LIABILITY POLICIES				
PRIMARY GENERAL AND AUTO LIABILITY SELF-INSURED RETENTION 10	COUNTY RESOLUTION	CONTINUOUS	County retains the first \$1 million exposure for liability arising from the conduct of covered persons in the discharge of County duties.	N/A
EXCESS LIABILITY GENESIS INS. CO. 11	YXB300839C	7/1/2004	7/1/2005 Excess liability of \$20 million over SIR--except Ballston Garage Ballston garage-- \$9 million. Includes metro easements. AL, GL, EPL, Public Officials	\$ 383,000
EXCESS LIABILITY BALLSTON GARAGE AXIS SPECIALTY INS. ST. PAUL 12	ENU720209 01 2005 QI06400153	2/10/2005 2/10/2005	2/10/2006 2/10/2006 Excess liability coverage required by May Co. regarding ice rink at Ballston Garage. Expiration date to be extended to 7/01/06.	\$ 76,687 \$ 37,500

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ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2005

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
TENANT USER LIABILITY POLICY CLARENDON AMERICA INS. EGL00185100 13	10/14/2004	7/1/2005	Provides \$1 million liability. Coverage for users of County facilities when user is unable to provide coverage. Initial premium is paid by County and per event fee is paid by the user.	\$ 5,150
PROFESSIONAL LIABILITY EMPLOYED PHYSICIANS EVANSTON INS. CO. SM809240 14	7/1/2004	7/1/2005	Professional liability coverage for County employed physicians Limits: \$ 2/6 million Deductible: \$ 100,000	\$ 189,355
PROFESSIONAL LIABILITY MEDICAL CLINICS EVANSTON INS. CO. SM828769 15	7/1/2004	7/1/2005	Professional Liability covering medical clinics operated by the County. Limits: \$ 2/6 million Per Claim deductible: \$ 2,500	\$ 44,288
PROFESSIONAL LIABILITY EMERGENCY MEDICAL SERVICES EVANSTON INS. CO. SM828767 16	7/1/2004	7/1/2005	Professional liability coverage for County Emergency Personnel Limits: \$ 2/6 million Per Claim Deductible: \$ 5,000	\$ 93,008
PACKAGE POLICIES PROPERTY AND GENERAL LIABILITY COMBINED				
PERFORMING ARTS GROUP LEXINGTON INS. CO. GENERAL LIABILITY PROPERTY AIP0000223494600 17	8/26/2004	7/1/2005	Commercial Property and Commercial General Liability Coverage for Performing Arts Group, DBA Rosslyn Theater	\$ 6,774 Comb. Premium
WASH/BALT HIDTA TASK FORCE HARTFORD 42 UUN BF6895 18	7/1/2004	7/1/2005	Personal and general liability limit --\$500,000 Fire damage liability limit \$ 300,000 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 equipment limits: \$385. Deductible: \$250.	\$ 15,044
CONSTITUTIONAL OFFICERS PACKAGE POLICY 42 UUNBE8483 19	7/1/2004	7/1/2005	General liability of Constitutional Officers Employee Benefits liability Constitutional Officers Business Personal Property at 2100 Clarendon, 1425 & 1435 N. Courthouse. Limits: \$114,400 Deductible:\$250 Covers property of Sheriff, Treasurer, Commonwealth Attorney and Commissioner of Revenue	\$ 14,330

**ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2005**

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
WOODMONT SCHOOL PROJECT				
General Liability Twin City Fire Ins. Co. (Hartford)			General Liability limit \$500,000 Fire Damage liability. \$300,000	\$ 350
	42 UUN BF6896	7/1/2004	7/1/2005	
Property The Hartford			Business property at Filmore St. Deductible: \$250	
20				
PERSONAL SERVICES CONTRACTORS				
The Hartford	42 UEN BE 1845	7/1/2004	7/1/2005	Contract cook and printer. CGL limits \$1 million/\$2 million Fire Damage \$300,000
21				\$ 322
VOLUNTEER LIABILITY GROUP ACCIDENT				
VOLUNTEER LIABILITY Employers Ins. Of Wausau	VIS THC Z91528630013	7/1/2004	7/1/2005	Personal Injury and property damage liability of volunteers doing County business. Coordinated with any personal coverage. Limits: \$1 million/\$3 million
22				\$ 2,682
GROUP ACCIDENT COVERAGE				
National Union Fire	SRG 0009105405	7/1/2004	7/1/2005	Volunteers and Association members
National Union Fire	SRG 0009105406			Camping Program participants
National Union Fire	SRG 0009105403			Recreational Sports Activities
National Union Fire	SRG 0009105404			Community Service Program
Chesapeake Life Ins.	ZCH04 0002			Auxiliary Police
23				\$ 5,040 \$ 12,750 \$ 7,500 \$ 520 \$ 600
WORKER'S COMPENSATION				
PRIMARY WORKER'S COMPENSATION	CONTINUOUS			The County self-insures its Worker's Compensation to statutory limits.
24				N/A

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ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2005

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
WOODMONT SCHOOL WORKER'S COMPENSATION HARTFORD 25 42 WE IE6844	7/1/2004	7/1/2005	Virginia statutory benefits for paid, non-County employees of the project.	\$ 1,984
PERSONAL SERVICES CONTRACTORS HARTFORD 26 42 WE EF4632	7/1/2004	7/1/2005	Virginia statutory benefits for contracted cook and contracted printer--Community Services program.	\$ 963
SPECIAL LIABILITY				
CONSTITUTIONAL OFFICERS LIABILITY PLAN VIRGINIA RISK COVERAGE Commonwealth of Virginia SIR Clerk of Court Sheriff Commissioner of Revenue Commonwealth's Attorney Registrar of Voters Arlington County Treasurer 27	Virginia Risk Virginia Risk Virginia Risk Virginia Risk Virginia Risk Virginia Risk	Continuous Continuous Continuous Continuous Continuous Continuous	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 Limits: \$ 1 million per loss, \$1 million aggregate Limits: \$ 1 million per loss, \$1 million aggregate Limits: \$ 1 million per loss, \$1 million aggregate Limits: \$ 1 million per loss, \$1 million aggregate Limits: \$ 1 million per loss, \$1 million aggregate Limits: \$ 1 million per loss, \$1 million aggregate	
FIDUCIARY LIABILITY POLICY ARLINGTON CO. EMPLOYEE'S SUPP. RETIREMENT 28 8146-32-15/15A 8146-32-15B 857-58-81	3/8/2001 3/8/2000 12/8/1998	3/8/2001 3/8/2001 3/8/2002	Fiduciary liability to \$10 million ERISA Fidelity Bond D&O Trustees liability to \$3 million These policies are handled by the Retirement Board, Risk Management is not involved with the purchase.	\$ 44,000 \$ 750 \$ 30,010
ROCCA LAND PURCHASE POLLUTION LIABILITY 29 PLS 2672194	6/23/2003	7/1/2008	Environmental pollution liability coverage provided by seller of property to County. Limits: \$ 2/5 million Deductible: \$ 5,000 Premium: \$ 25,757	
DHS VOLUNTEER LIABILITY 30 INFO. BULLETIN 97-18		Continuous	Personal liability and excess auto liability coverage for DHS service providers. Purchased by the Commonwealth.	

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
June 30, 2005

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
BONDS				
VDOT PERMIT BOND TRAVELERS 31	53 S 101062299 B (Continuous)		Virginia highways permit bond for facilities located on the VDOT right-of-way. Limit \$100,000	\$ 150
PUBLIC OFFICIAL POSITION SCHEDULE BOND VIRGINIA SIR 32	30096304 Continuous 30096303		Bond is now Self-Insured by the State covers failure to discharge duties faithfully. Self Insurance Fund per loss	N/A
COUNTY SURETY BOND 33	P. FERGUSON B. FAVOLA J. FISSETTE C. ZIMMERMAN W. TEJADA		continuous until cancelled	Bond limit \$ 2,500 \$ 100 \$ 100 \$ 100 \$ 100
TOTAL PREMIUMS				\$ 1,577,363

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TABLE XII

ARLINGTON COUNTY, VIRGINIA
SALARIES AND SURETY BONDS
OF PRINCIPAL OFFICIALS
June 30, 2005

Official Title	Annual Salary Range Minimum	Maximum	Bond (1)
County Board:			
Chairman	-	31,345	2,500
Vice Chairman	-	28,495	2,500
Members	-	28,495	2,500
Clerk	50,209	83,023	20,000
County Manager	-	191,000	20,000
Commissioner of the Revenue	77,197	127,635	30,000
Commonwealth's Attorney	92,824	153,472	-
Sheriff	77,197	127,635	30,000
Treasurer	77,197	127,635	1,000,000
County Attorney		161,250	20,000
Director of Community Housing, Planning & Development	58,660	171,820	20,000
Director of Economic Development	58,660	171,820	20,000
Director of Environmental Services	58,660	171,820	20,000
Fire Chief	58,660	171,820	20,000
Director of Human Services	58,660	171,820	20,000
Director of Libraries	58,660	171,820	20,000
Director of Management and Finance	58,660	171,820	20,000
Director of Human Resources	58,660	171,820	20,000
Chief of Police	58,660	171,820	20,000
Director of Public Works	58,660	171,820	20,000
Director of Park, Recreation and Community Resources	58,660	171,820	20,000
Director, Office of Technology and Information Services	58,660	171,820	20,000
Director, Office of Support Services	58,660	171,820	20,000
Clerk of the Circuit Courts	77,197	127,635	25,000

NOTE:

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

TABLE XIII

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

Fiscal Year	Residential Construction (1)		Commercial Construction (1)		Miscellaneous Construction (1)		Bank Deposits (2) (thousands)	Real Property Value (3)		
	Permits	Valuation	Permits	Valuation	Permits	Valuation		Residential	Commercial	Non-Taxable
1995	346	36,858,322	8	39,851,050	7,302	93,712,560	2,891,305(4)	9,344,559,800	8,463,928,200	2,884,098,700
1996	284	25,490,180	19	52,857,849	6,821	145,544,517	N/A	9,381,092,300	8,768,984,900	2,898,939,000
1997	135	14,351,706	18	68,341,798	5,806	124,621,332	N/A	9,431,041,500	9,114,546,400	2,898,523,300
1998	139	16,751,130	20	128,865,279	5,796	245,736,406	N/A	9,432,953,000	9,616,676,300	3,051,485,400
1999	218	21,379,776	14	122,135,417	5,414	161,905,110	N/A	9,732,182,800	10,255,259,800	3,054,099,600
2000	165	61,047,327	48	254,556,487	9,245	489,227,649	N/A	10,351,328,800	11,015,532,100	3,063,878,000
2001	309	46,686,600	47	197,959,044	10,343	451,924,246	N/A	11,517,298,400	11,991,915,700	3,222,980,000
2002	195	28,942,000	74	216,085,000	11,102	314,256,000	N/A	14,036,270,900	13,152,148,500	3,595,700,600
2003	206	45,190,520	63	245,828,500	10,813	342,302,448	N/A	16,904,168,300	14,776,201,600	4,177,897,400
2004	251	62,734,000	33	269,927,000	12,069	552,693,906	N/A	19,819,949,800	15,743,338,700	4,611,780,600
2005	245	65,578,000	58	471,549,000	12,810	410,999,470	N/A	24,807,985,800	17,467,436,100	5,254,797,800

NOTES:

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

TABLE XIV

ARLINGTON COUNTY, VIRGINIA
 DEMOGRAPHIC STATISTICS
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
1995	181,741	37,505	17,164	3.5%
1996	182,801	39,073	17,546	3.2%
1997	184,768	40,830	17,589	2.5%
1998	186,693	43,554	18,126	1.7%
1999	183,716	45,703	18,265	1.6%
2000	189,453	49,536	18,334	1.1%
2001	189,983	53,830	18,484	2.1%
2002	193,754	55,148	18,469	2.7%
2003	196,925	56,344	18,411	2.3%
2004	198,739	57,505	18,377	1.6%
2005	198,267	59,010	17,530	2.3%

NOTES:

- (1) Population figures for 1996-1999 are estimates from the U.S. Census Bureau. The 2000 population figure is from the 2000 census. The 2000 population figure is a revised (by Arlington County) Census figure. The 2001-2005 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 2001-2005 are estimates from the Arlington County Planning Division.
- (3) Source - Arlington County School Board, Office of Planning, Management and Budget K-12 only. Enrollment for 20005 is preliminary.
- (4) Source - Virginia Employment Commission-- Figures for 1996-2004 are annual averages. The 2005 figure is for July. Due to revised VEC methodology, figures are not comparable to figures from previous years (<http://www.velma.vec.state.va.us>)

ARLINGTON COUNTY, VIRGINIA
PRINCIPAL TAXPAYERS (1)
June 30, 2005

Taxpayer/ Type of Business	2005 Assessed Valuation	Percentage of Total Assessed Valuation
Charles E. Smith Interests Office buildings, apartment, hotel, land	\$3,448,069,900	8.16%
Cafritz Interests Apartments, warehouses, land	711,867,900	1.68%
Arland Towers Company Office buildings, land	563,183,400	1.33%
Albrittain Interests Apartments, general commercial	501,266,100	1.19%
Crystal holdings Office buildings	515,966,100	1.22%
Fashion Centre Associates Mixed use retail, hotel	448,300,600	1.06%
Paradigm Managed Properties Apartments , general commercial	374,206,700	0.89%
Avalon Properties Apartments, land	226,441,600	0.54%
Caruthers Interests Retail,office buildings, apartments, hotel	229,670,100	0.54%
2111 & 2039 Wilson Blvd. Inc. Office buildings, land	196,957,900	0.47%
Total	<u>\$7,215,930,300</u>	<u>17.08%</u>

NOTE:

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

TABLE XVI

ARLINGTON COUNTY, VIRGINIA
MISCELLANEOUS STATISTICS
June 30, 2005

Form of Government	County Manager Plan
Date of Adoption	January 1, 1932
Area (square miles)	26
Miles of Street	480
Number of Street Lights	15,306
<u>Fire Protection:</u>	
Number of Stations	10
Training Academy	1
Number of Employees	306
<u>Police Protection:</u>	
Number of Employees: Police Department	473
Number of Employees: Sheriff/ Jail and Courts	273
<u>Education:</u>	
Attendance Centers	34
Number of Classrooms	1,720
Number of Teachers	1,981
Number of Students	18,400
<u>County Water System:</u>	
Number of consumer service locations	36,567
Average daily consumption (gallons)	26,600,000
Miles of water mains	525
<u>County Sewer System:</u>	
Miles of sanitary sewers	470
Average gallons per day treated	26,800,000
System capacity under construction (gallons per day)	10,000,000
<u>Building Permits:</u>	
Construction Permits	4,114
Plumbing, Electrical & Mechanical Permits	7,807
Fire Permits	1,096
Elevator Permits	96
<u>Recreation and Culture:</u>	
Number of Parks and Mini-Parks	128
Number of Libraries	7
Number of Items (Print and Audiovisual)	554,953
Number of Recreation Centers	14
Number of Nature Centers	2
Numer of Historical Sites	2
<u>Employees:</u>	
General Government	3,714
School System	3,620

TABLE XVII

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND BALANCE
Fiscal Year 1997 - 2005

	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund Balance:									
Reserved for									
Encumbrances	\$ 1,501,400	\$ 2,267,661	\$ 3,832,468	\$ 6,424,347	\$ 4,649,576	\$ 4,237,700	\$ 3,517,687	\$ 4,037,272	\$ 4,293,596
Woodbury Park	200,000	200,000	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Four Mile Run	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Unreserved									
Designated for Self Insurance	2,600,000	2,600,000	2,600,000	3,000,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Designated for Operating Reserve	7,600,000	8,600,000	10,100,000	11,500,000	12,500,000	12,600,000	13,400,000	14,400,000	15,200,000
Designated for Subsequent Years Budget	7,315,694	4,496,233	1,534,371	6,683,515	15,746,738	15,839,137	17,041,997	24,240,645	6,295,614
Designated for Incomplete Projects	11,500,298	14,816,480	9,829,119	14,641,370	29,149,242	27,024,978	21,241,614	15,497,638	20,310,166
Total General Fund Balance	\$ 31,217,392	\$ 33,480,374	\$ 28,395,958	\$ 42,749,232	\$ 66,045,556	\$ 63,701,815	\$ 59,201,298	\$ 62,175,555	\$ 50,099,376
General Fund Balance as Percent of General Fund Expenditures and Other Financing Sources	7.04%	7.37%	5.61%	9.64%	12.21%	17.11%	14.56%	15.08%	11.32%

(1) Woodbury Park obligation satisfied in FY 1999.

ARLINGTON COUNTY, VIRGINIA
 BUSINESS AND PROFESSIONAL LICENSE TAX REVENUES
 Fiscal Years 1995 - 2005

TABLE XVIII

Fiscal Year	Revenues	Percent Change
1995	34,841,487	1.90%
1996	34,572,393	-0.77%
1997	35,145,120	1.66%
1998	35,879,079	2.09%
1999	35,883,073	0.01%
2000	41,018,179	14.31%
2001	41,749,809	1.78%
2002	45,661,097	9.37%
2003	43,206,157	-5.38%
2004	45,090,463	4.37%
2005	45,699,044	1.35%



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, 2005, and have issued our report thereon dated October 14, 2005. 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 14, 2005

Offices in 13 states and Washington, DC





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

The Honorable Members of the County Board
Arlington County, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Arlington County, Virginia (the County) as of and for the year ended June 30, 2005, which collectively comprise Arlington County, Virginia's basic financial statements, and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications of Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the County in a separate letter dated October 14, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or

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

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

Clifton Gundersen LLP

Calverton, Maryland
October 14, 2005

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

The Honorable Members of the County Board
Arlington County, Virginia

Compliance

We have audited the compliance of Arlington County, Virginia (County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

Clifton Gunderson LLP

Calverton, Maryland
October 14, 2005

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

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	\$44,342
Refugee School Impact	93.576	13,637
Social Services Block Grant (Purchased Services) (765/453-01)	93.667	1,389,427
(Medical Assistance)	93.778	747,042
(Child Care Purchased Services)	93.596	1,177,241
(View Purchased Services)	93.558	865,189
Child Care Development Block Grant (102-586)	93.575	1,742,883
Special Needs Child Care	93.575	32,537
FAMIS Outreach Grant	93.767	26,022
ILP Education & Training Vouchers	93.599	30,589
Family Preservation	93.556	61,777
Independent Living	93.674	17,682
Caring Education	93.995	302,586
Foster Care & Adoptions (765/453-01)		
Foster Care	93.658	2,169,771
Adoption Incentive	93.603	6,964
Adoption	93.659	300,059
Fuel Assistance Program(765/452-06)	93.568	6,095
Total Department of Social Services		<u>8,933,843</u>
Department of Health Services:		
Medical Reserve Group	93.008	51,569
Immunization Grant	93.268	55,667
Refugee Grant	93.576	17,983
TB Outreach Grant	93.116	128,984
Rape Grant (Victims of Violence)	16.582	28,263
Rape Prevention and Education	93.136	31,754
Total Department of Health Services		<u>314,220</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	60,331
Mental Health -Seriously mentally III	93.958	29,000
SA HIV Aids FBG	93.959	24,658
SA Treatment FBG	93.959	420,946
SA SARPOS FBG	93.959	95,182
SA Primary Prevention	93.959	184,600
HHS Mental Health (Schools)	93.243	347,919
Total Mental Health Mental Retardation and Substance Abuse		<u>1,162,636</u>
Department for the Aging		
Older Americans Act		
Title III-B-Area Plan	93.044	191,711
Title III-C-Nutrition	93.045	115,988
Title III-D-Disease Prevention	93.046	2,000
Title III-E- National Family Caregiver Support	93.052	37,193
Title VII-Elder Abuse Prevention	93.041	1,807
Senior Medicare Patrol Project	93.048	5,377
Health Insurance Counseling & Assistance	93.779	16,200
Total Department for the Aging - OAA		<u>370,276</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>\$10,780,975</u>

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Federal Payments		
Community Development Grants		
Twentieth Entitlement(B94UC51002)	14.218	\$4,000
Twenty-first Entitlement(B95UC51002)	14.218	3,957
Twenty-third Entitlement(B97UC51002)	14.218	6,140
Twenty-fourth Entitlement(B98UC51002)	14.218	3,875
Twenty-fifth Entitlement(B99UC51002)	14.218	11,742
Twenty-sixth Entitlement(B00UC51002)	14.218	35,578
Twenty-seventh Entitlement(B00UC51002)	14.218	20,458
Twenty-eighth Entitlement(B01UC51002)	14.218	2,399
Twenty-ninth Entitlement(B03UCS51002)	14.218	12,796
Thirtieth Entitlement(B04UC51002)	14.218	<u>1,949,159</u>
Total Community Development Grants		<u>2,050,104</u>
Section 8 Housing Assistance-		
New Construction(VAO28NCOOO4)	14.182	115,084
Substantial Rehab(VAO28SBOO3)	14.182	688,738
Moderate Rehab(VAO28MROO1-OO5)	14.856	338,033
Voucher Program(VAO28VO015-023)	14.855	<u>11,691,750</u>
Total Section 8 Housing Assistance		<u>12,833,605</u>
HUD-Federal Emergency Shelter Grant	14.231	82,047
HUD-Transitional Housing Grant	14.235	100,112
HUD-Shelter Plus Care	14.235	64,303
HUD-Adopt-A-Family	14.235	212,750
HUD-HOPWA	14.240	<u>169,697</u>
Total HUD Grant		<u>628,909</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u><u>\$15,512,618</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, 2005

	Federal Catalogue Number	Expenditures
DEPARTMENT OF EDUCATION		
Pass Through Payments:		
Department of Education		
Title I- Delinquent Children	84.013	\$110,049
Elementary and Secondary Education Act-		
Title I (197/171/01)	84.010	2,395,047
Public Law 94-142 Handicapped Program		
(197/171-02)	84.027	3,745,012
Adult Basic Education(197/192-02)	84.002	346,802
Learning and Library Resources-		
Title V (Elementary & Secondary Education Act)		
(197/171/01)	84.298	198,355
Pre-School Incentive	84.173	150,795
Title III, Part A (NCLB) Emergency Immigration		
(197/171-06)	84.365	530,091
Title IIEESA,Teacher Education		
(197/560-11)	84.281	81,336
Title IV Drug-Free Schools (NCLB)		
(197/171-05)	84.186	63,090
Vocational Education Act - Carl D Perkins PL-101-392	84.048	244,984
Education for Homeless Children & Youth (Stuart B McKinney	84.196	69,445
ESL/Civics Grant	84.002	68,806
Title II, Part A Class Size Reduction (NCLB)	83.367	514,822
Title II, Part A Add-on (NCLB)	84.367	125,046
Title II, Part D Ed Tech (NCLB)	84.318	73,833
Even Start	84.213	207,917
Physical Educators for Progress	84.215F	91,922
Title 1 Reading First	84.357	195,442
Total State Pass Through Payments		9,212,794
Total Department of Education		\$ 9,212,794

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF LABOR		
Pass Through Payments:		
Department of Social Services		
Work Investment Act		
WIA-Admin. Fund	17.258	\$70,744
WIA-Adult	17.258	168,454
WIA-Youth	17.259	164,488
WIA-Dislocated	17.260	272,683
WIA-Rapid Response	17.260	88,397
National Emergency Grant	17.260	<u>203,748</u>
Total Department of Social Services		<u>968,514</u>
Department for the Aging		
Senior Community Services Employment		
Program-Title V, OAA(163/455-04)		
(197/560-11)	17.235	<u>132,647</u>
Total Department of Labor		<u><u>\$1,101,161</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, 2005

	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE		
Pass Through Payments:		
Department of Education-		
National School Lunch Program (197/457-02)	10.555	\$2,305,847
National School Breakfast Program	10.553	542,945
Parent/Teen Infant	10.555	21,732
Sub total		2,870,524
Dept. Agriculture and Consumer Services		
USDA Donated Commodities	10.555	156,554
WIC Grant	10.577	406,640
Administrative Matching Grants for Food Stamps	10.561	1,748,596
Sub total		2,311,790
Department for the Aging		
Older Americans Act Title III USDA (163/457-02)	10.570	79,155
Total Pass Through Payments		5,261,469
Total Department of Agriculture		\$5,261,469
DEPARTMENT OF JUSTICE		
Direct Federal Payments:		
Seized Assets	16.000	\$169,077
Metropolitan Area Task Force (MATF)	16.000	1,575,394
High Intensity Drug Trafficking Area (HIDTA)	16.000	4,906,073
High Intensity Drug Residential Treatment	16.000	142,304
2002 Local Law Enforcement Block Grant	16.529	57,132
2004 Local Law Enforcement Block Grant	16.529	22,957
COPS Technology 2003 Grant	16.710	127,137
State & Local Law Emergency Preparedness Grant	16.580	2,442,272
Law Enforcement Tribute Grant	16.580	37,790
Congressional Mandated Grant (Moran Grant)	16.580	151,181
Total Department of Justice		\$9,631,317

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

	Federal Catalogue Number	Expenditures
OTHER FEDERAL ASSISTANCE		
Direct Federal Payments:		
Air Force Junior Reserve Officer Training	12.000	\$52,049
PL103-382 Bilingual Education Act	84.288	\$17,316
Gear up Program	84.334	842,467
Adventure of the American Mind	84.244	474,080
Early Intervention	84.181	341,194
Total Direct Federal Payments		1,727,106
Pass Through Payments:		
Department of Fire Programs		
Urban Area Security Initiative (USAI)	97.008	1,629,177
FEMA Reimbursement for Emergency Preparedness	97.004	23,538
Dept. of Defense-Pentagon Force Protection Agency	12.000	94,841
National Medical Response Team (NMRT)	97.000	176,328
FEMA Reimbursement for Hurricane Charlie (FROM OEM)	97.000	55,159
Total State Pass Through Payments		1,979,043
Office of Emergency Management		
Office of Domestic Preparedness	97.004	402,002
DHS State Homeland Security Grant	97.073	353,784
Hazardous Mitigation C1 Secure Trades Center	97.039	303,945
Hazardous Mitigation C2 Scanning of Street	97.039	30,464
Hazardous Mitigation C6 Fire Station Security	97.039	335,572
Hazardous Mitigation C7 Locks at Water Pump	97.039	88,775
Hazardous Materials C 10 & S7 Justice Center	97.039	151,044
Hazardous Mitigation S6 Critical Structure Planning	97.039	18,212
Hazardous Mitigation S8 Water Reservoir	97.039	21,696
Metropolitan Medical Response System	97.071	189,211
Total State Pass Through Payments		1,894,705
Total Other Federal Assistance		\$ 5,600,854
TOTAL FEDERALLY ASSISTED PROGRAMS		\$57,101,188

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2005

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, 2005**

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:	HUD- Community Development Block Grant (CFDA # 14.218) DOE – Public Law Handicapped Program (CFDA # 84.027) DOJ– State & Local Emergency Preparedness Grant (CFDA #16.580) DOA-Administrative Match for Food Stamps (CFDA #10.561) DOJ-High Intensity Drug Trafficking Area (CFDA # 16.00)
Dollar threshold used to distinguish between Type A and Type B programs:	1,713,000
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